

Stock Code : 02611 Stock Name : GTJA

2020 GUOTAIJUNAN INTERIM REPORT

國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.
(A joint stock company incorporated in the
People's Republic of China with limited liability)



國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.

Important Notice

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that the contents of the interim report (the “Report”) are true, accurate and complete, without any misrepresentation, misleading statement or material omission, and severally and jointly bear the legal responsibilities thereof.

The Report has been considered and approved by the seventeenth meeting of the fifth session of the Board.

The Absent Directors

Positions held by the absent directors	Names of the absent directors	Reasons given by the absent directors	Names of proxies
Non-executive Director	WANG Wenjie	Business engagement	LIN Facheng.

The Audit Committee has reviewed and confirmed the interim results of the Group for the six months ended 30 June 2020, and has not raised any objection to the accounting policies and practices adopted by the Group.

The 2020 interim financial report of the Company prepared in accordance with the International Accounting Standards has not been audited but has been reviewed by KPMG.

HE Qing, the person in charge of the Company, and XIE Lebin, the person in charge of the accounting affairs and the person in charge of the accounting department (head of the accounting department) of the Company, warrant the truthfulness, accuracy and completeness of the interim financial report.

The Company had no profit distribution proposal or proposal on conversion of capital reserve fund into capital for the first half of 2020.

Statement of the risks involved in forward-looking statements

Applicable Not applicable

Forward-looking statements included in the Report, including future plans and development strategies, do not constitute a substantial commitment of the Company to investors. Investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

Important Notice

Was there any appropriation of funds on a non-operating basis by controlling shareholders of the Company or their related parties?

No

Did the Company provide any external guarantees in violation of the prescribed decision-making procedures?

No

MAJOR RISK WARNING

The risks faced by the Company in its operations mainly include: market risk, credit risk, liquidity risk, operational risk and reputational risk, which are specifically embodied as the risk of loss to the Company due to unfavorable changes of market prices; risk of loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuer, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity; risk of not being able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation; risk of possible loss caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events; and risk of negative evaluation of the Company's reputation due to the Company's operation, management and other behaviors or external events.

The Company has established an effective internal control system, compliance management system and a dynamic regulatory system based on risk control indicators to ensure that the operations of the Company are conducted within an extent of predictable, controllable and tolerable risks.

Investors are advised to read the "Report of the Directors" as set out in Section IV of the Report carefully for risks related to the operations of the Company.

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Section I Definitions

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

Definitions of frequently-used terms

the Company/Company/Guotai Junan	Guotai Junan Securities Co., Ltd.
the Group/Group	Guotai Junan Securities Co., Ltd. and its subsidiaries
Articles of Association	the articles of association of Guotai Junan Securities Co., Ltd.
Share(s)	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising of A Shares and H Shares
Shareholder(s)	holder(s) of the Share(s) of the Company
Board/Board of Directors	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor(s)	the supervisor(s) of the Company
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Shanghai Bureau of the CSRC	Shanghai Office of the China Securities Regulatory Commission
SAC	Securities Association of China (中國證券業協會)
SSE/Shanghai Stock Exchange	Shanghai Stock Exchange
SZSE/Shenzhen Stock Exchange	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
International Group	Shanghai International Group Co., Ltd. (上海國際集團有限公司)
Shanghai SA	Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)
Shenzhen Investment Holdings	Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司)
Guotai Junan Asset Management	Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司)
Guotai Junan Futures	Guotai Junan Futures Co., Ltd. (國泰君安期貨有限公司)
Guotai Junan Financial Holdings	Guotai Junan Financial Holdings Co., Ltd. (國泰君安金融控股有限公司)
Hong Kong Companies	Guotai Junan Financial Holdings Co., Ltd. and its controlled subsidiaries
Guotai Junan International	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), controlled by Guotai Junan Financial Holdings Co., Ltd. and a public company listed on the Hong Kong Stock Exchange
Guotai Junan Innovation Investment	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司)
Guotai Junan Zhengyu	Guotai Junan Zhengyu Investment Co., Ltd. (國泰君安證裕投資有限公司)
Shanghai Securities	Shanghai Securities Co., Ltd. (上海證券有限責任公司)

Section I Definitions

Hicend Futures	Hicend Futures Co., Ltd. (海證期貨有限公司)
HuaAn Funds	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司)
Guoxiang Properties	Shanghai Guoxiang Properties Co., Ltd. (上海國翔置業有限公司)
SPD Bank	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)
Shanghai Rural Commercial Bank	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司)
Convertible Bonds/ A Share Convertible Bonds	the convertible corporate bonds (which can be converted into the Company's A Shares) amounting to RMB7 billion issued by the Company on 7 July 2017 and listed on Shanghai Stock Exchange on 24 July 2017
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
SSE Listing Rules	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified otherwise from time to time
Reporting Period	the first half of 2020
Yuan	RMB Yuan
A Shares	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and are traded in RMB
H Shares	overseas listed foreign shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
FICC	Fixed Income, Currencies and Commodities
Daohe APP	APP serving corporate and institutional customers
Matrix System	the corporate and institutional customers management system
Jun Hong APP	APP serving retail customers
Jun Hong Bai Shi Tong	the retail customers management system

Section II Company Profile and Key Financial Indicators

I. PROFILE

Name in Chinese	國泰君安證券股份有限公司
Abbreviation in Chinese	國泰君安
Name in English	Guotai Junan Securities Co., Ltd.
Abbreviation in English	GTJA, Guotai Junan Securities
Legal Representative	HE Qing
General Manager	WANG Song

Registered Capital and Net Capital of the Company

Unit: thousand yuan Currency: RMB

	At the end of the Reporting Period	At the end of last year
Registered Capital	8,907,948	8,907,948
Net Capital	89,338,264	85,971,493
Share Capital ^{Note}	<u>8,907,949</u>	<u>8,907,948</u>

Note: From July 2019 when the Company completed the change of registered capital to the end of the Reporting Period, the cumulative number of Shares converted from the A Share Convertible Bonds of the Company was 614 Shares, and the share capital of the Company increased to 8,907,948,568 Shares. The Company will apply for registering the change of the registered capital in a timely manner in accordance with the relevant requirements.

Business Qualifications for Each Individual Business of the Company

Applicable Not applicable

1. Individual Business Qualifications of the Company

No.	Approval Department	Qualification Name/Membership
1	The People's Bank of China	Interbank Borrowing Qualification (Yin Huo Zheng [2000] No. 122, Yin Zong Bu Han [2016] No. 22) Interbank Bonds Market Maker (Yin Fa [2004] No. 157) Participation of Gold Trading on Shanghai Gold Exchange as an Institutional Dealer (Yin Shi Huang Jin Bei [2014] No. 143) Free Trade Accounting Business (August 2015)
2	CSRC and its local branches	Operation license of securities businesses: securities brokerage; securities investment advisory; securities transaction and securities investment related financial advisory; securities underwriting and sponsorship; securities proprietary trading; margin financing and securities lending; agency sale of securities investment fund; agency sale of financial products; stock option market making. (Number: 10270000) Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No. 3)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
		Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2002] No. 31)
		Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 124, Hu Zheng Jian Ji Gou Zi [2010] No. 103)
		Participating in Stock Index Futures Transaction (Hu Zheng Jian Ji Gou Zi [2010] No. 253)
		Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2011] No. 573, Shang Zheng Han [2013] No. 257)
		Agreed Repurchase Securities Trading Business (Ji Gou Bu Bu Han [2012] No. 250)
		Integrated Financial Services (Ji Gou Bu Bu Han [2012] No. 555)
		Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2013] No. 311)
		Agency Sale of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No. 56)
		Pilot of Agency Services for Gold and Other Precious Metal Spot Contracts and Proprietary Business for Gold Spot Contracts (Ji Gou Bu Bu Han [2014] No. 121)
		Qualification for Securities Investment Fund Custody Business (Zheng Jian Xu Ke [2014] No. 511)
		Foreign Exchange Business such as Proprietary Foreign Exchange Trading and Foreign Exchange Settlement and Sale on behalf of Customers, Proprietary Foreign Exchange Trading and Foreign Exchange Trading on behalf of Customers (Zheng Quan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1614)
		Stock Options Market Making Business (Zheng Jian Xu Ke [2015] No. 154)
		Proprietary Participation in Carbon Emissions Trading (Ji Gou Bu Han [2015] No. 862)
		Conducting Cross-border Business at Pilot (Ji Gou Bu Han [2017] No. 3002)
		First-class Dealer for Over-the-counter Options (Ji Gou Bu Han [2018] No. 1789)
		Qualifications to Conduct Credit Derivative Business (Ji Gou Bu Han [2018] No. 2545)
		Stock Index Options Market Making Business (Zheng Jian Hui Ji Gou Bu Han [2019] No. 3066)
		Conducting Fund Investment Advisory Business at Pilot (Ji Gou Bu Han [2020] No. 385)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
3	SAC	<p>Qualification for Participating in Related Innovation Activities (February 2005)</p> <p>Pilot of Underwriting Business of SME Private Placement Bonds (Zhong Zheng Xie Han [2012] No. 378)</p> <p>OTC Trading Business (Zhong Zheng Xie Han [2012] No. 825)</p> <p>Financial Derivatives Business (Zhong Zheng Xie Han [2013] No. 1224)</p>
4	China Securities Depository and Clearing Corporation Limited	<p>Agency Registration Business (April 2002)</p> <p>Clearing Participant (Zhong Guo Jie Suan Han Zi [2006] No. 67)</p> <p>Class A Clearing Participant (Zhong Guo Jie Suan Han Zi [2008] No. 24)</p>
5	China Securities Finance Corporation Limited	<p>Pilot Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 116)</p> <p>Pilot Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 45)</p> <p>Science and Technology Innovation Board Securities Refinancing Business (Zhong Zheng Jin Han [2019] No. 130)</p>
6	Shanghai Stock Exchange/ Shenzhen Stock Exchange	<p>Treasury Bonds Outright Repo Business (December 2004)</p> <p>Carrying out the Business of "SSE Fund Connect (上證基金通)" (July 2005)</p> <p>First-class Dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (March 2006)</p> <p>Trader of Integrated Electronic Platform for Fixed Income Securities (Shang Zheng Hui Han [2007] No. 90)</p> <p>Qualified Investor of Block Trade System (No. A00001)</p> <p>Stock Pledge Repo Business (Shang Zheng Hui Zi [2013] No. 64, Shen Zheng Hui [2013] No. 58)</p> <p>Participant for Trading of Stock Options (Shang Zheng Han [2015] No. 66)</p> <p>SSE 50ETF Options Market Maker (Shang Zheng Han [2015] No. 212, Shang Zheng Gong Gao [2015] No. 4)</p> <p>Southbound Business (Shang Zheng Han [2014] No.654, Shen Zheng Hui [2016] No. 326)</p> <p>Core Dealer of Credit Protection Contract (Shang Zheng Han [2019] No. 205)</p> <p>Business Qualification as Lead Market Maker of Listed Funds (Shang Zheng Han [2019] No. 1288)</p> <p>Credit Protection Certificate Creation Agency (Shang Zheng Han [2019] No. 2253)</p> <p>Stock Option Business (Shen Zheng Hui [2019] No. 470)</p> <p>CSI 300ETF Options Lead Market Maker Business (Shang Zheng Han [2019] No. 2303, Shen Zheng Hui [2019] No. 483)</p>

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
7	State Administration of Foreign Exchange	Securities Brokerage and Underwriting Business of Foreign Currency (Hui Zi Zi No. SC201221) Transactions of Spot Sale and Purchase of Foreign Exchange, RMB and Foreign Exchange Related Derivative Business and Qualified Domestic Institutional Investor for Sale and Purchase of Foreign Exchange (Hui Fu [2014] No. 325) Filling for Businesses, such as Quanto Product Settlement and Sale, Foreign Exchange Settlement and Sale for QFII Custody Customer, Foreign Exchange Trading on behalf of Customers (Hui Zong Bian Han [2016] No. 505) Handling the Sale and Purchase of Foreign Exchange for the customers engaging in cross-border investment and financing transactions(Hui Zong Bian Han [2020] No. 469)
8	National Association of Financial Market Institutional Investors	Main Underwriting Business of Debt Financing Instruments for Non-Financial Businesses (Announcement of National Association of Financial Market Institutional Investors [2012] No. 19) Core Dealer of Credit Risk Mitigation Instruments (December 2016) Creator of Credit Risk Mitigation Warrants (2017) Creator of Credit-linked Notes (2017)
9	Shanghai Gold Exchange	Special Membership Qualification (Certificate No.: T002) International Membership (Class A) Qualification (Certificate No.: IM0046) Qualification for Proprietary Gold Trading (Shang Jin Jiao Fa [2013] No. 107) Interbank Gold Price Inquiries Business (Shang Jin Jiao Fa [2014] No. 114) Pilot Member of Implied Volatility Curve Quotation Group for Gold Inquiry Options (November 2017)
10	National Equities Exchange and Quotations	Sponsoring Broker-dealers Market Making Business (Gu Zhuan Xi Tong Han [2013] No. 58, [2014] No. 706)
11	China Foreign Exchange Trading Center	China Interbank FX Market Membership (Zhong Hui Jiao Fa [2015] No. 3) China Interbank FX Market Derivatives Membership (Zhong Hui Jiao Fa [2015] No. 59) Northbound Trading Link Business under “Bond Connect” (July 2017) Inter-bank Foreign Currency Market Membership (Zhong Hui Jiao Fa [2018] No. 412) Interbank Interest Rate Exchange Fixing (Closing) Curve Quote Agency (November 2019)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
12	Interbank Market Clearing House Company Limited	Central Clearing Transaction of Shipping and Commodities Derivatives (Zhun Zi [2015] No. 016 for Membership of Clearing House) Business of Liquidation Agency of RMB Interest Rate Swap (2018 Bian Han No. 8, Qing Suan Suo Fa [2018] No. 30) Business of Central Clearing for Credit Default Swap (2018 Bian Han No. 29) Comprehensive Clearing Member for the Business of Central Clearing of Standard Bond Forwards (Qing Suan Suo Fa [2018] No. 193)
13	Shanghai Futures Exchange	Copper Options Market Maker (September 2018) Nickel Futures Market Maker (October 2018)
14	Shanghai International Energy Exchange	Crude Futures Market Maker (October 2018)
15	Asset Management Association of China	Filing Certificate of Private Equity Outsourcing Institutions (Filing No. A00005)
16	China Financial Futures Exchange	CSI 300 Stock Index Options Market Maker (December 2019)
17	Shanghai Commercial Paper Exchange Corporation Ltd	Access into the Chinese commercial paper trading system (July 2020)

2. Individual Business Qualifications of the Controlled Subsidiaries

No.	Name of subsidiary	Qualification Name/Membership
1	Hong Kong Subsidiaries	Issued by the Securities and Futures Commission of Hong Kong Type 1 (dealing in securities) (30 March 2004) Type 2 (dealing in futures contracts) (26 November 2010) Type 3 (leveraged foreign exchange trading) (21 October 2010) Type 4 (advising on securities) (20 March 2004) Type 5 (advising on futures contracts) (26 November 2010) Type 6 (advising on corporate finance) (20 March 2004) Type 9 (asset management) (26 November 2004) Issued by The Stock Exchange of Hong Kong Limited Exchange Trading Right Certificate (July 2000) Exchange Participant Certificate (13 August 2001) Hong Kong Options Market Maker (2 October 2019) Hong Kong Derivative Warrant Issuer (31 October 2019) Market-maker Permit for Securities (Exchange-Traded Funds) (31 December 2019)

Section II Company Profile and Key Financial Indicators

No.	Name of subsidiary	Qualification Name/Membership
		<p>Issued by Hong Kong Futures Exchange Limited Exchange Participant Certificate and Exchange Trading Right Certificate (6 March 2000)</p> <p>Issued by HKFE Clearing Corporation Limited Participant Certificate of Future Clearing Company (6 March 2000)</p> <p>Issued by Hong Kong Companies Registry Money Lender License (25 January 2020)</p> <p>Issued by China Securities Regulatory Commission Qualified Overseas Institutional Investors (21 February 2013) RMB Qualified Overseas Institutional Investors (11 August 2014) Permit for Securities and Futures Operation Business (December 2017)</p> <p>Issued by the Hong Kong Confederation of Insurance Brokers Membership Certificate (1 March 2013)</p> <p>Issued by Monetary Authority of Singapore Registered Fund Management Company Qualification (12 October 2015) License for Capital Market Services (8 October 2018)</p> <p>Issued by the Hong Kong Mandatory Provident Fund Schemes Authority Principal Intermediary Qualification (20 December 2012)</p> <p>Approved by the Shanghai headquarters of The People's Bank of China "Bond Connect" Overseas Investors Business (2017)</p> <p>Shanghai International Gold Exchange Class B International Membership (2020)</p>
2	Guotai Junan Asset Management	<p>Operation permit of securities business: securities asset management business. (Number: 10278001)</p> <p>Qualified Domestic Institutional Investor Participating in Administration of Overseas Securities Investment (Zheng Jian Ji Gou Zi [2010] No. 631)</p> <p>Asset Management Business Participating in the Trading of Stock Index Futures (Hu Zheng Jian Ji Gou Zi [2011] No. 38)</p> <p>Pilot of Cash Management Products (Zheng Jian Xu Ke [2012] No. 828)</p>

Section II Company Profile and Key Financial Indicators

No.	Name of subsidiary	Qualification Name/Membership
3	Guotai Junan Futures and its subsidiaries	<p>Permit for Securities and Futures Operation Business (No. 913100001000207111)</p> <p>Comprehensive Settlement Business for Financial Futures (Zheng Jian Qi Huo Zi [2007] No. 148)</p> <p>Qualification for Futures Investment Consulting Business (Zheng Jian Xu Ke [2011] No. 1449)</p> <p>Asset Management Business (Zheng Jian Xu Ke [2012] No. 1506)</p> <p>Financing Contracts Services, Basis Trading, Cooperation, Hedge Pricing Services (Zhong Qi Xie Bei Zi [2015] No. 67)</p> <p>Membership Qualification of Shanghai International Energy Exchange (Shang Neng Pi Fu [2017] No. 105)</p> <p>Participant for Trading of Stock SSE Options (Shang Zheng Han [2018] No. 63)</p> <p>Market Making Business (Zhong Qi Xie Bei Zi [2018] No. 41)</p> <p>Dealer for Over-the-counter Options Business (August 2018)</p> <p>Commodity Exchange Business (Da Shang Suo Fa [2018] No. 494)</p> <p>Stock Options Business (Shen Zheng Han [2019] No. 722)</p> <p>Copper Options Market Maker, Gold Futures Market Makers, Corn Options Market Maker, Fuel Oil Futures Market Maker, No. 20 Rubber Futures Market Maker, Tin Futures Market Maker, Iron Ore Options Market Maker, Gold Options Market Maker, PTA Options Market Maker, Methanol Options Market Maker (2019)</p> <p>Linear Low Density Polyethylene Futures Market Maker, Styrene Futures Market Maker, Linear Low Density Polyethylene Options Market Maker, Polyvinyl Chloride Options Market Maker, Polypropylene Options Market Maker, Deformed Steel Bar Futures Market Maker, Natural Rubber Futures Market Maker, Soy Oil Futures Market Maker, Palm Oil Futures Market Maker, Corn Starch Futures Market Maker, Japonica Rice Futures Market Maker, Low Sulphur Fuel Oil Futures Market Maker (2020)</p>
4	Shanghai Securities and its subsidiaries	<p>Operation permit of securities businesses: securities brokerage; securities investment advisory; securities transaction and securities investment activities related financial advisory; securities (excluding stocks, corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; margin financing and securities lending; securities investment fund agency sales; agency sales of financial products. (Number: 10710000)</p> <p>Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No. 8)</p> <p>Entrusted Investment Management Business (Zheng Jian Ji Gou Zi [2002] No. 203)</p> <p>Interbank Borrowings Business (Yin Fu [2003] No. 68, Yin Zong Bu Han [2013] No. 79)</p> <p>Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2004] No. 74)</p> <p>SSE Treasury Bonds Outright Repo Business (December 2004)</p> <p>Clearing Participant of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2006] No. 61)</p>

Section II Company Profile and Key Financial Indicators

No.	Name of subsidiary	Qualification Name/Membership
		Class A Clearing Participant of China Securities Depository and Clearing Corporation Limited (February 2008) Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 1039, Hu Zheng Jian Ji Gou Zi [2010] No. 133) Qualification for Participating in Related Innovation Activities (December 2005) No Objection Letter on Implementation of Broker System by Shanghai Securities (Zheng Jian Ji Gou Zi [2009] No. 260) Pilot of Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2012] No. 596) Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2012] No. 621) Foreign Currency Securities Brokerage Business (Hui Zi No. SC201211) Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 25) Agreed Repurchase Securities Trading Entitlement (Shang Zheng Hui Zi [2013] No. 22, Shen Zheng Hui [2013] No. 15) Stock Collateral Repo Trading Entitlement (Shang Zheng Hui Zi [2013] No.137, Shen Zheng Hui [2013] No. 73) Agency Sale of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No.19) Sponsoring Broker-dealer Business Filing Letter (Gu Zhuan Xi Tong Han [2013] No. 80, [2014] No. 724) Qualification for participant of the Trader Quote Requests and Market Maker Quote Mechanisms (business entitlement: investment, agency transaction, innovation and design, recommendation, exhibition) Business for Hong Kong Stock Connect (Shang Zheng Hui Han [2014] No. 367, Shen Zheng Hui [2016] No. 330) Participant of Stock Option Trading of Shanghai Stock Exchange (Shang Zheng Han [2015] No. 78) Option Settlement Business (Zhong Deng Jie Suan Han Zi [2015] No. 51) Operation Permit of Futures Business: commodity futures brokerage, financial futures brokerage, futures investment consulting (Number: 31390000) Asset Management Business (Zhong Qi Xie Bei Zi [2015] No. 5) Asset Management Direct Selling System Business Qualification Acting Securities Pledge Registration Business Qualification Stock Options Business (Shen Zheng Hui [2019] No. 470)
5	Guotai Junan Innovation Investment	Qualification for Private Equity Fund Manager (No.: PT2600011780)

Section II Company Profile and Key Financial Indicators

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities Affairs Representative
Name	YU Jian	LIANG Jing
Contact address	No. 768, Nanjing West Road, Jingan District, Shanghai	No. 768, Nanjing West Road, Jingan District, Shanghai
Telephone	021-38676798	021-38676798
Facsimile	021-38670798	021-38670798
E-mail	dshbgs@gtjas.com	dshbgs@gtjas.com

III. CHANGE IN BASIC INFORMATION

Registered address of the Company	No. 618, Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC
Postal codes of registered address of the Company	200120
Office address of the Company	No. 768 Nanjing West Road, Jingan District, Shanghai
Postal codes of office address of the Company	200041
Company website	http://www.gtja.com/
E-mail	dshbgs@gtjas.com
Query index of changes during the Reporting Period	Not applicable

IV. INFORMATION DISCLOSURE AND UPDATE ON LOCATION FOR INSPECTION OF DOCUMENTS

Name of newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the CSRC for publication of interim report	http://www.sse.com.cn/
Website designated by the Hong Kong Stock Exchange for publication of interim report	http://www.hkexnews.hk/
Location for inspection of interim report of the Company	No. 768 Nanjing West Road, Jingan District, Shanghai
Query index of changes during the Reporting Period	Not applicable

Section II Company Profile and Key Financial Indicators

V. SHARES OF THE COMPANY

Type of share	Listing venue	Stock name	Stock code	Stock name before change
A Share	Shanghai Stock Exchange	國泰君安	601211	Not applicable
H Share	Hong Kong Stock Exchange	GTJA	02611	Not applicable

VI. OTHER INFORMATION OF THE COMPANY

Applicable Not applicable

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key financial data

Unit: thousand yuan Currency: RMB

Key financial indicators	Reporting Period		Movement during the Reporting Period compared with the corresponding period of last year (%)
	(January to June)	Corresponding period of last year	
Total revenue and other income	20,848,145	18,318,179	13.81
Operating profit	7,325,537	6,724,140	8.94
Profit before income tax	7,354,519	6,866,837	7.10
Profit for the period attributable to equity holders of the Company	5,453,713	5,020,115	8.64
Net cash generated from operating activities	-15,544,131	9,122,641	N/A
Basic earnings per share (RMB/share)	0.58	0.54	7.41
Diluted earnings per share (RMB/share)	0.58	0.53	9.43
Weighted average return on net assets (%)	4.16	4.03	Increased by 0.13 percentage points

Section II Company Profile and Key Financial Indicators

	At the end of the Reporting Period	At the end of last year	Movement at the end of the Reporting Period compared with the end of last year (%)
Total assets	623,022,247	559,314,278	11.39
Total liabilities	481,714,734	413,220,455	16.58
Equity attributable to equity holders of the Company	132,266,977	137,501,490	-3.81
Share capital	8,907,949	8,907,948	0.00
Net assets per share attributable to equity holders of the Company	14.96	15.44	-3.11
Gearing ratio (%)	70.67	67.50	Increased by 3.17 percentage points

Note 1: Gearing ratio = (total liabilities – clients’ fund)/(total assets – clients’ fund)

Note 2: As of 30 June 2020, equity attributable to equity holders of the Company, share capital and treasury shares amounted to RMB132.267 billion, 8.908 billion shares and 68 million shares, respectively, and net assets per share attributable to equity holders of the Company amounted to RMB14.96 as calculated by the formula “net assets per share = equity attributable to equity holders of the Company/share capital (net of treasury shares)”.

Section II Company Profile and Key Financial Indicators

(II) Net capital and risk control indicators of the parent company

Unit: thousand yuan Currency: RMB

Item	At the end of the Reporting Period	At the end of last year
Net capital	89,338,264	85,971,493
Net assets	119,989,759	126,344,316
Risk coverage ratio (%)	301.52	271.23
Capital leverage ratio (%)	28.36	19.97
Liquidity coverage ratio (%)	314.52	258.18
Net stable funding ratio (%)	146.58	146.85
Net capital/Net assets (%)	74.45	68.05
Net capital/Liabilities (%)	39.84	40.53
Net assets/Liabilities (%)	53.51	59.57
Equity securities and derivatives held/Net capital (%)	29.33	41.75
Non-equity securities and derivatives held/Net capital (%)	241.41	194.63

VIII. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Applicable Not applicable

IX. OTHERS

Applicable Not applicable

Section III Summary of Businesses of the Company

I. DESCRIPTION OF PRINCIPAL BUSINESSES, OPERATING MODEL AND INDUSTRY CONDITIONS OF THE COMPANY DURING THE REPORTING PERIOD

(I) Principal business and operating model of the Company

Driven by customer demand, the Group has established a corporate, institutional and retail customer service system, forming the business structure covering institutional finance, personal finance, investment management and international business. The Group generates income of fees and commissions mainly through the provision of securities products or services and receives investment gains through securities or equity investments.

In terms of specific businesses:

Our investment banking business mainly provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and governmental clients;

Our research and institutional business mainly provides institutional brokerage, asset custody and outsourcing as well as research services to institutional clients;

Our trading and investment business mainly includes investment transactions in stocks, fixed income, foreign exchange, commodities and their derivative financial instruments, as well as providing integrated financial solutions for clients' investment, financing and risk management;

Our credit business mainly provides stock-pledged financing, agreed securities repurchase and margin financing and securities lending services to clients;

Our wealth management business mainly provides securities and futures brokerage, financial products, investment advisory and other services to individual clients;

Our investment management business provides asset management and fund management services to institutions and individuals, and also includes equity investment business;

The international business conducts brokerage, corporate finance, asset management, loans and financing services, as well as financial products, market making and investment businesses mainly through Guotai Junan International in Hong Kong, and has expanded its business presence into the United States, Europe, Southeast Asia and other regions.

In the first half of 2020, the Group recorded total revenue and other income of RMB20.848 billion, representing an increase of 13.81% compared with the same period of last year. Profit for the period attributable to equity holders of the Company was RMB5.454 billion, representing an increase of 8.64% compared with the same period of last year. For details of the Group's operation condition, please refer to "Section IV Report of the Directors" of the Report.

Section III Summary of Businesses of the Company

The Group's business composition and income drivers for the first half of 2020

Principal business category	Total revenue and other income (RMB100 million)	Increase compared with the same period of last year (%)	Contribution to total revenue and other income (%)
Institutional finance	9,744,208	28.88	46.74
Personal finance	7,356,269	19.47	35.29
Investment management	1,447,092	-26.15	6.94
International business	1,720,371	-17.36	8.25
Others	580,205	3.89	2.78
Total	20,848,145	13.81	100.00

(II) Description of the status of the industry

Over the past two decades, with the development of the PRC securities market, the PRC securities industry has continued to standardize and expand. The securities companies have gradually accelerated their pace of innovation, expanded their business scope, improved their profitability and enhanced their risk resistance capacity. Meanwhile, the profitability of the PRC securities industry is driven by brokerage, proprietary trading, underwriting, margin trading and asset management businesses. This leads to the revenue and profits of the industry being more dependent on the trends of the securities market. Along with the change in the booming cycle of the securities market, the profit level of the PRC securities industry also experienced substantial fluctuations, clearly reflecting a strong cyclical nature.

Since 2019, the comprehensive deepening of reform and opening up of capital market has brought new development opportunity to the securities businesses. After a downward cycle from 2015 to 2018, the industry has returned to an upward trend, with steady growth in asset scale and significant improvement in performance. According to the statistics of the SAC, as of 30 June 2020, the total assets, net assets and net capital of the PRC securities industry amounted to RMB8.03 trillion, RMB2.09 trillion and RMB1.67 trillion, respectively, representing an increase of 10.57%, 3.16% and 3.13% respectively compared with the end of 2019; in the first half of 2020, the PRC securities industry recorded an operating revenue of RMB213.404 billion and a net profit of RMB83.147 billion, representing an increase of 19.26% and 24.73% respectively compared with the corresponding period of last year.

In the long run, the PRC securities industry is still in the historic period which offers opportunities for rapid development. The development of the capital market and the reform and opening-up of the financial system shall provide the industry with broad development room. The securities industry will show a development trend of diversified businesses, differentiated developments, international competition and technology-based operations.

Section III Summary of Businesses of the Company

(III) Position of the Company in the Industry

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as the comprehensive industry leader. Since its establishment, the Group has always maintained strong comprehensive competitiveness, ranking top in the industry in terms of capital scale, profitability, business strength and risk management capability.

II. SIGNIFICANT CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

Applicable Not applicable

At the end of June 2020, total assets of the Group amounted to RMB623.022 billion, representing an increase of 11.39% compared with the end of last year. Among our total assets, cash held on behalf of brokerage customers amounted to RMB130.352 billion, representing an increase of 27.13% compared with the end of last year, mainly due to the increase in the settlement funds of the transaction clients of brokerage business; financial assets at fair value through profit or loss amounted to RMB220.480 billion, representing an increase of 16.64% compared with the end of last year, mainly due to the Group's adjustment in the trading and investment structure; financial assets held under resale agreements amounted to RMB47.515 billion, representing a decrease of 11.91% compared with the end of last year, mainly due to the decrease in the volume of the Group's stock pledge business.

Of which: offshore assets amounted to RMB121.217 billion, and accounted for 19.46% of our total assets.

Section III Summary of Businesses of the Company

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

The Group's core competency can be embodied in the following three aspects:

(I) Deeply rooted culture of risk management and excellence

Since its inception, the Group has developed the corporate culture of implementing reform and innovation and striving for progress, which propelled the long-term consistent and across-the-board development of the Group. In recent years, the Group actively practices a sound risk culture and market-oriented performance culture, and promotes high-quality development based on comprehensive reforms, thereby further enhancing its cohesiveness and culture recognition.

The Group firmly believes that risk management is the core competitiveness of securities companies. The Group adheres to a sound risk culture and has established a comprehensive and effective risk management and internal control system. With comprehensive risk management system, scientific risk management models and methods and advanced risk management methods to accurately identify and effectively manage risks, the Group can maintain its long-term stable development. During the Reporting Period, the group audit center was established, which further enhanced the comprehensive risk management capabilities at group level. In March 2020, the Company was among the first to qualify for consolidated supervision pilot program. So far, the Group has attained the regulatory rating of Class A Grade AA from the CSRC for 12 consecutive years.

In pursuit of excellence, the Group endeavors to select the best talents to provide the best services for customers. The Group adheres to a market-oriented performance culture, continues to promote market-oriented institutional reforms, selects and motivates talents through market-oriented enrollment mechanism and performance appraisal mechanism, promoting the continuous improvement of the Company's competitiveness. Since 2020, the Group has consolidated its talent advantage by increasing its efforts in reform, implementing reform in the investment banking business unit, strengthen the long-term incentive and restraint mechanism for core talents. At the same time, the Group has cultivated a high-stickiness customer base by building an industry-leading service system for corporate customers, institutional customers and retail customers based on customer-oriented strategy. During the Reporting Period, the Group optimized its organizational structure and collaboration mechanism, enhanced its comprehensive financial service capabilities and further enlarged its customer base. At the end of the Reporting Period, the number of institutional customers of the Group was approximately 45,000, an increase of 5.8% from the end of last year. The number of personal financial accounts was approximately 14.32 million, an increase of 5.8% from the end of last year.

Section III Summary of Businesses of the Company

(II) Leader in the PRC capital market

As a consistent leader in terms of business scale, the Group has strong profitability. Since its inception, the scale strength of the Group has been standing at the top of the industry. Since 2011, the Group has ranked among the top three companies in the industry in terms of operating revenue, and ranked among the top four companies in the industry in terms of total assets and net profit. In 2019, the Group ranked fourth, second, second, third and fourth in the industry, respectively, in terms of total assets, net assets, net capital, operating revenue and net profit. According to the statistics of the SAC, the Company ranked second, second, first, second and fourth in the industry, respectively, in terms of total assets, net assets, net capital, operating revenue and net profit in the first half of 2020.

The Group has a comprehensive and balanced combination of businesses and ranks at the top of the industry in terms of its principal businesses. In 2019, the Group ranked fourth in the industry in terms of security underwritten amount, second in the industry in terms of trading volume of securities brokerage for institutional customers and third in the industry in terms of both margin loans for stock pledged financing and the balance of margin financing and securities lending. The Company ranked first in the industry in terms of net revenue from securities brokerage business (including seat leasing) and Guotai Junan Asset Management ranked third in the industry in terms of assets under management. In the first half of 2020, the Group ranked third in the industry in terms of security underwritten amount, third in the industry in terms of margin loans for stock pledged financing and third in the industry in terms of balance of margin financing and securities lending. The Company ranked first in the industry in terms of net revenue from securities brokerage business (including seat leasing) and Guotai Junan Asset Management ranked second in the industry in terms of the monthly average balance of assets under discretionary management. Guotai Junan International continued to be among top Chinese security dealers in Hong Kong in terms of major operating indicators.

Section III Summary of Businesses of the Company

(III) Leader of technology and innovation in the PRC securities industry

The Group places great emphasis on strategic investment in technology and continuously promotes proprietary financial technology innovation. The Group is also a frontrunner in the application of financial technology in the securities industry. According to the statistics of the SAC, the Company ranked first in the industry in terms of amount of IT system investment for three consecutive years from 2017 to 2019, and it is also the only securities firm that has passed CMMI4 certification. In recent years, by focusing on accelerating the implementation of financial technology strategic plan, the Group continued to optimize the digital wealth management platform with Jun Hong APP as the core and the institutional customer service platform with Daohe APP as the core, accelerated the construction of professional trading systems and increased the independent research and development rate of major trading systems. All these continuous investments in financial technology have fully shown their supporting role in enhancing customer experience, leading business development and improving management capabilities. At the end of the Reporting Period, Jun Hong APP ranked second in the industry with mobile terminal users of 35.18 million and average monthly active users of 4.78 million, and the Daohe platform innovated customer service model and more than 3,000 institutional users involved.

The Group has outstanding innovation capability and is one of the frontrunners in innovation in the industry. The Group steadily promoted the development of customer service systems for corporate, institutional and retail customers, committed to promoting the innovative development of various businesses and consolidated its leading advantages in its main business area. During the Reporting Period, the Group endeavored to promote the Sci-Tech Innovation Board projects in respect of its investment banking business by sponsoring and underwriting a number of representative projects and underwriting and issuing the first corporate bonds under registration system in China; the Group ranked second in the industry in terms of scale of the custody and outsourcing business, among which the Group continued to rank first among securities companies in terms of scale of mutual fund custody; the Group built the “Guotai Junan Hedging (國泰君安避險)” brand in respect of its trading and investment business, resulting in a rapid growth of the OTC derivatives business. In July 2020, the Group filed with the State Administration of Foreign Exchange in respect of the foreign exchange settlement and sale business for customers engaged in cross-border investment and financing transactions, and became one of the first batch of CME Shanghai gold futures market makers and one of the first batch of companies allowed to access China’s bill trading system. In respect of its wealth management business, the Group strived to build a digital wealth management platform, and was among the first batch in the industry to qualify for pilot investment advisory service in funds, and had officially started the business; Guotai Junan Asset Management was among the first batch to be granted with the pilot qualifications to conduct large-scale mutual funds reconstruction and had completed the reconstructions for four large-scale collective products participating in mutual funds.

Section IV Report of the Directors

I. DISCUSSION AND ANALYSIS OF OPERATION CONDITION

(I) Overall operation condition

In the first half of 2020, facing complicated external environment, the Group fully implemented the requirements of “intensification, cost reduction, quality improvement and efficiency enhancement”, insisted on seeking motivation from reform, vitality from talents, efficiency from management and development from innovation, proactively grasped market development opportunities and promoted the comprehensive improvement of the Company’s core competitiveness, thereby achieving high-quality development and maintaining strong competitiveness in all major businesses with operating results growing steadily. During the Reporting Period, the Group improved the development of customer service systems for corporate, institutional and retail customers based on the strategic optimization of organizational structure and supporting operational mechanism, leading to continuous enhancement in comprehensive financial service capabilities. The middle and back-office management has been more streamlined, intensified and professionalized while the management of supporting departments achieved remarkable progress both in the awareness of empowerment and its effects. The Group continued to increase investment in IT and accelerate financial technology innovation with steady improvement in intelligent and digital operation. The Company optimized its asset and liability management with strong financial position. So far, the Company has attained the Grade AA rating from the CSRC for 12 consecutive years and maintained international credit ratings at BBB+ by Standard & Poor and Baa1 by Moody with the outlook of the Company being “stable”.

(II) Analysis of principal businesses

1. Investment banking business

In the first half of 2020, the total financing amount in the securities market was RMB4,665.0 billion, representing an increase of 33% compared with the same period of last year. In particular, the total equity financing amount was RMB382.4 billion, representing an increase of 28% compared with the same period of last year. The total debt financing underwritten by securities companies was RMB4,282.6 billion, representing an increase of 34% compared with the same period of last year. The amount of M&A transactions as approved by the CSRC was RMB188.9 billion, representing a decrease of 12% compared with the same period of last year.

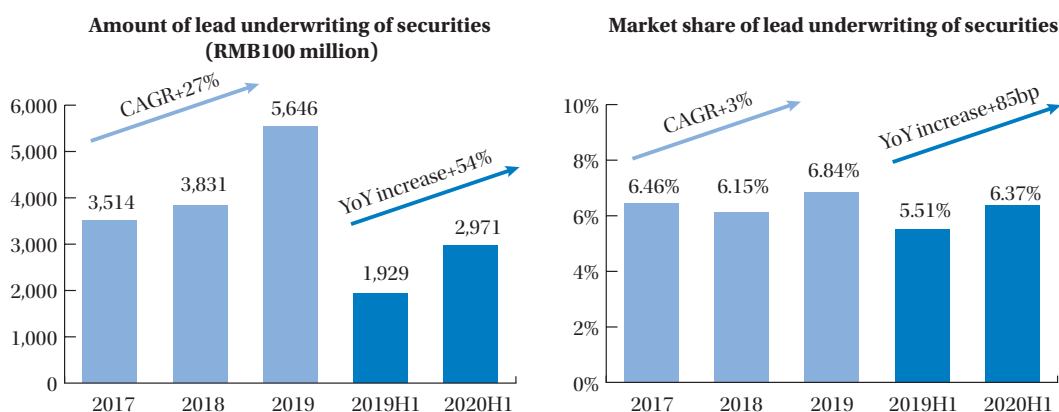
Section IV Report of the Directors

In the first half of 2020, in respect of its investment banking business, the Group underwent divisional system reform and optimized its operational mechanism, with focuses on key customers and key areas and endeavored to promote IPO business with fast-growing underwriting scale, significant increase of project reserve and steady improvement of its industry position. During the Reporting Period, the number of lead underwritings of securities was 940 and the lead underwriting amount of securities was RMB297.06 billion, representing an increase of 49.7% and 54.0%, respectively, compared with the same period of last year, both ranking third in the industry. In particular, the underwriting amount of equity interest was RMB30.48 billion, representing an increase of 32.8% compared with the same period of last year and ranking fifth in the industry; the underwriting amount of bonds was RMB266.57 billion, representing an increase of 56.8% compared with the same period of last year and ranking third in the industry. The approved M&A and restructuring projects involved a transaction amount of RMB7.1 billion, ranking fifth in the industry.

Scale of the Group's investment banking business in the first half of 2020

	Item	Reporting Period	Corresponding period of last year
IPO	Number of lead underwritings	3	2
	Amount of lead underwritings (RMB100 million)	25.3	17.1
Refinancing	Number of lead underwritings	17	9
	Amount of lead underwritings (RMB100 million)	279.6	212.5
Enterprise bonds	Number of lead underwritings	18	1
	Amount of lead underwritings (RMB100 million)	87.2	4.5
Corporate bonds	Number of lead underwritings	170	96
	Amount of lead underwritings (RMB100 million)	807.2	672.6
Other bonds	Number of lead underwritings	732	520
	Amount of lead underwritings (RMB100 million)	1,771.3	1,022.6

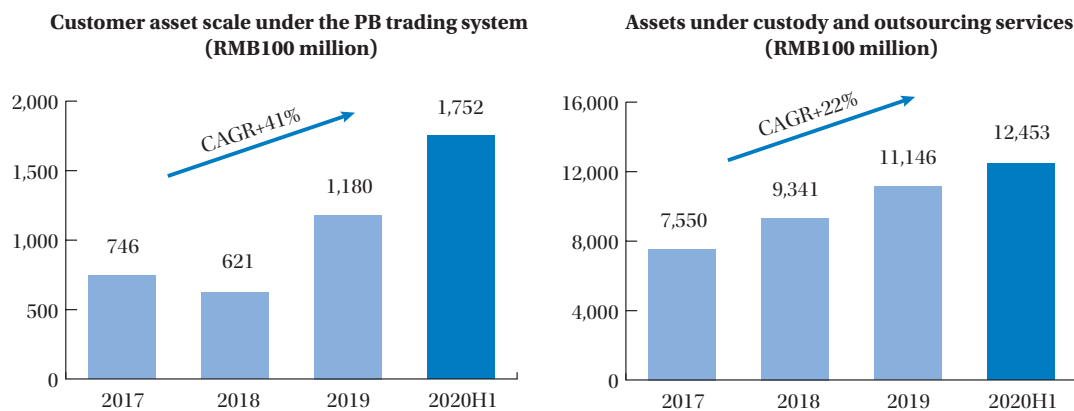
Note: The statistical calibers of the financing products include IPO, new issuance, allotment of shares, preferred shares, convertible bonds, exchangeable bonds, corporate bonds, enterprise bonds, local government bonds, short-term financing bills, medium-term notes, private placement debt financing instruments, financial bonds and ABS.



Section IV Report of the Directors

2. Research and institution brokerage business

In the first half of 2020, the Group promoted the development of customer service systems for institutional customers, optimized the Matrix system and the Daohe platform and strengthened key customer coverage, thus its capabilities to serve institutional customers improved steadily. As at the end of the Reporting Period, the number of institutional customers was 45,000, an increase of 5.8% from the end of last year. In particular, in line with the overall strategy of the Group, the research business provided comprehensive research service support for business development, made innovation in service model for institutional customers and enhanced market influence and asset pricing power. During the Reporting Period, 3,165 research reports were completed and 964 themed telephone roadshows were held. In respect of the institutional brokerage business, the Group built a prime broker service platform for a full business chain, optimized product sales mechanisms, strengthened the sales of key products, and enhanced its overall capability to serve private equity, peers and overseas institutions, resulting in sustained growth in seat leasing and PB business, as well as breakthroughs in overseas investment bank QFII. The customer assets under the PB System were RMB175.15 billion at the end of the period, increased by 48.4% as compared with the end of last year and the number of customers was 1,208. In 2019, the trading volume of securities brokerage for institutional customers ranked second in the industry, and revenue from seat leasing ranked fourth in the industry. The custodian and outsourcing business has passed the ISAE3402 international certification for five consecutive years due to our efforts to comprehensively promote the reconstruction of operational processes, and to enhance financial technologies and professional operation service capabilities. At the end of the period, the aggregate number of asset management products of our asset custodian and outsourcing business amounted to 9,458, increased by 12.4% as compared with the end of last year. The business scale was RMB1,245.3 billion, increased by 11.7% as compared with the end of last year and ranked second in the securities industry, among which, the assets under our custody from mutual funds amounted to RMB85.2 billion, continued to rank first among securities companies, and breakthroughs have also been made in the fields of bank wealth management, foreign asset management and trust products.



Section IV Report of the Directors

3. Trading and investment business

In the first half of 2020, CSI 300 Index rose by 1.64% and ChinaBond Total Full Price (Total Value) Index rose by 0.84%, the exchange rate of RMB against USD dropped by 1.48%, NYMEX crude oil dropped by 34.79% and COMEX gold rose by 18.06%.

The Group's trading and investment business continued to center on the idea of an "outstanding financial asset trader" and adhered to developing the low risk and non-directional businesses, steadily enhanced the transaction pricing ability and the customer service ability. During the Reporting Period, our proprietary trading accurately grasped the opportunities of major asset allocation with good investment returns. Our customer demand-oriented services accelerated innovation, created the "Guotai Junan Risk Hedging (國泰君安避險)" brand, resulting in a full development in the major asset hedging business and a rapid growth in the OTC derivatives business. During the Reporting Period, the newly increased asset scale was RMB230.84 billion, representing a year-on-year increase of 133%.

In respect of the equity business, the Group strengthened the use of risk management tools, optimized trading strategies and maintained a solid investment appetite for its equity investments. The position and trading volume of the market-making business of Exchange-traded options continued to maintain a leading position in the industry, and the Company obtained "A" in the market-making evaluation of the funds listed in the Shanghai Stock Exchange. While the OTC equity derivatives business was growing rapidly, the Group optimized the revenue structure and strengthened domestic and overseas interaction, thereby achieving a significant improvement in profitability. In the first half of 2020, the cumulative amount of additional nominal principal amount of OTC options amounted to RMB58.63 billion, representing a year-on-year increase of 62.0%, and the additional nominal principal amount of return swaps amounted to RMB13.72 billion, representing a year-on-year increase of 1,231.6%.

In respect of the fixed income business, the Group strengthened risk prediction and hedging for fixed income investments, and accurately grasped market opportunities to achieve better investment returns. Bond Connect had a market share of over 8%, ranking second among securities companies in the overall market, and was awarded the "Excellent Bond Connect Market Maker" in 2020. The cumulative trading volume of inter-bank standard interest rate options was approximately RMB29 billion, ranking in the tops in the market; the OTC interest rate options increased by RMB12.54 billion. The linked subjects of return swaps have been expanded to many varieties such as Chinese-funded US dollar bonds and domestic bond indexes. Interest rate swap expanded by 799.77 billion, ranked first in the industry. The Group served a total of 13 issuers with credit default swaps, and the scale of corporate bond issuance exceeded RMB16 billion. The amounts of agency liquidation transactions amounted RMB202.5 billion in total, ranking in the tops.

In respect of the foreign exchange business, the scale of foreign exchange transactions continued to grow, and some foreign exchange transactions under the Company's own capital accounts were carried out. The customer foreign exchange business has gradually been improved, and foreign exchange derivatives quotation trading service was launched for inter-bank institutional customers and has initially realized profits. In July 2020, the settlement and sale of foreign exchange for the customers engaging in cross-border investment and financing transactions has been filed with the State Administration of Foreign Exchange.

Section IV Report of the Directors

In respect of the commodities and precious metals business, the Group has stably carried out the cross-market, cross-variety and the inter-period arbitrage business and the forward contract market making business of commodity futures, options, the spot options of precious metals and precious metal futures. The OTC derivatives business developed rapidly and achieved profitability. The cumulative amount of additional nominal principal amount of OTC derivatives of the linked subjects amounted to RMB65.31 billion, representing an increase of 240% as compared with the corresponding period of last year. The linked subjects have become more abundant, for which the refined oil price-linked structured note, the first of its kind in the market, was obtained.

4. Credit business

(1) Stock pledging business

According to the statistics of the SAC, as at the end of June 2020, the margin loans for stock pledged financing in the market was RMB360.22 billion, a decrease of 16.5% from the end of last year.

In the first half of 2020, in respect of the stock pledging business, the Group adhered to prudent operation, continuously optimized its asset and business structure, actively introduced quality assets and enhanced its professional capability, achieving the smooth and orderly operation of such business. At the end of the Reporting Period, the outstanding balance of the Group's stock pledging business was RMB38.82 billion, a decrease of 5.5% from the end of last year, among which the balance of margin loans was RMB31.96 billion, a decrease of 2.7% from the end of last year, ranking third in the industry. The average collateral coverage ratio was 277% and the scale of business with asset management plan as financing instrument was RMB6.87 billion. The outstanding balance of agreed securities repurchase was RMB0.66 billion, a decrease of 7.0% from the end of last year.

Scale of the Group's stock pledging and securities repurchase business as at the end of June 2020 (Unit: RMB100 million)

Item	At the end of the Reporting Period	At the end of last year
Outstanding balance of the stock pledging business	388.2	410.7
Including: Margin loans for stock pledged financing	319.6	328.5
Outstanding balance of securities repurchase	6.6	7.1

Section IV Report of the Directors

(2) Margin financing and securities lending business

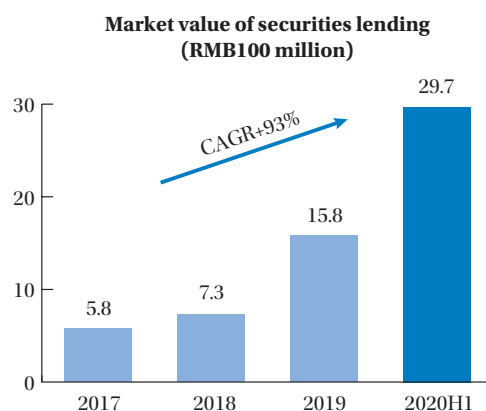
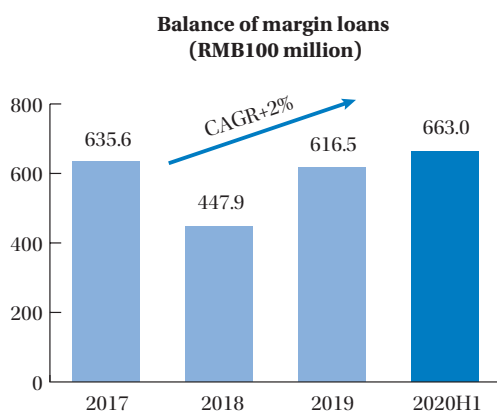
As at the end of June 2020, the balance of margin financing and securities lending in the market amounted to RMB1,163.77 billion, an increase of 14.2% from the end of last year, in which, the balance of margin financing amounted to RMB1,131.37 billion, an increase of 12.5% from the end of last year and the balance of securities lending amounted to RMB32.39 billion, an increase of 134.7% from the end of last year.

In the first half of 2020, on the basis of adhering to counter-cyclical adjustment in respect of its margin financing and securities lending business, the Group optimized the classification and grading service system, increased the reserve of institutional customers and high-net-worth customers, built a professional team, fined tune the Junrong Information brand and developed a business model of integrating “platform, strategy, securities source and system”.

At the end of the Reporting Period, the balance of the Group’s margin financing and securities lending amounted to RMB69.27 billion, an increase of 9.6% from the end of last year, with a market share of 6.0%, ranking third in the industry, and the maintained margin ratio at 282%. Among which, the balance of margin financing amounted to RMB66.3 billion, an increase of 7.6% from the end of last year, with a market share of 5.86%, and the balance of securities lending amounted to RMB2.97 billion, an increase of 87.9% from the end of last year, with a market share of 9.17%.

Scale of the Group’s margin financing and securities lending business as at the end of June 2020 (Unit: RMB100 million)

Item	At the end of the Reporting Period	At the end of last year
Balance of margin loans	663.0	616.4
Market value of securities lending	29.7	15.8
Balance of margin refinancing	30.0	40.0
Balance of securities refinancing	30.9	15.9



Section IV Report of the Directors

5. Wealth management business

According to the statistics of SSE and SZSE, in the first half of 2020, the trading volume of stock market in SSE and SZSE was RMB88.96 trillion, representing an increase of 27.85% compared with the corresponding period of last year and the cumulative trading volume of futures market (unilateral) was RMB165.5 trillion, representing an increase of 28.7% compared with the corresponding period of last year.

In the first half of 2020, in respect of the wealth management business, the Group optimized the organizational structure, accelerated transformation and upgrading, strengthened mid-to-high-end customer service, optimized product sales mechanism, promoted branch transformation and digital platform construction, strengthened investment advisory team building, focused on “customers, products, teams and channels” to build a wealth management system as a whole and steadily improved comprehensive service capabilities. During the Reporting Period, there were 35.18 million mobile terminal users of Junhong APP at the end of the Reporting Period, an increase of 5.8% from the end of last year, and 4.78 million monthly active users, an increase of 16% from the end of last year. The number of personal financial accounts was 14.32 million, an increase of 5.8% from the end of last year. The number of affluent customers and high-net-worth customers increased by 10.8% and 12.8% from the end of last year, respectively. The number of investment consultants of the Group was 2,950, an increase of 9.3% from the end of last year; the number of contract customers of investment consultants was 202,000, an increase of 7.8% from the end of last year. During the Reporting Period, the Company had a market share of 5.79% in terms of net revenue from the securities brokerage business (including seat leasing), keeping the first ranking in the industry. Net revenue from agency sales of financial products increased by 11.1% year-on-year and the average monthly scale of agency sales of financial products was RMB168.8 billion, representing an increase of 4.3% from last year. In February 2020, the Company was among the first in the industry to qualify for pilot investment advisory service in funds and has now completed the acceptance and officially launched its business.

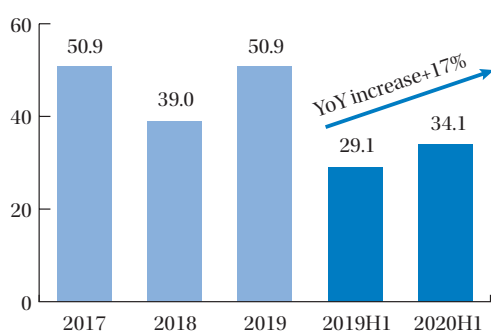
Section IV Report of the Directors

Change in the scale of the Group's securities brokerage business in the first half of 2020 (Unit: RMB100 million)

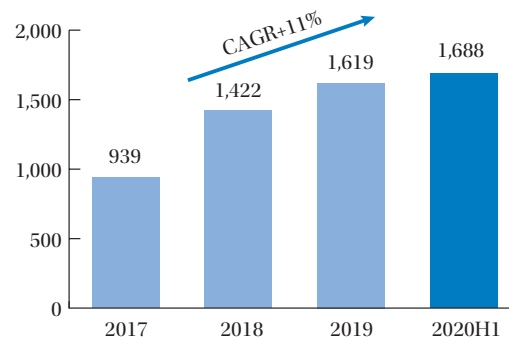
	Item	Reporting Period	Corresponding period of last year
Stocks	Trading amount	85,478	69,225
	Market share	4.80%	4.97%
Securities investment funds	Trading amount	3,299	2,913
	Market share	2.87%	3.43%
Bond spot	Trading amount	167,548	193,647
	Market share	6.15%	8.15%

Source: SSE, SZSE. Bond spot include debt securities repurchase.

Net income from the securities brokerage business-including seat leasing (RMB100 million)



Average monthly scale of agency sales of financial products (RMB100 million)

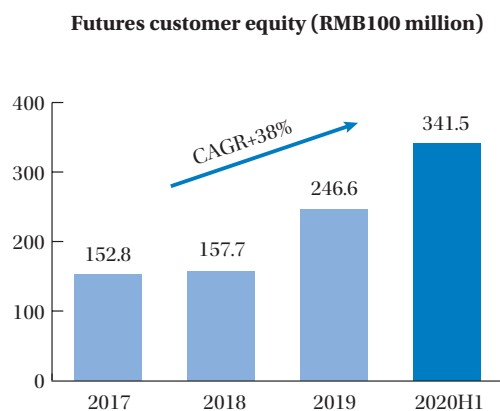
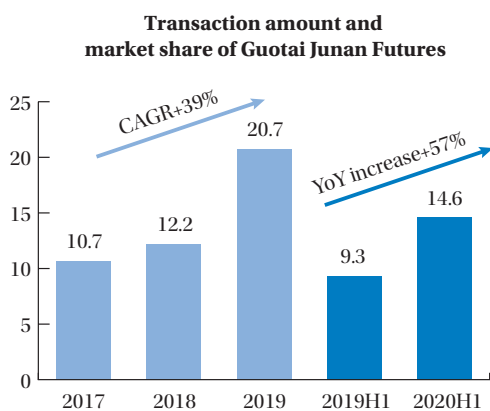


In the first half of 2020, Guotai Junan Futures focused on its core customers, optimized the construction of the service system, increased investment in key products, enhanced the competitiveness of commodity futures, expanded the scope of market making and steadily developed asset management and risk management businesses. During the Reporting Period, the market share of commodity futures increased significantly. The trading volume of treasury bond futures and stock index futures both ranked third in the industry. As at the end of the Reporting Period, the scale of customer equity was RMB34.1 billion, an increase of 38% from the end of last year, advancing its ranking to second in the industry.

Section IV Report of the Directors

Major business indicators of Guotai Junan Futures in the first half of 2020

Item	Reporting Period	Corresponding period of last year
Transaction amount (RMB trillion)	14.6	9.3
Number of board lots (100 million)	1.9	1.0
	At the end of the Reporting Period	At the end of last year
Cumulative effective accounts opened (unit)	122,499	108,126
Customer equity at the end of the period (RMB100 million)	341.4	246.6



Section IV Report of the Directors

6. Investment management

(1) Asset management

According to the statistics of the SAC, as of the end of June 2020, assets under management of securities companies were RMB11.67 trillion in aggregate, a decrease of 5.0% from the end of last year.

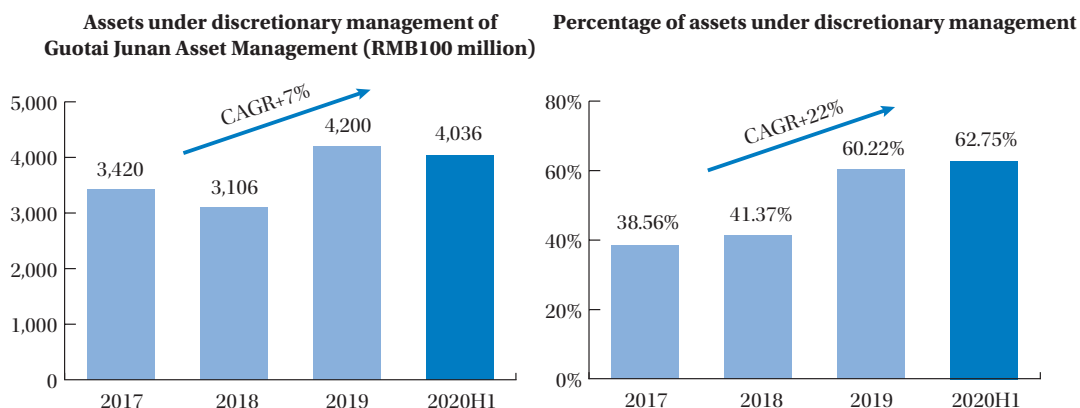
In the first half of 2020, Guotai Junan Asset Management optimized its organizational structure and business structure, enhanced its investment and research system, subdivided its customer groups, improved the professional level of sales and promoted high-quality business development. During the Reporting Period, the transformation of two large collective products was completed and the application for public offering qualification was initiated.

As at the end of the Reporting Period, assets under management of Guotai Junan Asset Management amounted to RMB643.2 billion, a decrease of 7.8% from the end of last year, among which assets under discretionary management amounted to RMB403.6 billion, a decrease of 3.9% from the end of last year, and the percentage of assets under discretionary management was 62.8%. According to the statistics of the Asset Management Association, Guotai Junan Asset Management ranked second in the industry in terms of the monthly average balance of assets under discretionary management in the first half of 2020.

Assets under management of Guotai Junan Asset Management as at the end of June 2020 (Unit: RMB100 million)

Item	At the end of the Reporting Period	At the end of last year
Scale of asset management business	6,432	6,974
Including: Scale of targeted asset management business	4,892	5,413
Scale of collective asset management business	953	987
Scale of specialized asset management business	587	574
Scale of discretionary management business	4,036	4,200

Note: The calculation of the scale of collective asset management business is based on net assets under management.



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(2) Private fund management and equity investment

According to the statistics of the Asset Management Association of China, as of the end of June 2020, there were 24,419 private fund managers registered with the Asset Management Association of China who managed 86,095 private funds and had a paid-up scale of RMB14.35 trillion, an increase of 4.7% from the end of 2019.

In the first half of 2020, Guotai Junan Innovation Investment completed the establishment of three new funds including Guotai Junan's fund of funds, with a subscribed capital of RMB9.098 billion, focusing on five key industries to increase its high-quality project reserve, and completed divestment from four projects and added one new investment project.

In the first half of 2020, Guotai Junan Zhengyu actively carried out the equity investment business and promoted the co-investment of Sci-Tech Innovation Board projects. As at the end of the Reporting Period, it had 13 investment projects in aggregate with a total investment amount of RMB0.97 billion.

Overview of private equity fund business in the first half of 2020

Item	At the end of the Reporting Period	At the end of last year
Number of managed funds (unit)	43	42
Cumulative committed capital of managed funds (RMB100 million)	435.6	347.2
Cumulative paid-in capital of managed funds (RMB100 million)	293.2	230.9
Cumulative number of investment projects (unit)	108	107
Cumulative amount of investment projects (RMB100 million)	138.4	137.5

Overview of equity investment business in the first half of 2020

Item	At the end of the Reporting Period	At the end of last year
Cumulative number of investment projects (unit)	36	31
Cumulative amount of investment projects (RMB100 million)	18.4	16.6

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(3) Fund management

According to the statistics of the Asset Management Association of China, as at the end of June 2020, assets under management of mutual fund management institutions was RMB16.9 trillion, an increase of 14.5% from the end of last year.

In the first half of 2020, HuaAn Funds optimized its product layout with significant increase in the scale of initial public offering of its products and its assets under management hit a record high. As at the end of the Reporting Period, assets under management of HuaAn Funds amounted to RMB467.16 billion, an increase of 14.2% from the end of last year, among which assets under management of mutual funds amounted to RMB415.77 billion, an increase of 18.2% from the end of last year.

7. International Business

The Group conducted brokerage, corporate finance, asset management, loans and financing, financial products, market-making and investment business in Hong Kong, mainly through Guotai Junan International. The Group has also actively expanded business presence into the United States, Europe and South-east Asia. In the first half of 2020, Guotai Junan International enhanced its capital strength, promoted the development of wealth management business and loan business for high-net-worth clients, continued to be among top Chinese security dealers in Hong Kong in terms of major operating indicators. The assets under custody of the wealth management platform of the Company also recorded a steady increase of 15% to HK\$22.2 billion at the end of the period as compared to the end of last year.

Item	Reporting Period	Corresponding period of last year
Fee and commission income		
– Brokerage	276,450	291,667
– Corporate finance	242,779	452,559
– Asset management	23,935	10,215
Income from loans and financing	518,275	558,649
Gains from financial products, market making and investments	736,350	1,008,945
Total revenue	1,797,789	2,322,035

Section IV Report of the Directors

(II) Analysis of financial statements

1. Analysis of consolidated statements of profit or loss

(1) Total revenue and other income structure

Unit: thousand yuan Currency: RMB

Items	January to June 2020		January to June 2019		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission income	6,838,679	32.80%	6,198,927	33.84%	639,752	10.32%
Interest income	6,762,995	32.44%	5,928,327	32.36%	834,668	14.08%
Net investment gains	3,936,304	18.88%	3,733,459	20.38%	202,845	5.43%
Total revenue	17,537,978	84.12%	15,860,713	86.58%	1,677,265	10.57%
Other income and gains	3,310,167	15.88%	2,457,466	13.42%	852,701	34.70%
Total revenue and other income	20,848,145	100.00%	18,318,179	100.00%	2,529,966	13.81%

In the first half of 2020, the Group's total revenue and other income amounted to RMB20.848 billion, representing an increase of 13.81% compared with the same period of last year, among which:

Our fee and commission income, accounting for 32.80% of the total revenue and other income, increased by 10.32% to RMB6.839 billion compared with the same period of last year, primarily due to the increase in fee income from the securities brokerage business resulted from the year-on-year increase in the trading volume of the securities market in the first half of 2020;

The interest income, accounting for 32.44% of the total revenue and other income, increased by 14.08% to RMB6.763 billion compared with the same period of last year, primarily due to the increase in the income from margin financing and securities lending resulted from the volatility of the securities market in the first half of 2020;

The other income and gains, accounting for 15.88% of the total revenue and other income, increased by 34.70% to RMB3.310 billion compared with the same period of last year, primarily due to the increase in the income from the commodity futures business.

Section IV Report of the Directors

(2) Total expenses structure

Unit: thousand yuan Currency: RMB

Items	January to June 2020		January to June 2019		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission expenses	1,152,921	8.53%	974,616	8.41%	178,305	18.29%
Interest expenses	3,909,105	28.91%	3,383,393	29.18%	525,712	15.54%
Staff costs	3,846,814	28.44%	3,793,179	32.72%	53,635	1.41%
Depreciation and amortization expenses	693,235	5.13%	628,001	5.42%	65,234	10.39%
Tax and surcharges	75,729	0.56%	65,756	0.57%	9,973	15.17%
Other operating expenses and costs	3,723,346	27.53%	2,254,586	19.43%	1,468,760	65.15%
Provision for impairment losses	3,820	0.03%	20	0.00%	3,800	19,000.00%
Credit loss expense	117,638	0.87%	494,488	4.27%	-376,850	-76.21%
Total expenses	13,522,608	100.00%	11,594,039	100.00%	1,928,569	16.63%

In the first half of 2020, the Group's total expenses amounted to RMB13.523 billion, representing an increase of 16.63% compared with the same period of last year, among which:

The fee and commission expenses, accounting for 8.53% of the total expenses, increased by 18.29% to RMB1.153 billion compared with the same period of last year, primarily due to the increase in the fee expenses of the securities brokerage business as a result of the year-on-year increase in the trading volume of the securities market in the first half of 2020.

The interest expenses, accounting for 28.91% of the total expenses, increased by 15.54% to RMB3.909 billion compared with the same period of last year, primarily due to the increased financing liabilities incurred by the Group based on market conditions.

Other operating expenses and costs, accounting for 27.53% of the total expenses, increased by 65.15% to RMB3.723 billion compared with the same period of last year, primarily due to the increase in the costs of the commodity futures business.

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2. Analysis of consolidated statements of cash flows

In the first half of 2020, the net decrease in cash and cash equivalents of the Group was RMB4.715 billion, among which:

The net cash used in operating activities was RMB15.544 billion, mainly reflecting (i) the increase of RMB24.138 billion in cash held on behalf of brokerage customers, due to the changes in the securities market conditions; and (ii) the increase of RMB22.855 billion in financial instruments at fair value through profit or loss and derivative financial instruments, primarily resulting from investment of bonds, funds and other investments according to customer demands. Those cash outflows were partly offset by the following: (i) the increase of RMB31.46 billion in accounts payable to brokerage customers, due to the changes in the securities market conditions.

The net cash generated from investing activities was RMB2.811 billion, primarily due to the amount of RMB42.872 billion received in cash from disposal of financial assets at fair value through other comprehensive income and other investment assets, partially offset by the proceeds of RMB41.02 billion paid in cash from acquisition of the financial assets at fair value through other comprehensive income and other investment assets, reflecting our adjustment in trading and investment structure.

The net cash generated from financing activities was RMB8.018 billion, primarily due to (i) the amount of RMB33.831 billion received in cash from issuance of short-term debt instruments; (ii) the amount of RMB19.51 billion received in cash from loans and borrowings; and (iii) the amount of RMB9.874 billion received in cash from bond issuance. These cash inflows were partially offset by (i) the amount of RMB36.066 billion paid in cash for repayment of debt securities issued; (ii) the amount of RMB10.495 billion paid in cash for repayment of loans and borrowings; and (iii) the amount of RMB10 billion paid in cash for redemption of other equity instruments.

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3. Analysis of consolidated statements of financial position

Unit: thousand yuan Currency: RMB

Items	As of 30 June 2020		As of 31 December 2019		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Non-current assets						
Property and equipment	5,186,984	0.83%	5,211,423	0.93%	-24,439	-0.47%
Right-of-use assets	2,757,943	0.44%	2,926,043	0.52%	-168,100	-5.74%
Goodwill	599,812	0.10%	599,812	0.11%	-	0.00%
Other intangible assets	1,626,123	0.26%	1,574,249	0.28%	51,874	3.30%
Investments in associates	1,227,960	0.20%	1,183,891	0.21%	44,069	3.72%
Investments in joint ventures	986,125	0.16%	1,274,671	0.23%	-288,546	-22.64%
Debt instruments at fair value through other comprehensive income	44,241,455	7.10%	53,408,720	9.55%	-9,167,265	-17.16%
Equity instruments at fair value through other comprehensive income	17,324,255	2.78%	17,547,076	3.14%	-222,821	-1.27%
Financial assets held under resale agreements	2,930,857	0.47%	1,959,737	0.35%	971,120	49.55%
Financial assets at fair value through profit or loss	22,026,578	3.54%	13,433,691	2.40%	8,592,887	63.97%
Refundable deposits	18,711,642	3.00%	12,975,377	2.32%	5,736,265	44.21%
Deferred tax assets	1,524,799	0.24%	1,251,032	0.22%	273,767	21.88%
Other non-current assets	701,550	0.12%	1,154,839	0.22%	-453,289	-39.25%
Total	119,846,083	19.24%	114,500,561	20.48%	5,345,522	4.67%
Current assets						
Accounts receivable	8,017,576	1.29%	3,484,166	0.62%	4,533,410	130.11%
Other current assets	4,726,372	0.76%	2,017,453	0.36%	2,708,919	134.27%
Margin accounts receivable	78,306,231	12.57%	72,088,344	12.89%	6,217,887	8.63%
Debt instruments at fair value through other comprehensive income	11,114,692	1.78%	6,858,108	1.23%	4,256,584	62.07%
Financial assets held under resale agreements	44,584,445	7.16%	51,980,260	9.29%	-7,395,815	-14.23%
Financial assets at fair value through profit or loss	198,453,831	31.85%	175,588,501	31.39%	22,865,330	13.02%
Derivative financial assets	1,306,495	0.21%	550,081	0.10%	756,414	137.51%
Clearing settlement funds	3,109,679	0.50%	4,460,152	0.80%	-1,350,473	-30.28%
Cash held on behalf of brokerage customers	130,351,863	20.92%	102,533,823	18.33%	27,818,040	27.13%
Cash and bank balances	23,204,980	3.72%	25,252,829	4.51%	-2,047,849	-8.11%
Total	503,176,164	80.76%	444,813,717	79.52%	58,362,447	13.12%
Total assets	623,022,247	100.00%	559,314,278	100.00%	63,707,969	11.39%

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Items	As of 30 June 2020		As of 31 December 2019		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Current liabilities						
Loans and borrowings	16,754,927	3.48%	10,312,724	2.50%	6,442,203	62.47%
Short-term debt instruments	22,547,356	4.68%	17,424,352	4.22%	5,123,004	29.40%
Placements from other financial institutions	7,421,177	1.54%	9,488,642	2.30%	-2,067,465	-21.79%
Accounts payable to brokerage customers	141,192,549	29.31%	109,336,526	26.46%	31,856,023	29.14%
Employee benefits payable	5,162,554	1.07%	5,685,105	1.38%	-522,551	-9.19%
Income tax payable	1,396,561	0.29%	1,414,731	0.34%	-18,170	-1.28%
Financial assets sold under repurchase agreements	130,520,511	27.09%	126,017,296	30.50%	4,503,215	3.57%
Financial liabilities at fair value through profit or loss	43,081,837	8.94%	37,845,046	9.16%	5,236,791	13.84%
Derivative financial liabilities	3,508,766	0.73%	1,358,809	0.33%	2,149,957	158.22%
Bonds payable	20,898,747	4.34%	17,672,144	4.28%	3,226,603	18.26%
Lease liabilities	666,899	0.14%	638,382.00	0.14%	28,517	4.47%
Other current liabilities	24,611,210	5.11%	14,229,188	3.44%	10,382,022	72.96%
Total	417,763,094	86.72%	351,422,945	85.05%	66,340,149	18.88%
Net current assets	85,413,070		93,390,772		-7,977,702	-8.54%
Non-current liabilities						
Loans and borrowings	1,521,434	0.32%	1,490,000	0.36%	31,434	2.11%
Bonds payable	51,549,034	10.70%	51,901,409	12.56%	-352,375	-0.68%
Lease liabilities	1,526,913	0.32%	1,725,455	0.42%	-198,542	-11.51%
Deferred tax liabilities	155,310	0.03%	13,762	0.00%	141,548	1028.54%
Financial liabilities at fair value through profit or loss	8,966,362	1.86%	6,441,647	1.56%	2,524,715	39.19%
Other non-current liabilities	232,587	0.05%	225,237	0.05%	7,350	3.26%
Total	63,951,640	13.28%	61,797,510	14.95%	2,154,130	3.49%
Total liabilities	481,714,734	100.00%	413,220,455	100.00%	68,494,279	16.58%
Total equity	141,307,513		146,093,823		-4,786,310	-3.28%

As of 30 June 2020, the total assets of the Group were RMB623.022 billion, increased by 11.39% compared with the end of last year; the total liabilities were RMB481.715 billion, increased by 16.58% compared with the end of last year; the total equity was RMB141.308 billion, decreased by 3.28% compared with the end of last year.

The asset of the Group was mainly comprised of: financial assets at fair value through profit or loss of RMB220.480 billion (35.39% of the total assets); cash held on behalf of brokerage customers of RMB130.352 billion (20.92% of the total assets); margin accounts receivable of RMB78.306 billion (12.57% of the total asset); debt instruments at fair value through other comprehensive income of RMB55.356 billion (8.88% of the total assets), among which the current assets amounted to RMB503.176 billion and accounted for 80.51% of the total assets. The liquidity of the Group was fine with reasonable structure. In addition, the Group made impairment provisions for the assets showing impairment indications under market fluctuation and therefore the assets were of relatively high quality.

Section IV Report of the Directors

Non-current assets

As of 30 June 2020, our non-current assets amounted to RMB119.846 billion with an increase of 4.67% compared with the end of last year. Among the non-current assets, financial assets at fair value through profit or loss amounted to RMB22.027 billion with an increase of 63.97% compared with the end of last year, which was primarily due to the adjustment by the Group of the trading and investment structure.

Current assets

As of 30 June 2020, our current assets amounted to RMB503.176 billion with an increase of 13.12% compared with the end of last year. Among the current assets, financial assets at fair value through profit or loss amounted to RMB198.454 billion with an increase of 13.02% compared with the end of last year, primarily due to the adjustment by the Group of the trading and investment structure; cash held on behalf of brokerage customers amounted to RMB130.352 billion with an increase of 27.13% compared with the end of last year, primarily due to the increase in the settlement funds of the transactions clients of brokerage business; margin accounts receivable amounted to RMB78.306 billion with an increase of 8.63% compared with the end of last year, which was primarily due to the increased size of margin financing and securities lending business given the securities market condition.

Current liabilities

As of 30 June 2020, our current liabilities amounted to RMB417.763 billion with an increase of 18.88% compared with the end of last year. Among the current liabilities, accounts payable to brokerage customers amounted to RMB141.193 billion with an increase of 29.14% compared with the end of last year, primarily due to the impact of the market conditions; other current liabilities amounted to RMB24.611 billion with an increase of 72.96% compared with the end of last year; loans and borrowings and short-term debt instruments amounted to RMB39.302 billion in total with an increase of 41.70% compared with the end of last year, primarily due to the Group's adjustment to its liabilities structure based on market conditions.

Non-current liabilities

As of 30 June 2020, our non-current liabilities amounted to RMB63.952 billion with an increase of 3.49% compared with the end of last year.

Section IV Report of the Directors

Equity

The equity attributable to equity holders of the Company decreased by 3.28% from the end of last year to RMB141.308 billion as of 30 June 2020. The gearing ratio of the Group was 70.67% as of 30 June 2020, increased by 3.17 percentage points compared with that of the end of last year, given the Group's reasonable and stable assets-liability structure.

Major restricted assets at the end of the Reporting Period

For details of assets with restricted ownership or use rights, please refer to the notes to the interim financial report.

Borrowings and debt financing

As of 30 June 2020, the total borrowings and debt financing of the Group amounted to RMB113.271 billion, of which a detailed breakdown was as follows:

	<i>Unit: thousand yuan</i>	<i>Currency: RMB</i>
	30 June 2020	31 December 2019
Loans and borrowings	18,276,361	11,802,724
Short-term debt instruments	22,547,356	17,424,352
Bonds payable	72,447,781	69,573,553
Total	<u>113,271,498</u>	<u>98,800,629</u>

For details of the interest rate and the terms of the loans and borrowings, short-term debt instruments and bonds payable, please refer to the notes to the interim financial report.

Except for the borrowings and debt financing, the Group obtained funds through placements from other financial institutions and financial assets sold under repurchase agreements. As of 30 June 2020, the placements from other financial institutions were RMB7.421 billion while the financial assets sold under repurchase agreements were RMB130.521 billion. The total debt mentioned above was RMB251.213 billion.

Except for the liabilities disclosed in this Report, the Group did not have, as of 30 June 2020, any outstanding mortgages, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, guarantees or other material contingent liabilities.

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(III) Analysis of investments

1. Material equity investments
 - Applicable Not applicable
2. Material non-equity investments
 - Applicable Not applicable

Office buildings in Jing'an District, Shanghai: Guoxiang Properties, a subsidiary of the Company, received a planning permit of construction engineering and a construction permit for pile foundation for land lot No. 49 in Jing'an District on 23 June 2014 and commenced construction in June 2014. According to the resolution at the second meeting of the fifth session of the Board in 2016, the total investment amount for this project was adjusted to RMB1.879 billion by adding another project investment of RMB255 million. The accumulative investment of the project was RMB1.698 billion as of 30 June 2020.

3. Financial items measured at fair value
 - Applicable Not applicable

Unit: thousand yuan Currency: RMB

Items	30 June 2020		January to June 2020		
	Initial investment cost/nominal amount	Fair value	Movement during the Reporting Period	Investment income	Fair value changes
Financial instruments at fair value					
through profit or loss	162,875,528	168,432,210	23,696,711	2,323,712	1,291,730
Debt instruments at fair value through					
other comprehensive income	53,943,862	55,356,147	-4,523,668	740,756	-
Equity instruments at fair value through					
other comprehensive income	18,295,421	17,324,255	706,997	91,520	-
Derivative financial instruments	1,771,125,359	-2,202,271	-1,393,543	8,756	-520,170

4. Material assets and equity disposal
 - Applicable Not applicable

Section IV Report of the Directors

(IV) Analysis of main holding companies

1. Guotai Junan Financial Holdings

Guotai Junan Financial Holdings primarily conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong through Guotai Junan International and its subsidiaries.

The paid-up capital of Guotai Junan Financial Holdings is HK\$2,611.98 million and the Company holds 100% of its equity interests.

As of 30 June 2020, the total assets of Guotai Junan Financial Holdings were RMB121.217 billion with net assets of RMB12.651 billion; in the first half of 2020, its operating revenue was RMB1.075 billion and its net profit was RMB457 million.

2. Guotai Junan Asset Management

Guotai Junan Asset Management is principally engaged in securities asset management business.

The registered capital of Guotai Junan Asset Management is RMB2 billion and the Company holds 100% of its equity interests.

As of 30 June 2020, the total assets of Guotai Junan Asset Management were RMB6.909 billion with net assets of RMB5.487 billion; in the first half of 2020, its operating revenue was RMB1.005 billion and its net profit was RMB374 million.

3. Guotai Junan Futures

Guotai Junan Futures is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consulting and investment management.

The registered capital of Guotai Junan Futures is RMB2 billion and the Company holds 100% of its equity interests.

As of 30 June 2020, the total assets of Guotai Junan Futures were RMB39.369 billion with net assets of RMB3.647 billion; in the first half of 2020, its operating revenue was RMB3.218 billion and its net profit was RMB164 million.

Section IV Report of the Directors

4. Guotai Junan Innovation Investment

Guotai Junan Innovation Investment is principally engaged in equity investment business and other businesses approved by the CSRC.

The registered capital of Guotai Junan Innovation Investment is RMB7.5 billion and the Company holds 100% of its equity interests.

As of 30 June 2020, the total assets of Guotai Junan Innovation Investment were RMB8.408 billion with net assets of RMB7.409 billion; in the first half of 2020, its operating revenue was RMB167 million and its net profit was RMB84 million.

5. Guotai Junan Zhengyu

Guotai Junan Zhengyu is principally engaged in equity investment, financial product investment, and businesses as stipulated in the Management Norms of Alternative Investment Subsidiaries of Securities Companies.

The registered capital of Guotai Junan Zhengyu is RMB2 billion and the Company holds 100% of its equity interests.

As of 30 June 2020, the total assets of Guotai Junan Zhengyu were RMB2.5 billion with net assets of RMB2.346 billion; in the first half of 2020, its operating revenue was RMB380 million and its net profit was RMB252 million.

6. Shanghai Securities

Shanghai Securities is principally engaged in securities brokerage; securities investment consultation; financial advisory relating to securities trading and securities investment; securities (exclusive of stocks and corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; agency sale of securities investment fund; intermediary business for futures companies; margin financing and securities lending; agency sale of financial products.

The registered capital of Shanghai Securities is RMB2.61 billion and the Company holds 51% of its equity interests.

As of 30 June 2020, the total assets of Shanghai Securities were RMB38.623 billion with net assets of RMB7.392 billion; in the first half of 2020, its operating revenue was RMB775 million and its net profit was RMB236 million.

Section IV Report of the Directors

7. HuaAn Funds

HuaAn Funds is principally engaged in fund establishment, management of fund business and other businesses approved by the CSRC.

The registered capital of HuaAn Funds is RMB150 million and the Company holds 20% of its equity interests.

As of 30 June 2020, the total assets of HuaAn Funds were RMB4.194 billion with net assets of RMB3.023 billion; in the first half of 2020, its operating revenue was RMB1.156 billion and its net profit was RMB280 million.

(V) The situation of structured entities controlled by the Company

As of 30 June 2020, the Group consolidated 53 structured entities, which include asset management schemes and partnerships. For those asset management schemes where the Group is involved as a manager and partnerships where the Group is involved as general partner or investment manager, the Group considered that it had control rights over some asset management schemes and partnerships and incorporated them into the consolidated category after comprehensively taking into account various factors such as the investment decision rights they owned and their exposures to the variable returns. As at 30 June 2020, the impacts of the above structured entities which were incorporated into the consolidated category on the Group's consolidated total assets, consolidated operating revenue and consolidated net profit were RMB5.283 billion, negative RMB12 million and negative RMB38 million, respectively.

(VI) Use of proceeds

In April 2019, the Company conducted the placing of 194,000,000 new H Shares under a general mandate with the proceeds of HK\$3.170 billion at the price of HK\$16.34 per share. The placees and their respective ultimate beneficial owners are third parties independent of the Company and not connected persons of the Company. The actual proceeds amounted to HK\$3.122 billion after deducting issuance expenses. As of February 2020, the funds raised from the placing of H Shares had been fully used. The utilization was in line with the purposes set out in the announcement dated 10 April 2019 in relation to placing of new H Shares under the general mandate.

In March 2020, Guotai Junan International conducted a rights issue to all its shareholders at the subscription price of HK\$1.45 per share on the basis of one rights share for every three existing shares. The net proceeds amounted to approximately HK\$2,780 million. As of 30 June 2020, Guotai Junan International had used approximately HK\$2,469 million among the total proceeds of the rights issue. The utilization was in line with the purposes set out in the rights issue documents of Guotai Junan International dated 14 January 2020 and 24 February 2020. The remaining approximately HK\$311 million will continue to be used in line with the purposes set out in the aforesaid documents, and is expected to be used up by the end of 2020.

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IX. OTHER DISCLOSURES

(I) Warnings and explanations for the forecast that the accumulated net profit for the period from the beginning of the year to the end of next Reporting Period may be negative or change significantly compared with that for the same period of last year

Applicable Not applicable

(II) Potential risk exposures

Applicable Not applicable

1. Overview

During the Reporting Period, the Company insisted on its healthy risk culture, firmly took the “compliance risk management” as one of its core strategies, continually established comprehensive risk management system, improved risk management system, optimized risk management organization structure, explored risk management models and methods, built up risk management information system, and enhanced the professional level of risk management, in order to ensure the long-term and healthy development of the Company. During the Reporting Period, the Company obtained the first batch of qualifications for consolidated supervision pilot program, and its comprehensive risk management capabilities were recognized by the regulatory authorities.

2. Risk management structure

The Company has established a four-level risk management system consisting of the Board (including Risk Control Committee) and Supervisory Committee, operation management (including risk management committee and assets and liabilities management committee), risk management department, other business departments and branches and subsidiaries.

Section IV Report of the Directors

1) *The Board (including Risk Control Committee) and Supervisory Committee*

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Company. The Board is responsible for promoting the construction of risk culture; reviewing and approving the fundamental risk management policies of the Company; reviewing and approving the Company's risk appetite, risk tolerance and major risk limits; reviewing periodic risk assessment report; appointment, dismissal and assessment of the chief risk officer, determining his/her remuneration; establishing a mechanism for communicating with the chief risk officer directly. The Board has established the Risk Control Committee, which is responsible for reviewing the overall objectives and fundamental policies of risk management; reviewing the establishment and the duties of the risk management divisions; assessing the risks associated with significant business decisions and the solutions to address significant risks which are to be reviewed by the Board; reviewing various risk assessment reports; reviewing the effectiveness of the Company and its subsidiaries' risk management and internal control systems at least once a year in accordance with the instruction of the Board and making a report to Shareholders in Corporate Governance Report.

The Supervisory Committee is responsible for supervising comprehensive risk management of the Company, supervising and reviewing the performance of the risk management and rectification of defect by the Board and senior management.

2) *Operation management (including risk management committee and assets and liabilities management committee)*

Our operation management takes the major responsibility of the comprehensive risk management of the Company; is responsible for organizing and implementing the publicity and dissemination of risk culture; establishes risk management system and makes timely adjustment; establishes a healthy operation management structure for the Company's comprehensive risk management and clarifies the duty division of comprehensive risk management among risk management functions, business departments and other departments; establishes the specific execution plans of risk appetite, risk tolerance and major risk limits, and ensures the effective implementation of the plans; monitors its progress, analyzes its reasons in a timely manner and handles it according to the authorizations granted by the Board; periodically assesses the overall risk of the Company and various types of important risk management conditions, resolves problems that are found in risk management and reports to the Board; establishes a performance assessment system for all staff that covers effectiveness of risk management; and establishes a complete IT system and data quality control mechanism.

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A risk management committee is established at the operation level of the Company, which conducts overall management for the Company's operational risks, and reviews and makes decisions on major issues of risk management and performs following duties: reviewing arrangements and important systems for compliance risk control mechanism of the Company and its subsidiaries, making decisions or submitting to relevant decision-making bodies for consideration; reviewing the Company's basic policies for risk management, annual risk appetite, self-funded business scale, and maximum risk limits, reviewing the Company's semi-annual and annual compliance management, risk management reports, and annual internal control evaluation reports and submitting to the Board and the Risk Control Committee of the Company for approval; within the scope of the Board's authorization, considering and determining various investment and financing business scales, risk limits allocation plans, and important risk control indicators and its major adjustments of the Company; considering and making decisions for new authorization of the Company's operations and management and authorization adjustments; reviewing the Company's major innovative business risks, compliance assessment report, making decisions and granting authorization; reviewing the Company's business matters that have major disputes in the risk assessment and risk control mechanism arrangement; considering the election of the first-line compliance risk control head, and the recommendation and appointment of the risk control compliance head of the subsidiary; judging and identifying prospectively on regulatory situation and the risk situation, making decision for compliance risk control response; considering and deciding the disposal options for the Company's major risk issues; considering and making decisions for other matters of significant risk management in business activities.

The members of risk management committee include the president, the chief risk officer, the chief compliance officer, the chief financial officer, the head of risk management department, the head of internal audit risk management department, the head of the planning and finance department, the head of the legal compliance department, the head of the strategic development department and the head of the group audit center.

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3) *Risk management departments*

Our risk management departments include those which are specifically responsible for risk management, such as the risk management department, the internal audit risk management department, the legal compliance department, and the group audit center, as well as departments that perform other risk management duties, such as the planning and finance department, the assets and liabilities department, the IT department, the operation center and the executive office. Our risk management department manages the market risks, credit risks, operational risks and liquidity risks, and performs specific risk management responsibilities; our internal audit risk management department is responsible for the risk review and assessment of the Company's securities issuance business in the primary market; our legal compliance department is responsible for identifying, assessing, notifying, monitoring, reporting and preventing legal compliance risks of the Company to protect the Company from legal penalties, significant financial losses and damages to reputation; our group audit center is responsible for independent and objective inspection, supervision, evaluation of and recommendations on the compliance and reasonableness of business, management, finance and other operations, on the security and profitability of assets, and on the comprehensiveness and effectiveness of internal controls among the Company's various departments, branches and controlled subsidiaries. Our planning and finance department is responsible for the Company's budget planning, financial management, accounting and net capital management; our assets and liabilities department is responsible for liquidity management and liquidity risk management; our IT department is the management and operation body of the Company's IT, and is responsible for the planning, construction, operation and management of the Company's IT system, establishing and implementing IT-related system, assessing and controlling the Company's IT risks; our operation center is the daily operation management department of the Company and is responsible for the centralized clearing, settlement, auditing, third-party depository operation of the Company's various businesses, and takes the responsibility of relevant risk management and control; our executive office is responsible for the management of the Company's reputational risk.

4) *Other business departments and branches*

The key responsible persons of each of our business departments, branches and subsidiaries are the persons who are primarily responsible for risk control of each business units. In order to enhance the frontline risk responsibility consciousness, strengthen front end risk control, identify and prevent risk timely and effectively, the Company continuously strengthens the risk control function of each specialized management committees, business departments, branches and subsidiaries. The Company established compliance and risk management system at the subsidiary level, requiring that the subsidiaries shall develop and improve risk management system for their own, and effectively improve the overall risk management level.

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3. Risk management system

The Company established a 4-level risk management system based on its business characteristics and level of operational risks and has been constantly perfecting it. The system includes: measures on comprehensive risk management; various risk management measures based on different risks such as market risk, credit risk, operational risk, liquidity risk and reputational risk; risk management system on various business and products; and the practical business operation protocol. During the Reporting Period, the Company revised measures on comprehensive risk management, self-owned funds risk management measures, exchange immature bond credit risk management measures, operational risk management guidelines, and anti-money laundering management measures in accordance with the latest regulatory requirements.

4. Risk appetite system

Risk appetite is the Company's overall attitude towards risks, as well as the type and level of risks it is willing to bear after taking into full consideration of net capital, assets and liabilities, solvency, liquidity, external ratings, compliance operations and future business risk and opportunity, provided that the requirements of stakeholders including creditors, customers, regulatory authorities and rating agencies have been satisfied.

The Company sorts out the expectation and requirement of respective interested parties (including Shareholders, regulatory authorities, rating agencies, the Board and senior management), sets specific goals based on the core aspects including development strategies, operation performance, capital strength, liquidity, compliance and external rating and forms the Company's risk appetite system. On the basis of a complete overall risk appetite setting, the Company describes the risk boundaries of different dimensions such as overall risk and major risks through quantized risk tolerance indicators. Subject to risk appetite and risk tolerance, the Company sets limits on key risk indicators and conducts risk monitor and control based on those limits.

During the Reporting Period, after consideration and approval by the Board, the Company defined the Group's risk appetite, tolerance and limit for 2020, and differentiated different dimensions such as risk types and subsidiaries for decomposition and transmission and implemented in the ordinary course of business. In the first half of 2020, the Group's various indicators remained stable under its risk appetite system.

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5. Measures against various risks

1) *Market risks*

Market risks are those that may cause loss to the Company due to unfavorable changes of market prices, which include but not limited to interest rates, exchange rate, stock prices and commodity prices. The businesses of the Company that involve market risks mainly include the investment and transactions of equity securities and their derivatives, NEEQ market making business, the investment and transactions of fixed-income securities and their derivatives as well as low-risk and non-directional transactions such as foreign exchange transactions, precious metal transactions and commodity transactions.

The Company implements limit management for market risks and formulates a market risk limit system comprising business scale, loss limit, Value at Risk (VaR), exposure, Greek letters, effectiveness of hedge, sensitivity and various types of risk indicators. It determines the alarm standards, warning standards and responding measures for market risks.

The Company conducts daily monitoring for market risk limits by using its risk management system to monitor the operation of its businesses. We report market risk monitoring and management conditions, and conduct specialized analysis on risk matters, in order to provide basis for decision making. The Company adopts methods such as Value at Risk (VaR) and Stress Test to analyze and assess market risk. The Company's Value at Risk (VaR) calculation applies a historical simulation method based on the historical data for the previous 12 months, assuming the holding period is one day and the confidence level is 95%. The calculation model of VaR covers equity price risk, interest rate risk, commodity price risk and exchange rate risk. The Company regularly reviews the effectiveness of VaR model through the back testing method.

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The following table sets forth the VaR of the Company by risk types as at the dates and for the periods indicated: (1) the daily VaR as of the beginning and end of the respective period; (2) the average value, the minimum value and maximum value of the daily VaR for the respective period.

Value at Risk (VaR) of the Group for the first half of 2020

Unit: ten thousand yuan Currency: RMB

Category	30 June	31 December	The first half of 2020		
	2020	2019	Average	Minimum	Maximum
Equity price-sensitive					
financial instruments	13,568	18,230	15,166	10,024	19,049
Interest rate-sensitive					
financial instruments	37,961	9,106	29,064	8,583	47,854
Commodity price-sensitive					
financial instruments	2,624	1,141	1,704	1,130	2,624
Exchange rate-sensitive					
financial instruments	4,238	4,726	4,022	3,338	5,658
Risk diversification effect	(25,049)	(8,451)	(20,344)	(8,889)	(27,937)
Total portfolio VaR	33,341	24,752	29,629	18,601	39,835

Note: VaR of the Group covers the financial assets of the self-funded investment business of the Group.

In addition to the VaR, the Company actively uses stress tests to measure and assess possible losses under extreme market conditions. The Company regularly conducts comprehensive and special stress tests to strengthen risk assessment and development monitoring in connection with the trading and investment businesses, and applies its results of stress tests to market risk management and limit management.

During the Reporting Period, the violent fluctuations in the overseas financial market had a greater impact on the equity investments and overseas fixed-income bond investments of the Company. The risk management department and business department of the Company closely monitor market changes, control market risk exposure through established business scale and risk limits, and adjust business strategies in a timely manner in accordance with market changes, and actively take actions such as reducing risk exposure or increasing risk hedges to control the market risk of the Company's investment portfolio.

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2) *Credit risks*

Credit risks are those that may cause a loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuers, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity. The Company's current credit risks mainly concentrate on the bond investment business, margin financing and securities lending business, stock-pledged financing transaction business and OTC derivatives business.

The Company implements access management for credit risks. Before conducting relevant businesses including credit risks, clients' credits will be rated. If the rating result is within the accessible credit rating, the credit may be granted and business may be carried out. Before the application for rating clients' credit and granting credit, each business department shall conduct due diligence. As for clients whose credit rates satisfy access conditions, the credit line shall be determined according to the particulars of clients.

The Company mitigates credit risk through methods such as collecting deposits, qualified collaterals and netting settlements. An entry threshold has been formulated for bond investment business and through white list management and concentration control, the credit risks of bond positions are being continuously tracked and assessed. Credit business department sets detailed access standards and discount rates for collaterals according to the characteristics of their specific business. Access standards and discount rates will be reviewed regularly by the Company. When there is a significant change in market or policies or there is a significant credit event related to the relevant entity applying for the credit, the access standards and discount rates shall be reviewed randomly. For collaterals other than cash, the Company conducts marking to market management and assesses collaterals' value.

The Company analyzes credit risk factors of each business, identifies the credit risks for the business and conducts credit risks concentration management and measurement and assessment. The Company conducts credit risk management for its large clients in respect of concentration risk control targets. The Company uses analysis methods such as concentration, probability of default, default loss rate, credit exposure and collateral coverage rate as credit risk measures. The Company sets reasonable credit risk stress scenarios, conducts stress tests and analyzes the results thereof.

In the first half of 2020, the Company's credit risk was generally controllable, and no major credit default events occurred in bond investment business. The average performance guarantee ratio of the stock-pledged financing business was 277%, and the average of the guarantee ratio for clients with outstanding liabilities in margin financing and securities lending business maintained at 282%.

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3) *Liquidity risks*

Liquidity risks are those we might face when we are not able to obtain sufficient funds in time at reasonable costs or price to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation.

The Company mainly adopts the risk indicators analysis method to assess its overall liquidity risks, i.e., the Company assesses and measures its overall liquidity risk condition by analyzing key indicators such as the liquidity coverage ratio, net stable funding ratio, leverage multiple, cash flow term gap, net size of the cash management pool, liquidity ratio, liquidity reserve ratio as well as asset and liability concentration. The Company establishes a liquidity risk limit system, conducts limit management on liquidity risks and monitors and reports the implementation of limits. The Company establishes a quantitative model for the liquidity risk of financial assets, and measures the liquidity of various types of exchange and over the counter financial assets on a daily basis to assess the liquidity risk of various financial assets.

The Company explores and maintains financing channels, continuously keeps an eye on the risk conditions of significant capital providers, and regularly monitors the conditions of significant capital providers' transactions with the Company. The Company concerns the changes of capital markets, assesses the ability and cost of supplementing its liquidity by issuing stocks, bonds and other financing instruments and mitigates its period mismatch by supplementing its middle-to-long term liquidity. Under the premise of controlling the liquidity risk at the overall level, the Company pays attention to liquidity risk management at various business line levels, to focus on identifying, assessing, monitoring and controlling the fund management business, trading and investment proprietary business, brokerage business, credit business, investment banking business, and liquidity risk factors of the subsidiaries.

The Company conducts liquidity risk stress tests on a regular or ad hoc basis, simulates the losses that may occur under extreme liquidity pressures, assesses and judges the Company's ability to withstand risks and fulfill its payment obligations in extreme situations, and takes necessary measures to respond to the test conclusions.

The Company establishes and continuously improves the contingency plan for liquidity risks, which includes taking measures such as transferring, decentralizing and reducing risks exposure to reduce the level of liquidity risks. The Company also establishes emergency response or standby systems, procedures and measures for natural disasters, system failures and other emergencies so as to reduce losses and reputation damages that the Company may suffer. The contingency plan will be rehearsed and assessed regularly and emergency response arrangements will be continually updated and improved.

Section IV Report of the Directors

In the first half of 2020, the liquidity of the market was generally reasonable and sufficient, but the overseas market experienced a tightening of liquidity in March. In response to the new changes, the Company further strengthened the liquidity risk management and control of overseas business, paid close attention to overseas market conditions, strengthened the risk monitoring and emergency management of overseas business, and ensured sufficient liquidity reserves to meet daily and unexpected capital needs. In the first half of 2020, the Company's liquidity coverage ratio and net stable funding ratio met the regulatory requirement. The net size of the cash management pool was higher than the minimum scale limit set by the Company and the overall liquidity status was good.

4) *Operational risks*

Operational risks are the possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events.

The Company sorts out the key risk points and control processes of each business, manages daily operational risks by using the operational risk management system, and establishes the self-evaluating procedure of operational risk and control. Each department, branch and subsidiary actively identifies operational risks in their internal systems and procedures, employee behaviors and IT systems to ensure that the operational risks in existing and new businesses and management are adequately assessed. The Company systematically gathers and organizes the information of the events of operational risk and loss data, establishes key operational risk indicator system and monitors its process, and prepares periodical reports. In terms of significant operational risk events, it will provide specific valuation reports to ensure that the operational risk situation of the Company could be fully understood in a timely manner, which in turn facilitates their decision-making regarding the response to the risks or the initiation of contingency plans.

The Company continuously strengthens the security of information systems, formulates a comprehensive emergency response plan for information security events, and conducts regular assessment over the main plan and sub plan of emergency response. It also arranges various rehearsals against incidents, disaster and other scenarios that cover all important information systems in the headquarters and all branches, and improves, modifies and upgrades its system and emergency response plan based on the results of rehearsal and findings identified.

In the first half of 2020, the Company's information technology and operation affairs ran smoothly in a safe way with no significant operational risk events. The fault backup and recovery time for each information system emergency rehearsal reached our established goal, which has verified that the Company's core information system has incident and disaster response capabilities.

Section IV Report of the Directors

5) *Reputational risk*

Reputational risk is the risk of negative evaluation to the Company's reputation as a result of its operations, management and other actions or external events. The Company incorporates reputational risk management into a comprehensive risk management system, establishes a reputational risk management mechanism, and sets up a brand center as the Company's reputational risk management department under the executive office, requiring all departments, branches, sales offices and subsidiaries to actively and effectively prevent reputational risks and respond to reputational risk events, accurately identify, prudently evaluate, dynamically monitor, timely respond to and manage the reputational risks in the process of business management, and minimize losses and negative impacts on the Company's reputation and brand image.

In the first half of 2020, the Company improved the reputational risk monitoring and early warning mechanism, had stable overall public sentiment and incurred no major reputational risk events.

(III) Other disclosures

Applicable Not applicable

1. The operation plan and goals for the Next Reporting Period and the strategies and actions adopted for achieving the goals

In the second half of 2020, under the working guideline of "comprehensive benchmarking, confronting challenges, grasping opportunities, and striving to achieve a leading position in the comprehensive strength of the Company", the Group will focus on carrying out the following four tasks: (1) spare no effort to accomplish the annual goal and narrow the gap with the leading peers; (2) strengthen benchmarking and accelerate the improvement of the Company's core competitiveness; (3) promote reform and innovation to fully complete the annual tasks of comprehensive reform; and (4) the management will implement the policy of reducing cost and improving quality and efficiency and raise the refined management level.

From the perspective of various specific business areas, in respect of the investment banking business, the Group will continue to deepen the reform of the business unit systems, and accelerate business developments in the Sci-Tech Innovation Board and IPOs, so as to consolidate its competitiveness in key areas; in respect of the research and institutional business, the Group will create the service model oriented to the comprehensive income from institutional customers; in respect of the transaction and investment business, the Group will improve its business strategies and firmly develop low-risk and non-directional businesses; in respect of the credit business, the Group will accelerate the optimization of the pledge business management system to further increase its share of margin financing and securities lending; in respect of the wealth management business, the Group will accelerate transformation while maintaining its leading position in terms of net income from agency trading; in respect of the investment management business, the Group will strive to enhance its active management capability, optimize investment system and consolidate its core competitiveness in R&D investments; in respect of the international business, the Group will strengthen domestic and overseas interaction to accelerate the formation of new revenue growth points.

Section IV Report of the Directors

2. Business innovation during the Reporting Period

Please refer to “Section III Summary of Businesses of the Company – III. Analysis of Core Competitiveness during the Reporting Period” in the Report.

3. Risk control for business innovation

- 1) The Company has included innovative business in its comprehensive risk management system. Based on the development and risk profile of innovative business, the Company has established a complete decision-making mechanism, a management model and an organization structure catering for its business and formulated relevant compliance and risk management policies for the innovative business to standardize the risk management for the innovative business during the entire process. The sustainable and healthy development of each innovative business on the premise of building the capability to monitor, control and bear risks was ensured through risk assessment and determination, inspection before launch and continuous management for innovative business. Before the launch of innovative business, risk management departments of the Company conducted compliance verification, identification and assessment, measurement and analysis, and directed business department to improve internal control mechanism in relation to policies and procedures.
- 2) The Company has established multi-level risk control and warning mechanism for innovative business and designed various risk control indicators and risk limits for each level based on the risk profile of the business, which enabled dynamic track to the risks of innovative business. In the course of each particular business, the specific compliance and risk controller of business department was responsible for overseeing the market and the risk management department conducted independent monitoring, so as to prompt risk warning in case of abnormal risk control indicators and take corresponding risk control measures based on the level of the risk warning, therefore ensuring the risk level of innovative business at any time was within the tolerance of the Company.
- 3) The Company has established the policy of regular report and significant risk event report for innovative business to issue regular risk information report for the innovative business, ensuring that all the staff and senior management involved in innovative business were informed of all necessary business, risk and management information on a timely basis. When the operation of innovative business was impacted by reason of external market turmoil, internal management problems and technical system failure, which might result in significant loss to the interest or reputation of the Company, the responsible department or the internal control department that identified the risk should immediately report to the business leader, the chief risk officer and the risk management department for the implementation of existing contingency plan or proposing new response plan based on the actual situation by the decision makers.
- 4) The Company conducted special review on the conduction of innovative business on a regular basis to improve the internal control and risk response capacity of the business. Such special review covered important steps of innovative business and management. Each of the related departments studied and analyzed the conduction and internal control mechanism of innovative business based on the findings of special review, improved the management policies, operation process and corresponding control mechanism, and completed the contingency plan for innovative business, ensuring the stable and healthy development of innovative business.

Section V Significant Events

I. INFORMATION OF THE GENERAL MEETING

Meeting session	Convening date	The address of the designated website for publishing resolutions	The disclosure date for publishing resolutions
2019 Annual General Meeting	15 June 2020	http://www.sse.com.cn http://www.hkexnews.hk	15 June 2020

The general meeting

Applicable Not applicable

During the Reporting Period, the Company convened one general meeting as follows:

The 2019 Annual General Meeting of the Company was held in Shanghai on 15 June 2020, at which the 2019 Work Report of the Board, the 2019 Work Report of the Supervisory Committee, the Resolution on the 2019 Profit Distribution Plan of the Company, the Resolution on the Change of Accounting Firms, the Resolution on the 2019 Annual Report of the Company, the Resolution on the Potential Related Party Transactions Contemplated in the Ordinary Course of Business of the Company in 2020, the Resolution on the General Mandate for the Provision of Corporate Debt Related External Guarantee, the Resolution on the Election of Director of the Company, the Resolution on the Election of Supervisor of the Company, the Resolution on the Adjustments to the Validity Periods of the Resolutions on General Mandate to Issue Onshore and Offshore Debt Financing Instruments and Assets-backed Securities, the Resolution on the General Mandate to the Board to Issue Additional A Shares and/or H Shares and the Resolution on the Amendments to the Articles of Association were considered and approved.

II. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

(I) Half-year proposal for profit distribution and transfer of capital reserve fund into capital

Whether to distribute profit or transfer capital reserve fund into capital	No
Number of bonus shares for every 10 shares (share)	–
Amount of dividend for every 10 shares (RMB) (inclusive of tax)	–
Number of increased shares for every 10 shares (share)	–
Relevant explanation on proposal for profit distribution or transfer of capital reserve fund into capital	
	Not applicable

Section V Significant Events

III. THE PERFORMANCE OF UNDERTAKINGS

(I) The undertakings of the Company's de facto controller, Shareholders, related parties, acquirers and the Company and other related parties during the Reporting Period or that continued to be valid during the Reporting Period

√ Applicable □ Not applicable

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
Undertakings related to initial public offering	Shanghai State-owned Assets Operation Co., Ltd.	Other	The undertaking of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date on which no longer being the Company's controlling shareholder ^{Note 1}	Yes	Yes	-	-
		Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of the intention of reducing shareholding within 2 years after the expiry date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-
	Shanghai International Group Co., Ltd.	Other	The undertaking of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date on which no longer being the Company's de facto controller ^{Note 1}	Yes	Yes	-	-
		Other	The undertaking of avoiding the competition with Guotai Junan in the same industry (Non-Competition Arrangement)	From the listing date of the H Shares of Guotai Junan to the date on which no longer being the Guotai Junan's controlling shareholder ^{Note 2}	Yes	Yes	-	-
		Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of the intention of reducing shareholding within 2 years after the expiry date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
	Shanghai Sitico Assets Management Co., Ltd.	Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of the intention of reducing shareholding within 2 years after the expiry date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
	Shanghai International Group Asset Management Co., Ltd.	Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of the intention of reducing shareholding within 2 years after the expiry date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
	Shanghai International Group Asset Operation Co., Ltd.	Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
		Other	The undertaking of the intention of reducing shareholding within 2 years after the expiry date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	-	-
	The Company	Other	The undertaking of repurchasing shares and indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-
		To resolve the competition in the same industry	The undertaking of eliminating the competition with Shanghai Securities and Haiji Securities in the same industry	Within 5 years after the date on which Guotai Junan controlled Shanghai Securities	Yes	Yes	-	-
	Directors, supervisors and senior management of the Company	Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-

Note 1: The controlling shareholder and the *de facto* controller as referred to herein are as defined under the SSE Listing Rules.

Note 2: The controlling shareholder as referred to herein is as defined under the Hong Kong Listing Rules.

Section V Significant Events

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Explanations on appointment and dismissal of accounting firms

Applicable Not applicable

Since the service term of Ernst & Young Hua Ming LLP and Ernst & Young, the original auditors of the Company, has expired in accordance with the requirements of the Ministry of Finance of the PRC, the Company held the fifteenth meeting of the fifth session of the Board on 24 March 2020 to consider and approve the Resolution on Appointment of Accounting Firms, pursuant to which, the Company proposed to appoint KPMG Huazhen LLP and KPMG as the external auditors of the Company for 2020, and to appoint KPMG Huazhen LLP as the auditor for the internal control audit of the Company for 2020. Such resolution was considered and approved at the 2019 Annual General Meeting of the Company on 15 June 2020.

Ernst & Young Hua Ming LLP and Ernst & Young, as the Company's external auditors for 2019, have confirmed that there was no matter related to their termination of service which needs to be brought to the attention of shareholders. The Board and the audit committee of the Company have also confirmed that they have no disagreement or outstanding issues with Ernst & Young Hua Ming LLP and Ernst & Young, and are not aware of any relevant matters which need to be brought to the attention of shareholders.

Explanation on change of accounting firms during the audit period

Applicable Not applicable

Explanations of the Company on “Non-Standard Opinion Audit Report” of accounting firm

Applicable Not applicable

Explanation of the Company on the issuance of a “Non-Standard Opinion Audit Report” by the registered accountant in relation to the financial statements set out in the annual report of last year

Applicable Not applicable

Section V Significant Events

V. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

Applicable Not applicable

VI. MATERIAL LITIGATION AND ARBITRATION

The Company had material litigations and arbitrations during the Reporting Period
 The Company had no material litigation and arbitration during the Reporting Period

VII. PENALTIES AND RECTIFICATIONS OF THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRERS

Applicable Not applicable

1. Administrative regulatory measures were imposed on Shenzhen Hongli West Road Securities Branch by Shenzhen Bureau of the CSRC issuing a warning letter to it

On 13 March 2020, administrative regulatory measures were imposed on Shenzhen Hongli West Road Securities Branch of the Company by Shenzhen Bureau of the CSRC issuing a warning letter to it for its deputy general manager actually performing the duties of the head of the branch for 4 months and failing to report the same to Shenzhen Bureau of the CSRC.

The Company has adopted the following rectification measures in respect of the above issues:

The Company set up a special team to make the following rectifications: firstly, re-analyzing the requirements of regulatory filing and implement the filing work in strict accordance with relevant regulatory requirements; secondly, improving the division of job responsibilities in the securities branch and assigning the duties to specific individuals; thirdly, revising the implementation rules for compliance assessment of the securities branch and strengthening the accountability mechanism; fourthly, enhancing daily compliance inspection; fifthly, strengthening training; and lastly, holding relevant responsible persons accountable for compliance.

2. Administrative regulatory measures were imposed on the Company by Fujian Bureau of the CSRC issuing a warning letter to it for its failure to perform duties diligently in bonds underwriting business

On 30 April 2020, administrative regulatory measures were imposed on the Company by Fujian Bureau of the CSRC issuing a warning letter to it for its failure to strictly observe the practice standards and to perform relevant responsibilities diligently during the process of due diligence and entrusted management when it acted as the underwriter and trustee of Fuguiniao Co., Ltd.'s Public Issue of 2014 Corporate Bonds.

The Company has adopted the following rectification measures in respect of the above issues:

Strengthening the inspection of, and improving the quality of, investment banking project as well as holding relevant responsible persons accountable.

Section V Significant Events

3. Guotai Junan Securities (Hong Kong) Limited was publicly condemned and fined by the Securities and Futures Commission of Hong Kong (the “SFC”)

On 18 June 2020, Guotai Junan Securities (Hong Kong) was publicly condemned and fined HK\$25.2 million by the SFC due to the lack of internal anti-money laundering policies and measures, insufficient monitoring of third-party transfers, failure to fully understand customers’ backgrounds and sources of subscription funds in share placement transactions, inadequate internal monitoring procedures and system management for after-hour’s supervision, and failure to promptly report to the SFC the issues found and other situations during the period from 2014 to 2016.

Guotai Junan Securities (Hong Kong) has adopted various rectification measures in respect of the above issues: overhauling its systems, optimizing the internal control procedure, increasing compliance investment, establishing a decision-making mechanism for regular meetings, increasing compliance training, engaging third-party consultants to review and assess and other measures. These measures not only solved the issues raised by the SFC in the punishment, but also improved the company’s compliance management ability in various aspects, such as staffing, monitoring systems, internal control structures, process management, record keeping and timely reporting. In addition, Guotai Junan Securities (Hong Kong) also held serious accountability to relevant front, middle and back office employees and those responsible for management and leadership.

VIII. THE CREDIT STATUS OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, there was no failure to implement the effective judgment of a court or failure to meet the repayment schedules of a debt with a relatively large amount by the Company, Shanghai SA (controlling shareholder of the Company) or International Group (the *de facto* controller of the Company).

Note: The controlling shareholder and the *de facto* controller mentioned above are as defined under the SSE Listing Rules.

IX. THE EQUITY INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THE IMPACT THEREOF

(I) Relevant equity incentives disclosed in ad hoc announcements without subsequent progress or change

Applicable Not applicable

Section V Significant Events

Event Description

On 7 June 2020, the Resolution on the Restricted Share Incentive Scheme of A Shares of Guotai Junan Securities Co., Ltd. (Draft) and its Summary, the Measures for the Implementation, Appraisal and Management of the Restricted Share Incentive Scheme of A Shares and the Resolution on Proposing to Grant Authorization to the Board by the General Meeting of the Company to Deal with Matters in Relation to the Restricted Share Incentive Scheme of A Shares were considered and approved at the 22nd extraordinary meeting of the fifth session of the Board and the fourth extraordinary meeting of the fifth session of the Supervisory Committee of the Company, pursuant to which the Restricted Share Incentive Scheme of A Share was approved.

On 29 June 2020, the Restricted Share Incentive Scheme of A Shares of the Company was in principle approved by the Shanghai Municipal State-owned Assets Supervision and Administration Commission.

On 24 July 2020, the Company issued a notice convening the 2020 first extraordinary general meeting on 12 August, at which the Company will consider the above-mentioned resolutions on the equity incentive scheme.

On 6 August 2020, the six interim meeting of the fifth board of supervisors of the Company approved the proposal of the publicity and the verification opinion of the incentive objects of the restricted share incentive scheme of A share.

Inquiry Index

For details of the Restricted Share Incentive Scheme of A Shares, please refer to the relevant announcements of the Company published on the website of the Hong Kong Stock Exchange on 7 June, 30 June and 24 July, and 6 August 2020.

(II) Incentives not disclosed in ad hoc announcements or with subsequent progress

Equity incentives

Applicable Not applicable

Other explanations

Applicable Not applicable

Details of employee share scheme

Applicable Not applicable

Other incentives

Applicable Not applicable

Section V Significant Events

(III) The share option scheme of Guotai Junan International

On 19 June 2010, Guotai Junan International, a subsidiary of the Company, adopted a share option scheme, with a term of 10 years from the date of adoption. The total number of shares to be issued upon the exercise of all share options granted pursuant to the share option scheme will be not in aggregate more than 10% of the issued shares of Guotai Junan International as of the date of approval of the share option scheme (i.e. 164,000,000 shares).

As of 19 June 2020, the term of the share option scheme has expired and no further options will be granted. The total number of shares to be issued underlying the share options that have been granted but not yet exercised is 72,520,558, which shall remain exercisable after the expiration of the share option scheme. (Please refer to relevant announcements of Guotai Junan International)

X. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transactions relating to day-to-day operations

1. Matters disclosed in ad hoc announcements without subsequent progress or change

Applicable Not applicable

2. Matters disclosed in ad hoc announcements with subsequent progress or change

Applicable Not applicable

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

4. Day-to-day related party transactions

The Company conducts related party transactions in strict compliance with the SSE Listing Rules, the Policy on Information Disclosure Management and the Policy on Management of Related Party Transactions. The Group's related party transactions are conducted based on the principles of equity, openness and fairness, and the related party transaction agreements are entered into at market prices based on the principles of equality, voluntariness, equivalence and compensation.

During the Reporting Period, the Company's day-to-day related party transactions were implemented according to the Resolution on the Potential Related Party Transactions Contemplated in the Ordinary Course of Business of the Company in 2020, which was considered and approved at the 2019 Annual General Meeting of the Company.

Section V Significant Events

The disclosure of related party transactions set forth in this section is based on the SSE Listing Rules, and may differ from the amount of related transactions in the notes to the financial statements (prepared according to the Accounting Standards for Business Enterprise).

1) Major related party transactions relating to day-to-day operations

① Fees and commissions received from related parties

Unit: yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Revenue from entrusted asset management business	6,727,028	8,769,296

② Interest received from related parties

Unit: yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Interest from deposit in financial institutions	79,433,158	171,084,398

③ Interests paid to related parties

Unit: yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Interest expense of Placements from other financial institutions	11,795,972	1,853,389
SPD Bank	Interest expense of bonds	6,485,310	3,632,877

Section V Significant Events

④ *Operating expenses and costs paid to related parties*

Unit: yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Service fee of sales of financial products	7,219,649	5,036,796

2) **Balances with related parties**

① *Balances of deposits in related parties*

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	7,801,366,028	11,228,264,045

② *Balances of financial assets held under resale agreements*

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	590,298,038	800,480,367
Shanghai SA	748,668,000	-

Section V Significant Events

③ Balances of the bonds issued by related parties held by the Company

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	2,034,484,411	1,902,757,860
GW Securities	304,582,330	168,128,376
China Three Gorges Corporation	338,145,915	-

④ Balances of the bonds issued by the Company held by related parties

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	1,586,289,419	1,019,216,438

⑤ Balances of financial assets sold under repurchase agreements

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	366,267,816	1,000,556,164

Section V Significant Events

⑥ Borrowings/placements from related parties

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
Shanghai Sitico Assets Management Co., Ltd.	1,034,083,333	1,014,688,988
International Group	486,019,167	476,932,885

(II) Related party transactions relating to asset or share acquisition or disposal

- Matters disclosed in ad hoc announcements without subsequent progress or change
 Applicable Not applicable
- Matters disclosed in ad hoc announcements with subsequent progress or change
 Applicable Not applicable
- Matters not disclosed in ad hoc announcements
 Applicable Not applicable
- If performance covenant is involved, the fulfilment of the business performance undertaking during the Reporting Period shall be disclosed
 Applicable Not applicable

Section V Significant Events

(III) Significant related party transactions relating to joint external investments

1. Matters disclosed in ad hoc announcements without subsequent progress or change

Applicable Not applicable

Event Description

To implement the strategic development scheme of the Company, the Resolution on Review of the Connected Transaction in relation to Joint Establishment of the First Fund in Guotai Junan Mother Fund by the Company and Related Parties (《關於提請審議公司與關聯方共同發起設立國泰君安母基金首期基金暨關聯交易的議案》) was considered and approved at the 19th meeting of the fifth session of the Board of the Company, pursuant to which Guotai Junan Innovation Investment and its subsidiary were approved to establish the first fund in Guotai Junan Mother Fund with International Group, Shanghai International Trust Co., Ltd., Shanghai Junjinhongfu Business Consultancy Center L.P. (上海君環泓富商務諮詢中心(有限合夥)) and other third parties. The fund partners made total capital contributions of RMB8.008 billion, among which the Company made a capital contribution of RMB4.0 billion. On 8 January 2020, the above-mentioned parties had executed the relevant investment agreements.

Inquiry Index

Connected transaction – Proposed establishment of investment fund, and updates on the connected transaction relating to the establishment of an investment fund

Section V Significant Events

2. Matters disclosed in ad hoc announcements with subsequent progress or change

Applicable Not applicable

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

(IV) Debts due to/from related parties

1. Matters disclosed in ad hoc announcements without subsequent progress or change

Applicable Not applicable

2. Matters disclosed in ad hoc announcements with subsequent progress or change

Applicable Not applicable

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

(V) Other significant related party transactions

Applicable Not applicable

(VI) Others

Applicable Not applicable

XI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1 Custody, contracting and leasing

Applicable Not applicable

Section V Significant Events

2 Guarantees

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

External guarantees by the Company (excluding guarantees for subsidiaries)

Total amount of the guarantees during the Reporting Period (excluding guarantees for subsidiaries)	–
Balance of the total amount of the guarantees at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	–

Guarantees of the Company for subsidiaries

Total amount of the guarantees for subsidiaries during the Reporting Period	–
Balance of the total amount of the guarantees for subsidiaries at the end of the Reporting Period (B)	3,884,079,181

Total amount of guarantees of the Company (including guarantees for subsidiaries)

Total amount of guarantees (A+B)	3,884,079,181
Total amount of guarantees as a percentage of the net assets of the Company (%)	2.94
Including:	
The amount of guarantees provided to Shareholders, the de facto controller and their related parties (C)	–
The amount of debt guarantees directly or indirectly provided to the guaranteed with a gearing ratio of over 70% (D)	3,884,079,181
The amount of guarantees in excess of 50% of net assets (E)	–
The sum of the three items above (C+D+E)	3,884,079,181
Remark on the joint settlement responsibilities in relation to premature guarantees	–
Remark on the guarantees	On 11 March 2019, Guotai Junan Holdings Limited (BVI), a subsidiary of the Company, issued the bonds with an amount of USD500 million, with a term of 3 years and the interest rate of 3.875%. The Company (as the guarantor) entered into a guarantee agreement with Citicorp International Limited (as trustee), to provide unconditional and irrevocable guarantee for the payment obligation under the aforesaid bonds of Guotai Junan Holdings Limited (BVI).

Section V Significant Events

3 Other material contracts

Applicable Not applicable

1. According to the SSE Listing Rules, the Group did not enter into any material contract during the Reporting Period.
2. The developments of material contracts disclosed in the Prospectus about the Initial Public Offering of A Shares during the Reporting Period are as follows:
 - (1) According to a resolution at the 10th extraordinary meeting of the fourth session of the Board, the Company proposed to invest in the office building project of Huangpu Riverside (黃浦濱江), and the investment amount was expected not to exceed RMB1.18 billion. On 16 October 2013, the Company signed the Framework Agreement for Transfer of the Fuxing Land parcel (《復興地塊項目轉讓框架協議》) with Shanghai Bund Riverside Development Company Ltd. (上海外灘濱江綜合開發有限公司) (hereinafter referred to as “Bund Riverside”). Pursuant to this agreement, Bund Riverside intends to acquire the land parcel through auction. The land parcel is located at the Huangpu District, Shanghai City and is used for commercial and office purposes, with a site area of 35,862 m². Bund Riverside shall construct six office buildings on the site and transfer one of the buildings (with a gross floor area of approximately 14,000 m²) to the Company. The transfer price covered the land costs, construction costs, respective amortization charges and the project management fees paid to Bund Riverside. On 12 December 2013, Bund Riverside signed the Land Use Rights Grant Contract of State-owned Land with the Planning and Land Administration Bureau of Huangpu District (上海市黃浦區規劃和土地管理局). As of the end of the Reporting Period, the Company had paid RMB1,091,335,700.
 - (2) On 18 November 2014, Guoxiang Properties signed the Agreement of the Main Contract on Construction of the Main Body of the New Project of the Office Building of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司辦公樓新建項目主體工程施工總承包合同》) with Shanghai Construction No. 1, pursuant to which Shanghai Construction No. 1 was responsible for constructing the main body of the new project of the office building of Guotai Junan. The project is located at Lot 49, Jing’an District, Shanghai City, with a total contract value of RMB335,882,500. As of the end of the Reporting Period, the Company has paid RMB249,138,600.

Section V Significant Events

XII. POVERTY ALLEVIATION ACTIVITIES OF THE COMPANY

Applicable Not applicable

1. Targeted poverty alleviation plans

Applicable Not applicable

2020 is the final year of the fight against poverty, and the Company's paired support projects named "One Company for One County Targeted Poverty Alleviation (一司一縣·精準扶貧)" will come to an end in Puge County, Sichuan, Qianshan County, Anhui and Ji'an County, Jiangxi. The Company will continue to diligently implement its superiors' work deployment and arrangements for paired support and poverty alleviation. By upholding the concept of "Serving the Country with Financial Services (金融報國)", and focusing on improving the effectiveness of paired support and "eliminating weaknesses (補短板)", the Company made great efforts to help solve outstanding problems, and proactively completed the closeout and summarization work for its paired support projects.

In order to consolidate the results of poverty alleviation, the "Worry-free Growth (成長無憂)" public welfare medical supplementary insurance project and the "remote medical service" project previously initiated by the Company will continue to be implemented in other counties upon completion of its existing poverty alleviation projects. At the same time, long-term projects such as the urban-rural paired support, caring for the elderly, subsidizing impoverished college students, and assisting the construction of three hope primary schools will enrich the existing projects, optimize the project implementation plan, further implement the projects, and reflect the social responsibilities of the Company.

2. Overview of targeted poverty alleviation activities during the Reporting Period

Applicable Not applicable

The Company continues to carry out a series of paired supports and public welfare funding activities with practical contents and various forms, including "One company for one county" to accurately support three national-level poverty-stricken counties, Ji'an County of Jiangxi Province, Qianshan County of Anhui Province and Puge County of Sichuan Province, "Urban-and-Rural Comprehensive Support" to support Fengxian District of Shanghai and State-owned Assets Supervision and Administration Commission and "Hundred Enterprises for Hundred Villages" in Jing'an District to provide supports to three villages in Malipo County in Yunnan Province and nine villages in Guangnan County in Yunnan Province.

Section V Significant Events

Industrial support: The Company invested RMB5 million at Fengxian District, Shanghai City, the counterpart under the Urban-Rural Comprehensive Support, to implement the “Enriching People in A Hundred Villages (百村富民)” project, in order to help impoverished farmers to improve their quality of life. The Company supported three poverty-stricken village industrial support projects in Malipo County, Wenshan Autonomous Prefecture, Yunnan Province and participated in living environmental improvement projects of nine villages in Guangnan County in Yunnan Province.

Educational support: The Company continuously supported the learning and education of impoverished people in three Guotai Junan Hope Primary Schools, followed up the implementation of the “Guotai Junan Teaching Award and Scholarship (國泰君安獎教、獎學金)” and assisted three Guotai Junan Hope Primary Schools to carry out the pandemic prevention and control work. All our branches continued to fund local impoverished college students. In this year, the Company financed a total of 162 impoverished college students, involving 12 universities.

Charity support: The third-year period of the “Worry-free Growth Medical Supplementary Insurance (成長無憂醫療補充保險)” project was close to expiration. Over the past three years, 536 claims were handled to pay total compensation of RMB3.03 million. In order to make full use of the outstanding premiums, the Public Welfare Foundation and China Pacific Insurance have currently renewed the project to August 2021.

The Company proceeded with the “Remote Medical Service Project (遠程醫療服務項目)” in Ji’an County, Jiangxi, Qianshan County, Anhui, Puge County, Sichuan and Malipo County, Yunnan. In the first half of this year, it handled 14 remote medical consultations, conducted 13 medical trainings and offered trainings to 97 local doctors.

In the first half of this year, the Public Welfare Foundation and the labor union jointly launched the “Consumer Poverty Alleviation (消費扶貧)” initiative to purchase high-quality agricultural products from Guangnan County, Yunnan Province and support the poverty alleviation of Guangnan County.

Section V Significant Events

3. Achievements of targeted poverty alleviation activities of the Company

√ Applicable □ Not applicable

Unit: ten thousand yuan Currency: RMB

Indicators	Number and implementation information of the Company
I. Overview	
Including :	
1. Fund	686.0
2. Total value of materials	-
3. Number of registered impoverished people who were helped to be out of poverty	-
II. Itemized input	
1. Poverty alleviation through industrial development	
Including:	
1.1 Type of industrial poverty alleviation projects	<input type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	3
2. Poverty alleviation through education	
Including:	
2.1 Amount invested in subsidizing students with financial difficulties	41.75
2.2 Number of students receiving allowance	162
3. Protection for the most disadvantaged people	
Including:	
3.1 Amount invested in helping the “three left-behind” groups	1.8
3.2 Number of people of the “three left-behind” groups helped	60
4. Social poverty alleviation	
Including:	
4.1 Invested amount to targeted poverty alleviation work	642.45
III. Awards (nature and level)	
No	

Section V Significant Events

4. Staged progress in performing social responsibilities for targeted poverty alleviation

Applicable Not applicable

With the care and support of the people's government in Puge County, Sichuan, the Puge Guotai Junan Agricultural Industry Fund (普格國泰君安農業產業基金) has been actively implementing the project. At present, the wormwood processing industry project and the sericulture planting project will soon reach a contract. Guotai Junan Tianzhushan Central School held a formal groundbreaking ceremony in Qianshan County, Anhui on 10 September 2018 and then commenced its construction work. Currently, the primary school has been fully completed, and is expected to open in September this year, while the middle school has also commenced its foundation construction.

The scalper trading market in Majie Town, Malipo County, Yunnan Province, the plateau agricultural special produce logistics center in Babu Town and 428 water flushing toilets in Zhuanbao Village, Liuhe Town have all been constructed and put into use, thus improving the local industrial and living environment. The living environment improvement project in 9 impoverished villages in Guangnan County, Yunnan Province has been completed and put into use, taking on a new look of those villages. Meanwhile, the poverty alleviation project to help impoverished families has also been carried out in an orderly manner. These projects will become the demonstration sites for the construction of "new countryside" in local areas, and play a benchmark and demonstration role for the comprehensive construction of a well-off society.

5. Subsequent targeted poverty alleviation plan

Applicable Not applicable

2020 is the final year of the fight against poverty. The Company will continue to actively promote the targeted poverty alleviation work in Ji'an County, Jiangxi Province, Puge County, Sichuan Province and Qianshan City, Anhui Province, broaden corporate financing channels, increase industrial supports, strengthen talent exchanges and improve educational environment. At the same time, the Company will continue to further carry out such activities as "Urban-Rural Paired Support (城鄉結對)", "Hundred Enterprises for Hundred Villages (百村百企)", and "Poverty Alleviation and Education Support (扶貧助學)", earnestly support the construction of the hope primary schools and subsidize impoverished college students, continue to help overcome difficulties in the education of poverty-stricken areas as well as for the students and families in poverty, attract more people to participate in poverty alleviation and make joint efforts to carry out targeted poverty alleviation, so as to win the fight against poverty.

Section V Significant Events

XIII. CONVERTIBLE CORPORATE BONDS

√ Applicable □ Not applicable

(I) Issuance of Convertible Bonds

As approved by the CSRC, the Company publicly issued the Convertible Bonds with an issuance size of RMB7.0 billion on 7 July 2017. The Convertible Bonds were listed on the Shanghai Stock Exchange on 24 July 2017 (collectively referred to as “GTJA Bond”, with bond code 113013) and can be converted into the ordinary A Shares (stock code 191013) from 8 January 2018.

(II) Convertible Bond holders and guarantors during the Reporting Period

Name of convertible corporate bond	GTJA Bond
No. of Convertible Bond holders at the end of the period	5,382
Guarantors of Convertible Bonds	Not applicable

Top ten Convertible Bond holders are as below:

Name of convertible corporate bond holders	Bonds held at the end of the period (RMB)	Percentage of bonds held (%)
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	607,111,000	8.67
China Merchants Fortune – Postal Savings Bank – Postal Savings Bank of China Co., Ltd.	356,235,000	5.09
China Securities Finance Corporation Limited	345,101,000	4.93
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Construction Bank of China)	292,297,000	4.18
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Everbright Securities Co., Ltd)	243,497,000	3.48
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	207,963,000	2.97
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of Communications)	191,962,000	2.74
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.)	169,293,000	2.42
China Construction Bank Corporation – Lombarda China Europe and New Zealand Blue Chips Flexible Allocation Hybrid Securities Investment Fund	114,323,000	1.63
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Minsheng Banking Corp., Ltd.)	103,402,000	1.48

Section V Significant Events

(III) Change of Convertible Bonds during the Reporting Period

Unit: yuan Currency: RMB

Name of convertible corporate bonds	Before change	Converted	Increase/ decrease Redeemed	Sold back	After change
GTJA Bond	6,999,713,000	-8,000	-	-	6,999,705,000

(IV) Aggregated conversion of convertible bonds during the Reporting Period

Name of convertible corporate bonds	GTJA Bond
Conversion amount during the Reporting Period (RMB)	8,000
Number of converted shares during the Reporting Period (shares)	409
Aggregated number of converted shares (shares)	14,768
Aggregated number of converted shares as a percentage of the total number of issued shares of the Company before conversion (%)	0.000169
Amount of convertible bonds not yet converted (RMB)	6,999,705,000
Number of convertible bonds not yet converted as a percentage of the total number of issued convertible bonds (%)	99.9958

Section V Significant Events

(V) Adjustments of the conversion prices

Unit: yuan Currency: RMB

Name of convertible corporate bonds		GTJA Bond		
Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Reasons of adjustments
29 June 2018	RMB19.80 per share	22 June 2018	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.4 per share for the year of 2017
19 April 2019	RMB19.67 per share	18 April 2019	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company placed 194,000,000 new H Shares in April 2019
12 August 2019	RMB19.40 per share	5 August 2019	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.275 per share for the year of 2018
12 August 2020	RMB19.01 per share	5 August 2020	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.39 per share for the year of 2019
Conversion price as of the disclosure date of this report		RMB19.01 per share		

Section V Significant Events

(VI) Information on the Company's liability, credit changes and cash arrangement for debt repayment next year

As at the end of June 2020, the Group's total assets amounted to RMB623.022 billion, with a gearing ratio of 70.67%. Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued the Report on the Updated Rating of the Public Issuance of A Share Convertible Corporate Bonds of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司公開發行A股可轉換公司債券跟蹤評級報告》) in respect of the issuance of the A-Share Convertible Bonds on 20 May 2020, and maintained the credit rating of the Company as AAA and the credit rating of the Convertible Bonds as AAA with a stable outlook.

The major source of funds available for the Company to settle the principal and interests of the Convertible Bonds in the future will be cash flow generated from operating activities of the Company. In the past three years, the Company's major businesses remain stable with strong financial conditions, and the Company has adequate cash flow generated from operating activities and relatively strong repayment capability.

(VII) Other information on Convertible Bonds

As at the end of June 2020, the outstanding amount of the A-Share Convertible Bonds was RMB6,999,705,000. Based on the conversion price of RMB19.40 per share as at 30 June 2020, in the event that the outstanding A-Share Convertible Bonds are fully converted, 360,809,536 A Shares will be issued, the total number of A Shares will increase to 7,876,930,924, the total number of Shares will increase to 9,268,758,104, and the percentage of the number of H Shares against the total number of the Shares will be diluted from 15.62% to 15.02%.

The shareholding in the Company of the controlling shareholder of the Company, Shanghai SA, will be diluted from 23.05% to 22.15% and the aggregate shareholding in the Company of the de facto controller of the Company, International Group, will be diluted from 32.42% to 31.15%.

The basic earnings per share of the Company in the first half of 2020 were RMB0.58 per share. If the outstanding A-Share Convertible Bonds mentioned above were fully converted, the diluted earnings per share of the Company in the first half of 2020 would be RMB0.58 per share.

Note: The controlling shareholder and the de facto controller as referred to herein have the meanings as defined under the SSE Listing Rules

Section V Significant Events

XIV. ENVIRONMENTAL INFORMATION

(I) Environmental protection information of the company and its major subsidiaries on the lists of critical pollutant dischargers published by environmental protection authorities

Applicable Not applicable

(II) Environmental protection information of companies not on the list of critical pollutant dischargers

Applicable Not applicable

(III) Reasons for non-disclosure of environmental protection information by companies not on the list of critical pollutant dischargers

Applicable Not applicable

The environmental information will be disclosed in the annual Social Responsibility Report of the Company

(IV) Subsequent progress or changes in environmental protection information disclosed during the Reporting Period

Applicable Not applicable

XV. OTHER SIGNIFICANT EVENTS

(I) Explanation, reason and impact of changes in accounting policy, accounting estimates and accounting methods in comparison with the last accounting period

Applicable Not applicable

(II) Explanation, corrected amount, reason and impact of retrospective restatement for adjustment of significant accounting errors occurred during the Reporting Period

Applicable Not applicable

Section V Significant Events

(III) Miscellaneous

Applicable Not applicable

1. Corporate governance

During the Reporting Period, the Company continued to improve its corporate governance system in strict compliance with the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies and other laws and regulations, and the rules and codes of relevant authorities and the actual corporate governance of the Company was in compliance with relevant requirements. Meanwhile, the Company has strictly complied with the Corporate Governance Code by fully complying with the code provisions and satisfied substantially all the requirements for recommended best practices set out therein.

During the Reporting Period, two Directors and one Supervisor were newly appointed. The Board has 17 Directors in total, including six independent non-executive Directors.

During the Reporting Period, the Company held general meetings, Board meetings, meetings of the Supervisory Committee and meetings of the special committees under the Board in strict compliance with the Articles of Association. During the Reporting Period, the Company held one annual general meeting, four Board meetings, including two regular meetings and two extraordinary meetings, three meetings of the Supervisory Committee, one meeting of the Strategy Committee, three meetings of the Remuneration, Appraisal and Nomination Committee, two meetings of the Audit Committee and one meeting of the Risk Control Committee.

2. Matters related to the proposed solution for the issue of same-industry competition with Shanghai Securities

In order to solve the same-industry competition issue between the Company and Shanghai Securities, in August 2019, at the 16th extraordinary meeting of the fifth session of the Board of the Company, the Proposal on Adopting the Resolution on the Issue of Same Industry Competition through the Targeted Capital Increase of Shanghai Securities Co., Ltd. (《關於提請審議採取上海證券有限責任公司定向增資方式解決同業競爭問題的議案》) was considered and approved, pursuant to which it was agreed that the issue of same-industry competition shall be solved by targeted capital increase of Shanghai Securities.

Section V Significant Events

In January 2020, the Company convened the 21st extraordinary meeting of the fifth session of the Board at which the Proposal on Consideration and Approval of the Specific Plan for Targeted Capital Increase of Shanghai Securities Co., Ltd. (《關於提請審議上海證券有限責任公司定向增資具體方案的議案》) was considered and approved, pursuant to which, Bailian Group Co., Ltd. and Shanghai Municipal Investment (Group) Corporation agreed to subscribe for the newly issued capital of Shanghai Securities by way of non-public capital increase, while the existing three shareholders of Shanghai Securities, including the Company, waived their first refusal right to subscribe for the newly issued capital. Upon completion of the capital increase, the shareholding of Bailian Group Co., Ltd. in Shanghai Securities will be 50.00%, and it will become the controlling shareholder of Shanghai Securities, while the Company's shareholding in Shanghai Securities will be reduced from 51% before the capital increase to 24.99%. As such, there will be no same-industry competition between the Company and Shanghai Securities. In January 2020, the above matter was approved by Shanghai State-owned Assets Supervision and Administration Commission. As at the disclosure date of the Report, this transaction is still pending for approval by China Securities Regulatory Commission.

3. Increase in the H Shares held by International Group

On 9 January 2020, International Group purchased 80,000 H Shares through the Southbound trading system and proposed its subsequent shareholding increase plan. International Group intended to increase its holdings of H shares in the Company within 12 months from the date of this shareholding increase in due course, provided that the cumulatively increased shareholding shall not exceed 2% of the total issued share capital of the Company, and the public float of the Company shall remain at or above the level of public float approved by the Hong Kong Stock Exchange at the listing of the Company's H shares. For the period from the first shareholding increase to 30 June 2020, International Group increased its holding of additional 41,193,600 H shares in aggregate.

4. The Company's fight against the COVID-19 pandemic

After the outbreak of the COVID-19 pandemic, the Company established a leading group for pandemic prevention and control. Based on precaution, comprehensive prevention and control and systematic implementation of policies, the Company did its utmost to ensure the health and safety of its employees, as well as the smooth day-to-day operation.

- (1) The Company formulated the prevention and control plan and the emergency plan to guide its branches in different regions to arrange business development, transaction services, personnel and customers according to different pandemic levels under the guidance of local governments and regulatory agencies, used financial technologies to provide customers with online services, adopted multiple methods to guide customers to conduct online transactions and business processing, and offered or coordinated other branches to offer the "Partner Custody Services (夥伴託管服務)" for those branches which were unable to offer customer services effectively due to the pandemic, so as to minimize the impact of the pandemic.

Section V Significant Events

- (2) The Company refined the prevention and control measures to proceed with the tracking and monitoring of the pandemic and the pandemic prevention and control in office premises, required each business unit to adopt minimum post deployment, group rotation and remote officing under the premise of ensuring normal operation, strengthened the pandemic prevention and control in server rooms, trading rooms and other key parts and put the information technology emergency preparedness in place, thus effectively ensuring the normal development of its various businesses.
- (3) The Company utilized its professional services to stabilize customer confidence and support the fight against the pandemic, and notified its customers of the impact of the pandemic in a timely manner through the release of research reports, teleconferences, online roadshows and online communications with listed companies, and launched more than 40 online services and improved online investment services for customers. The asset custody and outsourcing business was the only one to offer continuous net fund value quotations in the industry. The investment banking business launched the “On-site + Online” dual work model to uninterruptedly provide its customers with continuous guidance, entrusted management and other services. In addition, the Company also issued the first corporate bonds in respect of the pandemic prevention and control of state-owned enterprises for Hubei Culture & Tourism Investment Group Co., Ltd.
- (4) The Company actively discharged its social responsibilities. After the outbreak of the pandemic, the Company immediately donated RMB20 million to establish a special fund to finance the pandemic prevention and control and the procurement of urgently needed supplies. The Company’s employees were also active on the donation with a caring heart. So far, they have donated more than RMB4 million. From the beginning of February, the Company consecutively donated RMB3.5 million to Huanggang, Hubei to procure virus-testing reagents, instruments, protective clothing and other urgently needed supplies, RMB10 million to Shanghai Charity Foundation to support the pandemic prevention and control, RMB1 million to Shanghai Ruijin Hospital (上海瑞金醫院) to support the pandemic prevention and control, approximately RMB9.20 million as condolence payments and for procurement of protective supplies to all the members of the Shanghai-to-Hubei Medical Assistance Team and their families, and approximately RMB140,000 to the paired support towns and counties in poverty to procure the virus prevention supplies.

5. Matters related to the issuance of corporate bonds

Pursuant to the permission of China Securities Regulatory Commission (Zheng Jian Xu Ke [2020] No. 797), the Company was approved to publicly issue to professional investors the corporate bonds with a par value of not more than RMB20.0 billion. In July 2020, the Company completed the issue of first tranche with an amount of RMB5.0 billion for a term of 3 years at an interest rate of 3.55%.

Pursuant to the permission of China Securities Regulatory Commission (Zheng Jian Xu Ke [2020] No. 1519), the Company was approved to publicly issue to professional investors the short-term corporate bonds with a par value of not more than RMB30.0 billion.

Section V Significant Events

6. Change of business qualifications for each individual business during the Reporting Period

During the Reporting Period, the Company was among the first batch to consecutively obtain the business qualifications for the business pilot of fund investment advisors, consolidated supervision pilot, the settlement and sale of foreign exchange for the customers engaging in cross-border investment and financing transactions and the access into the Chinese commercial paper trading system. For details, please see “Business Qualifications for Each Individual Business of the Company” under the section of “Section II Company Profile and Key Financial Indicators” in the Report.

7. Issuance of Medium Term Notes (MTN) by Guotai Junan International

In the first half of 2020, Guotai Junan International issued MTN with amounts of HK\$5.1905 billion, USD130 million and RMB441.17 million, respectively, with terms of 3 months to 1 year, of which HK\$68.5 million matured and was paid in the first half of 2020.

8. Changes of business outlets

During the Reporting Period, the Group newly established 6 futures branch offices, completed the relocation of one securities branch office and 9 securities branches, and deregistered one securities branch in the PRC. As of 30 June 2020, the Group had 33 securities branch offices and 10 futures branch offices in total in the PRC, among which, the Company had 30 securities branch offices, Shanghai Securities had 3 securities branch offices, Guotai Junan Futures had 9 futures branch offices and Hicend Futures had 1 futures branch office. The Group had 419 securities branches and 22 futures branches in total in the PRC, among which, the Company had 343 securities branches, Shanghai Securities had 76 securities branches, Guotai Junan Futures had 14 futures branches and Hicend Futures had 8 futures branches.

	Newly-established branch offices	Relocated branch offices	Newly-established securities/futures branches	Relocated securities/futures branches	Deregistered securities/futures branches
The Company	–	1	–	5	1
Shanghai Securities	–	–	–	4	–
Guotai Junan Futures ^{Note}	6	–	–	–	–
Hicend Futures	–	–	–	–	–

Note: In the first half of 2020, Shijiazhuang Securities Branch was upgraded to Hebei Branch Office; Xian Securities Branch was upgraded to Shaanxi Branch Office; Wuhan Securities Branch was upgraded to Hubei Branch Office; Zhengzhou Securities Branch was upgraded to Henan Branch Office; Jinan Securities Branch was upgraded to Shandong Branch Office; and Dalian Securities Branch was upgraded to Liaoning Branch Office, all the above six branch offices have obtained the Permit for Securities and Futures Operation Business.

Section V Significant Events

Details of changes of business outlets:

(1) The Company

1) Relocated branch offices and securities branches:

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Jiangxi Branch Office	Jiangxi Branch Office	Rooms 3101-3106 & 3110-3113, 31/F, Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province
2	Zhuhai Jingshan Road Securities Branch	Zhuhai Jingshan Road Securities Branch	Shops 103, 104 & 502, 89 Jingshan Road, Xiangzhou District, Zhuhai City
3	Chongqing Wushan Securities Branch	Chongqing Wushan Securities Branch	Rooms 2-3-1 & 2-3-2, Building 2, Shangxitai, 688 Daoshengquan Street, Gaotang Sub-district, Wushan County, Chongqing City
4	Guilin Kongming West Road Securities Branch	Guilin Chuanshan East Road Securities Branch	Shops 3 & 4, Building 2, Zhuangjiao Shopping Mall, Qixing Garden, 1 Chuanshan East Road, Qixing District, Guilin City
5	Nanchang Honggu Middle Avenue Securities Branch	Nanchang Fenghe Middle Avenue Securities Branch	Rooms 3107-3109, 31/F, Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province
6	Beijing Dewai Street Securities Branch	Beijing Dewai Street Securities Branch	Rooms 109-A & 301 (De Sheng Zone), Building 1, Yard 13, Deshengmenwai Street, Xicheng District, Beijing

2) Deregistered securities branch:

No.	Names of securities branches	Reply reference number	Approval date	Verification letter date
1	Jiujiang Nanhai Road Securities Branch	Gan Zheng Jian Xu Ke [2019] No. 15 (贛證監許可[2019]15號)	16 October 2019	9 December 2019

Section V Significant Events

(2) Shanghai Securities

1) Relocated securities branches:

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Hangzhou Jiefang Road Securities Branch	Hangzhou GTland Plaza Securities Branch	Rooms 3801 & 3802, Building 1, GTland Plaza, Jiangan District, Hangzhou City, Zhejiang Province
2	Leqing Liushi Huifeng Road Securities Branch	Leqing Liushi Liuqing South Road Securities Branch	1 & 2/F, 909 Liuqing South Road, and 2/F,907 Liuqing South Road, Liushi Town, Leqing City, Wenzhou City, Zhejiang Province
3	Nanjing Lishui Zhiyuan Road Securities Branch	Nanjing Lishui Zhiyuan Road Securities Branch	Room 106, Building 3, Kanglihuafu, 68 Zhiyuan Road, Yongyang Town, Lishui District, Nanjing City
4	Pingshun Road Securities Branch	Jingan Changzhong Road Securities Branch	Room 102, No. 2-5 & 8-11, Lane 1988, Changzhong Road, Jingan District, Shanghai City

Section V Significant Events

(3) Guotai Junan Futures

1) Newly-established branches:

No.	Names of newly-established futures branches	Locations of newly-established futures branches	Permit issuing date
1	Hebei Branch Office	Rooms 803 & 804, 8/F, Tower B, Fangbei Building, 133 Yuhua East Road, Yuhua District, Shijiazhuang City, Hebei Province	15 May 2020
2	Shaanxi Branch Office	Room 02, 16/F (18/F by Elevator), PICC (Shaanxi) Finance Building, 12 Gaoxin 3rd Road, High Tech District, Xi'an City, Shaanxi Province	15 May 2020
3	Hubei Branch Office	Office (5) at 40/F, Zheshang International Building, 718 Jianshe Avenue, Jiangan District, Wuhan City	19 May 2020
4	Henan Branch Office	Room 1105, Futures Building, 30 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City	21 May 2020
5	Shandong Branch Office	Rooms 1107 & 1108, 975 Caoshanling South Road, Lixia District, Jinan City	21 May 2020
6	Liaoning Branch Office	Room 2703, Dalian Futures Building, Tower A, Dalian International Finance Center, 129 Huizhan Road, Shahekou District, Dalian City, Liaoning Province	2 June 2020

Section VI Changes in Ordinary Shares and Particulars about Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of Changes in Shares

1. Table of changes in Shares

Unit: share

	Before change		New issues	Change (+/-)				After change	
	Number	Percentage		Bonus issues	Reserves capitalized	Others	Sub-total	Number	Percentage
		(%)							(%)
I. Shares subject to selling restrictions	-	-	-	-	-	-	-	-	-
II. Tradable shares not subject to selling restrictions	8,907,948,159	100.00	-	-	-	409	409	8,907,948,568	100.00
1. RMB-denominated ordinary shares	7,516,120,979	84.38	-	-	-	409	409	7,516,121,388	84.38
2. Overseas listed foreign invested Shares	1,391,827,180	15.62	-	-	-	-	-	1,391,827,180	15.62
III. Total number of ordinary shares	8,907,948,159	100.00	-	-	-	409	409	8,907,948,568	100.00

2. Changes in Shares

Applicable Not applicable

During this Reporting Period, the A-Share Convertible Bonds with an amount of RMB8,000 had been converted into a total of 409 A Shares.

3. Impact of changes in shares on earnings per share, net asset value per share or other financial indicators subsequent to the end of the Reporting Period and up to the publication date of the interim report

Applicable Not applicable

4. Other information considered necessary by the Company or required by the securities regulators to be disclosed

Applicable Not applicable

(II) Changes in Shares Subject to Selling Restrictions

Applicable Not applicable

Section VI Changes in Ordinary Shares and Particulars about Shareholders

II. ISSUE AND LISTING OF SECURITIES

Issue of Securities During the Reporting Period

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved to be listed	Transaction Termination Date
Ordinary Shares						
1788 ordinary shares ^{Note 1}	March 2020	HK\$1.45/share	1,919,219,266	March 2020	1,919,219,266	-
Convertible corporate bonds, bonds with detachable warrants and corporate bonds						
2020 First Tranche Short-term Financing Bills	January 2020	2.68%	3,000,000,000	January 2020	3,000,000,000	April 2020
2020 Second Tranche Short-term Financing Bills	February 2020	2.45%	4,000,000,000	February 2020	4,000,000,000	May 2020
2020 Third Tranche Short-term Financing Bills	March 2020	1.74%	4,000,000,000	March 2020	4,000,000,000	June 2020
2020 Fourth Tranche Short-term Financing Bills	April 2020	1.40%	3,000,000,000	April 2020	3,000,000,000	July 2020
2020 Fifth Tranche Short-term Financing Bills	May 2020	1.55%	3,000,000,000	May 2020	3,000,000,000	August 2020
2020 Sixth Tranche Short-term Financing Bills	June 2020	2.10%	5,000,000,000	June 2020	5,000,000,000	September 2020
Public Offering of 2020 Corporate Bonds (First Tranche)	January 2020	3.37%	4,000,000,000	January 2020	4,000,000,000	January 2023
Public Offering of 2020 Corporate Bonds (Second Tranche) (Type I)	March 2020	3.05%	4,000,000,000	March 2020	4,000,000,000	March 2023
Non-public Offering of 2020 Perpetual Subordinated Bonds (First Tranche) ^{Note 2}	March 2020	3.85%	5,000,000,000	March 2020	5,000,000,000	N/A

Issue of securities during the Reporting Period (particulars of bonds with different interest rates during duration shall be provided separately):

Note 1: In January 2020, Guotai Junan International conducted a rights issue to all its of shareholders at the subscription price of HK\$1.45 each share on the basis of three rights shares for every ten existing shares held on the record date (e.g. 7 February 2020), which were underwritten by the underwriter. The closing price of the shares was HK\$1.49 per share on 14 January 2020, namely the last trading day before the terms of the rights issue were determined. In March 2020, Guotai Junan International allotted and issued a total of 1,919,219,266 shares.

Note 2: In March 2020, the Company implemented a non-public issue of 2020 Perpetual Subordinated Bonds (First Tranche) with an amount of RMB5 billion and a coupon rate of 3.85%. The interest rate remained unchanged during the first five interest-bearing years of the whole term of the bonds. If the Company does not exercise the redemption right, the coupon rate will be reset every five years from the sixth interest-bearing year.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

III. PARTICULARS OF SHAREHOLDERS

(I) Total number of Shareholders:

Total number of holders of ordinary shares at the end of the Reporting Period ^{Note} 167,170

Total number of holders of preferred shares with voting rights restored at the end of the Reporting Period —

Note: The total number of Shareholders includes the holders of ordinary A Shares and the registered holders of H Shares. As at the end of the Reporting Period, there were 166,984 holders of A Shares and 186 registered holders of H Shares.

(II) Shareholdings of the top ten Shareholders and the top ten holders of tradable Shares (or Shares without selling restrictions) as at the end of the Reporting Period

Unit: share

Names of Shareholders (full name)	Increase or decrease during the Reporting Period	Shareholdings of the top ten Shareholders			Pledged or frozen Status	Number	Nature of Shareholders
		Number of shares held as at the end of the period	Percentage (%)	Number of non-tradable shares ^{Note 1}			
Shanghai State-owned Assets Operation Co., Ltd. ^{Note 2}	-	1,900,963,748	21.34	0	Not	0	State-owned legal person
HKSCC Nominees Limited ^{Note 3}	-71,000	1,391,677,520	15.62	0	Unknown	0	Overseas legal person
Shanghai International Group Co., Ltd. ^{Note 4}	-	682,215,791	7.66	0	Not	0	State-owned legal person
Shenzhen Investment Holdings Co., Ltd. ^{Note 5}	-	609,428,357	6.84	0	Not	0	State-owned legal person
China Securities Finance Corporation Limited	-	260,547,316	2.92	0	Not	0	Domestic non-state-owned legal person
Shanghai Municipal Investment (Group) Corporation	-	246,566,512	2.77	0	Not	0	State-owned legal person
Shenzhen Energy Group Co., Ltd.	-	154,455,909	1.73	0	Not	0	Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited ^{Note 6}	-14,199,575	132,180,321	1.48	0	Not	0	Overseas legal person
China National Nuclear Corporation	+1,220,000	76,892,793	0.86	0	Not	0	State-owned legal person
Hangzhou Financial Investment Group Co., Ltd (杭州市金融投資集團有限公司)	-	75,999,310	0.85	0	Not	0	State-owned legal person

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Details of the top ten shareholders without selling restrictions ^{Note 1}

Names of Shareholders	Number of tradable shares without selling restrictions held at the end of the period	Class and number of shares	
		Class	Number
Shanghai State-owned Assets Operation Co., Ltd	1,900,963,748	RMB- denominated ordinary share	1,900,963,748
HKSCC Nominees Limited	1,391,677,520	Overseas listed foreign-invested shares	1,391,677,520
Shanghai International Group Co., Ltd.	682,215,791	RMB- denominated ordinary share	682,215,791
Shenzhen Investment Holdings Co., Ltd.	609,428,357	RMB- denominated ordinary share	609,428,357
China Securities Finance Corporation Limited	260,547,316	RMB- denominated ordinary share	260,547,316
Shanghai Municipal Investment (Group) Corporation	246,566,512	RMB- denominated ordinary share	246,566,512
Shenzhen Energy Group Co., Ltd.	154,455,909	RMB- denominated ordinary share	154,455,909
Hong Kong Securities Clearing Company Limited	132,180,321	RMB- denominated ordinary share	132,180,321
China National Nuclear Corporation	76,892,793	RMB- denominated ordinary share	76,892,793
Hangzhou Financial Investment Group Co., Ltd (杭州市金融投資集團有限公司)	75,999,310	RMB- denominated ordinary share	75,999,310
Description on the relations or acting-in-concert arrangements among the Shareholders above	Shanghai State-owned Assets Operation Co., Ltd is a wholly owned subsidiary of Shanghai International Group Co., Ltd. HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are both wholly owned subsidiaries of The Stock Exchange of Hong Kong Limited, holding H Shares and A Shares of the Company for H shares investors and Shanghai Connect investors, respectively. Save as disclosed herein, the Company is not aware of any other relations or acting-in-concert arrangements.		
Description on the holders of preferred shares with voting rights restored and their shareholdings			Not applicable

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Note 1: The holders of shares with or without selling restrictions are defined in accordance with the listing rules of the Shanghai Stock Exchange.

Note 2: In the above table of top ten shareholders, the number of Shares held by Shanghai SA as at the end of the period merely represents the number of A Shares held by it. Another 152,000,000 H Shares were held by Shanghai SA through HKSCC Nominees Limited as the nominee.

Note 3: HKSCC Nominees Limited is a nominee holder of the Shares owned by the non-registered holders of the H Shares.

Note 4: In the above table of top ten shareholders, the number of Shares held by International Group as at the end of the period merely represents the number of A Shares held by it. Another 41,193,600 H Shares were held by International Group through HKSCC Nominees Limited as the nominee.

Note 5: In the above table of top ten shareholders, the number of Shares held by Shenzhen Investment Holdings as at the end of the period merely represents the number of A Shares held by it. Another 103,373,800 H Shares were held by Shenzhen Investment Holdings through HKSCC Nominees Limited as the nominee.

Note 6: Hong Kong Securities Clearing Company Limited is the nominee holder of the A shares owned by the Shanghai Connect investors.

Number of shares held by the top ten shareholders with selling restrictions and their selling restrictions

Applicable Not applicable

(III) Strategic investors or general legal persons becoming the top ten shareholders by placing of new shares

Applicable Not applicable

IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

Applicable Not applicable

Section VI Changes in Ordinary Shares and Particulars about Shareholders

V. INTERESTS AND SHORT POSITION OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As of 30 June 2020, to the best knowledge of the Company, the following persons have interests or short position in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are required to be recorded in the register that is required to be kept by the Company under Section 336 of the SFO, or own directly or indirectly 5% or more of the nominal value of any class of the Shares:

Substantial shareholders	Nature of interest	Class	Number ^{Note 1} / nature of shares directly or indirectly held	As an approximate percentage of the relevant class of shares (%)	As an approximate percentage of the total issued share capital (%)
Shanghai International Group Co., Ltd.	Beneficial owner	A Shares	682,215,791/ Long position	9.08	7.66
	Beneficial owner	H Shares	41,193,600/ Long position	2.96	0.46
	Interest held by controlled corporation	A Shares	2,012,109,666/ Long position ^{Note 2}	26.77	22.59
	Interest held by controlled corporation	H Shares	152,000,000/ Long position ^{Note 3}	10.92	1.71
Shanghai State-owned Assets Operation Co., Ltd	Beneficial owner	A Shares	1,900,963,748/ Long position	25.29	21.34
	Beneficial owner	H Shares	152,000,000/ Long position	10.92	1.71
Shenzhen Investment Holdings Co., Ltd	Beneficial owner	A Shares	609,428,357/ Long position	8.11	6.84
	Beneficial owner	H Shares	103,373,800/ Long position	7.43	1.16
New China Asset Management (Hong Kong) Limited	Beneficial owner	H Shares	258,388,000/ Long position	18.56	2.90
New China Asset Management Company Limited	Interest held by controlled corporation	H Shares	258,388,000/ Long position ^{Note 4}	18.56	2.90
New China Life Insurance Company Ltd.	Interest held by controlled corporation	H Shares	258,388,000/ Long position ^{Note 4}	18.56	2.90
Diamond Acquisition Co SARL	Beneficial owner	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14
A9 USD (Feeder) L.P.	Interest held by controlled corporation	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Substantial shareholders	Nature of interest	Class	Number ^{Note 1/} nature of shares directly or indirectly held	As an	As an
				approximate percentage of the relevant class of shares (%)	approximate percentage of the total issued share capital (%)
Apax Guernsey (Holdco) PCC Limited	Interest held by controlled corporation	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14
Apax IX GP Co. Limited	Interest held by controlled corporation	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14
Apax IX USD GP L.P. Inc.	Interest held by controlled corporation	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14
Apax IX USD L.P.	Interest held by controlled corporation	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14
Diamond Holding SARL	Interest held by controlled corporation	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14
Jacqueline Mary Le Maitre – Ward	Trustee of a trust	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14
David Payne Staples	Trustee of a trust	H Shares	190,333,000/ Long position ^{Note 5}	13.68	2.14
Newton Industrial Limited	Beneficial owner	H Shares	100,000,000/ Long position	7.18	1.12
Shenzhen Energy Group Co., Ltd.	Interest held by controlled corporation	H Shares	100,000,000/ Long position ^{Note 6}	7.18	1.12
National Council for Social Security Fund	Beneficial owner	H Shares	91,093,980/ Long position	6.54	1.02

Section VI Changes in Ordinary Shares and Particulars about Shareholders

- Note 1: Pursuant to Section 336 of the SFO, Shareholders shall submit forms to disclose their interests when certain conditions are met. As Shareholders are not required to inform the Company and the Hong Kong Stock Exchange of any changes in their shareholdings in the Company unless certain conditions are met, the latest shareholdings of substantial Shareholders in the Company may be inconsistent with the shareholdings reported to the Hong Kong Stock Exchange.
- Note 2: Shanghai SA, Shanghai Sitico Assets Management Co., Ltd., Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co, Ltd. were interested in 1,900,963,748, 75,482,261, 34,732,152 and 931,505 A Shares, respectively. Shanghai SA, Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co., Ltd. are wholly owned subsidiaries of International Group, and Shanghai Sitico Assets Management Co., Ltd. is a subsidiary in which International Group holds 66.33% interests. Therefore, International Group is deemed to be interested in the 2,012,109,666 A Shares held by Shanghai SA, Shanghai Sitico Assets Management Co., Ltd., Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co., Ltd. for the purpose of the SFO.
- Note 3: Shanghai SA is a wholly owned subsidiary of International Group. Therefore, International Group is deemed to be interested in the 152,000,000 H Shares held by Shanghai SA for the purpose of the SFO.
- Note 4: New China Asset Management Company Limited holds 60% interests in New China Asset Management (Hong Kong) Limited, and New China Life Insurance Company Ltd. owns 99.4% interests in New China Asset Management Company Limited. Therefore, New China Life Insurance Company Ltd. and New China Asset Management Company Limited are deemed to be interested in the 258,388,000 H Shares held by New China Asset Management (Hong Kong) Limited for the purpose of the SFO.
- Note 5: Diamond Acquisition Co SARL is wholly owned by Diamond Holding SARL. Apax IX USD L.P. is the beneficial owner of the 73.8% equity interest in Diamond Holding SARL. A9 USD (Feeder) L.P. contributed 44.9% of the capital to Apax IX USD L.P. Apax IX USD GP L.P. Inc. is the general partner of Apax IX USD L.P. and A9 USD (Feeder) L.P. Apax IX GP Co. Limited is the general partner of Apax IX USD GP L.P. Inc. Apax IX GP Co. Limited is wholly owned by Apax Guernsey (Holdco) PCC Limited. The equity interest in Apax Guernsey (Holdco) PCC Limited is held by Jacqueline Mary Le Maitre – Ward and David Payne Staples as trustees of the Hirzel IV Purpose Trust. Therefore, each of Diamond Holding SARL, Apax IX USD L.P., Apax IX USD GP L.P. Inc., Apax IX GP Co. Limited, Apax Guernsey (Holdco) PCC Limited, A9 USD (Feeder) L.P., Jacqueline Mary Le Maitre – Ward and David Payne Staples is deemed to be interested in 190,333,000 H Shares held by Diamond Acquisition Co SARL for the purpose of the SFO.
- Note 6: Newton Industrial Limited is wholly owned by Shenzhen Energy Group Co., Ltd. Therefore, Shenzhen Energy Group Co., Ltd. is deemed to be interested in 100,000,000 H Shares held by Newton Industrial Limited for the purpose of the SFO.

Save as disclosed above, as at 30 June 2020, the Company was not aware of any other person (other than the directors, supervisors and chief executive of the Company) having any interests or short position in the shares or underlying shares of the Company which are required to be recorded in the register under Section 336 of the SFO.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

VI. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

1. Redemption of 2015 Perpetual Subordinated Bonds

On 3 April 2015, the Company successfully issued the perpetual subordinated bonds (hereafter as “15 GUOJUN Y2”) with a total amount of RMB5 billion and the coupon rate of 5.80%. The Company, has an option to redeem the 15 GUOJUN Y2 at the end of the fifth year. On 21 February 2020, the Company decided to exercise its issuers option to redeem the 15 GUOJUN Y2. Such redemption was completed on 3 April 2020. The total principal amount of the 15 GUOJUN Y2 repaid by the Company amounted to RMB5 billion. The 15 GUOJUN Y2 were delisted from the Integrated Electronic Platform for Fixed Income Securities of the Shanghai Stock Exchange on 3 April 2020.

2. Repurchase of A Shares

On 7 June 2020, the Company held the 22nd extraordinary meeting of the fifth session of the Board at which the Proposal on Repurchase of A Shares Through Centralized Bidding Trading (《關於以集中競價交易方式回購A股股份的方案》) was considered and approved. From June to July 2020, the Company repurchased an aggregate of its 88,999,990 A shares through the centralized bidding trading via the trading system of the Shanghai Stock Exchange with the total repurchase amount of RMB1,543,072,571 (exclusive of transaction cost), representing 0.9991% of the total share capital of the Company. The repurchased A Shares will be fully used to implement the restrictive share incentive scheme. The monthly report on the repurchase of A Shares by the Company is as follows:

Month	Number of shares repurchased	Highest transaction price (RMB/share)	Lowest transaction price (RMB/share)	Total amount of funds paid (RMB, exclusive of transaction cost)
June 2020	68,000,000	17.35	16.09	1,123,826,776
July 2020	20,999,990	21.49	17.19	419,245,795

Section VI Changes in Ordinary Shares and Particulars about Shareholders

3. Repurchase of Shares by Guotai Junan International

In accordance with the general mandate passed at the general meeting of Guotai Junan International to repurchase shares, from April to June 2020, Guotai Junan International repurchased 20 million shares on the Hong Kong Stock Exchange with a total amount of HK\$19,903,454 (including all the expenses), representing 0.21% of the total share capital of Guotai Junan International. The above-mentioned shares have been cancelled, and the percentage of the Company's shareholding in Guotai Junan International has changed from 73.12% to 73.27%. The monthly report on the share repurchase of Guotai Junan International is as follows:

Month	Number of shares repurchased	Highest transaction price (HK\$/share)	Lowest transaction price (HK\$/share)	Total amount of funds paid (HK\$, inclusive of transaction cost)
April 2020	4,313,000	1.05	0.97	4,389,318
May 2020	14,511,000	1.01	0.92	14,297,386
June 2020	1,176,000	0.99	0.94	1,146,550

Save as disclosed in the Report, neither the Company nor any of its subsidiaries repurchase, sale or redeem any listed securities of the Company and its subsidiaries.

Section VII Preferred Shares

Applicable Not applicable

Section VIII Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDING

(I) Changes in the shareholdings of the current Directors, Supervisors and senior management of the Company and those who resigned during the Reporting Period

Applicable Not applicable

(II) Share awards granted to the Directors, Supervisors and senior management of the Company during the Reporting Period

Applicable Not applicable

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not applicable

Name	Position	Reason of change
HE Qing	Chairman of the Board, executive Director	Election
LIU Xinyi	Non-executive Director	Election
LI Zhongning	Chairman of the Supervisory Committee	Election

Explanation on Changes in Director, Supervisors and Senior Management of the Company

Applicable Not applicable

1. On 11 November 2019, the Resolution on Election of Directors of the Company was considered and approved at the 2019 Second Extraordinary General Meeting of the Company and Mr. HE Qing was elected as a Director of the fifth session of Board and such appointment was subject to the acquisition of his qualification as a director of a securities company. On 12 February 2020, Mr. He Qing was qualified as the chairman of a securities company and he has officially served as the chairman and Director of the fifth session of the Board in accordance with the resolution passed at the 18th extraordinary meeting of the fifth session of the Board.
2. On 15 June 2020, the Resolution on Election of Director of the Company was considered and approved at the 2019 Annual General Meeting of the Company and Mr. LIU Xinyi was elected as a Director of the fifth session of Board of the Company.

Section VIII Directors, Supervisors and Senior Management

3. On 15 June 2020, the Resolution on Election of Supervisor of the Company was considered and approved at the 2019 Annual General Meeting of the Company and Ms. LI Zhongning was elected as a Supervisor of the fifth session of the Supervisory Committee of the Company. On 16 July 2020, the Resolution on Proposed Election of the Chairman of the Fifth Session of the Supervisory Committee of the Company was considered and approved at the 5th extraordinary meeting of the fifth session of the Supervisory Committee of the Company and Ms. LI Zhongning was elected as the chairman of the fifth session of the Supervisory Committee of the Company.

III. OTHER EXPLANATIONS

Applicable Not applicable

(I) Securities transactions by Directors, Supervisors and relevant employees

The Company formulated and amended the Administrative Measures for the Shareholdings of Directors, Supervisors and Senior Management Members in the Company and Their Changes (hereinafter referred to as the “Administrative Measures”) which has been implemented since 11 April 2017 on which the H Shares of the Company were listed on the Hong Kong Stock Exchange, to regulate the conducts of Directors, Supervisors and senior management members of the Company in holding and dealing in the Shares. The requirements stipulated in the Model Code have been adopted in the Administrative Measures as the code of conducts for the Directors, Supervisors and relevant employees of the Company to deal in the securities, and the requirements in the Administrative Measures are stricter than the mandatory provisions in the Model Code.

After making enquiries, all the Directors, Supervisors and senior management members of the Company have confirmed that they had been in strict compliance with the relevant requirements of the Administrative Measures and the Model Code throughout the Reporting Period. During the Reporting Period, none of the incumbent Directors, Supervisors and senior management members of the Company held any Shares or share options of the Company, nor were they granted any restricted shares.

(II) Interests and short positions of the Directors, Supervisors and chief executive in the Shares, underlying shares or debentures of the Company and associated corporations

As of 30 June 2020, the Company was not aware of any Directors, Supervisors and the chief executive of the Company who had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Section VIII Directors, Supervisors and Senior Management

(III) Material changes in biographical particulars of Directors, Supervisors and chief executive

Mr. SHAO Chong, a Supervisor, ceased to serve as the secretary to the board of directors of Shenzhen Energy Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000027), in June 2020.

Mr. ZHONG Maojun, a non-executive Director, has been serving as the chairman of the supervisory committee of Shanghai SA since April 2020.

Mr. LEE Conway Kong Wai, an independent non-executive Director ceased to serve as the independent non-executive director of Tibet 5100 Water Resources Holdings Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 01115), in February 2020.

Save as disclosed above, there were no other material changes in the biographical particulars of Directors, Supervisors and chief executive of the Company during the Reporting Period which is required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules.

(IV) Number of employees, remuneration and training programs

As of 30 June 2020, the Group had a total of 15,063 employees, 11,054 of which were employees of the Company. The Company has formulated a series of remuneration management systems in line with the practical conditions of the Company pursuant to relevant PRC laws and regulations and the Articles of Association, including the Administrative Measures on Remuneration, and the Administrative Measures on Performance, and the Administrative Measures on Professional Ranking. Based on the position value, personal competence and work performance, the Company has established the remuneration system featuring in “inside fairness and outside competition” to motivate its outstanding employees, and attract and retain excellent talents. The Company has continuously make contributions to various social insurances (including the pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance), housing fund and enterprise annuity for its employees in accordance with the PRC laws and regulations.

In order to improve its employees’ professional skills, the Company provided its employees with diversified internal and external training programs. Affected by the COVID-19 pandemic in the first half of 2020, the Company actively converted the original on-site training into online training. The per capita study time of its employees was as much as 41.73 hours, representing a year-on-year increase of 55.88%, and hitting a record high. The training contents cover product marketing, leadership training, induction training for new employees, wealth management business and option business training, compliance and risk control, laws and regulations, investment banking business, credit business and Southbound business.

Section IX Corporate Bonds

√ Applicable □ Not applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: yuan Currency: RMB

Name of bond	Abbreviation	Bond code	Issue date	Maturity date	Outstanding amount	Interest rate	Method of repayment of principal and payment of interests	Place of trading
2015 Corporate Bonds (First Tranche) (Type II)	15 GUOJUN G2	136048	18 November 2015	19 November 2022	1,000,000,000	3.8%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2016 Corporate Bonds (First Tranche) (Type II)	16 GUOJUN G2	136368	11 April 2016	12 April 2023	1,000,000,000	3.25%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2016 Corporate Bonds (Second Tranche) (Type II)	16 GUOJUN G4	136623	11 August 2016	12 August 2021	3,000,000,000	3.14%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2017 Corporate Bonds (First Tranche) (Type I)	17 GUOJUN G1	143229	3 August 2017	4 August 2020	4,700,000,000	4.57%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2017 Corporate Bonds (First Tranche) (Type II)	17 GUOJUN G2	143230	3 August 2017	4 August 2022	600,000,000	4.70%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2017 Corporate Bonds (Second Tranche)	17 GUOJUN G3	143337	17 October 2017	18 October 2020	3,700,000,000	4.78%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2018 Corporate Bonds (First Tranche)	18 GUOJUN G1	143528	20 March 2018	21 March 2021	4,300,000,000	5.15%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange

Section IX Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Maturity date	Outstanding amount	Interest rate	Method of repayment of principal and payment of interests	Place of trading
2018 Corporate Bonds (Second Tranche)	18 GUOJUN G2	143607	23 April 2018	25 April 2021	4,300,000,000	4.55%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2018 Corporate Bonds (Third Tranche) (Type I)	18 GUOJUN G3	143732	12 July 2018	16 July 2021	4,700,000,000	4.44%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2018 Corporate Bonds (Third Tranche) (Type II)	18 GUOJUN G4	143733	12 July 2018	16 July 2023	300,000,000	4.64%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2019 Corporate Bonds (First Tranche) (Type I)	19 GUOJUN G1	155371	23 April 2019	24 April 2022	3,000,000,000	3.90%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2019 Corporate Bonds (Second Tranche)	19 GUOJUN G3	155423	15 May 2019	17 May 2022	2,900,000,000	3.73%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2019 Corporate Bonds (Third Tranche)	19 GUOJUN G4	155771	14 October 2019	16 October 2022	2,500,000,000	3.48%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2020 Corporate Bonds (First Tranche)	20 GUOJUN G1	163105	7 January 2020	9 January 2023	4,000,000,000	3.37%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
2020 Corporate Bonds (Second Tranche) (Type I)	20 GUOJUN G2	163325	19 March 2020	23 March 2023	4,000,000,000	3.05%	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange

Section IX Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Maturity date	Outstanding amount	Interest rate	Method of repayment of principal and payment of interests	Place of trading
EUR Floating-rate Bonds	GTJASEC B2203	5883.hk	12 March 2019	12 March 2022	EUR 255 million	3M EUR IBOR+1.15%	Interest payable on a quarterly basis and principal repayable and accrued interest payable upon maturity	Hong Kong Stock Exchange
Guotai Junan Financial Holdings Guaranteed Bonds	GTJAHOLD B2203	5853.hk	11 March 2019	11 March 2022	USD500,000,000	3.875%	Interest payable on semi-annual basis and principal repayable and accrued interest payable upon maturity	Hong Kong Stock Exchange

Interest payment of corporate bonds

Applicable Not applicable

Interests on 2018 Corporate Bonds (First Tranche) and Guotai Junan Financial Holdings Guaranteed Bonds for the current period were paid in March 2020, interests on 2016 Corporate Bonds (First Tranche) (Type II), 2018 Corporate Bonds (Second Tranche) and 2019 Corporate Bonds (First Tranche) (Type I) for the current period were paid in April 2020, interests on 2019 Corporate Bonds (Second Tranche) for the current period were paid in May 2020, and interests on EUR Floating-rate Bonds for the current period were paid in March and June 2020.

Other matters related to corporate bonds

Applicable Not applicable

In respect of 2015 Corporate Bonds (First Tranche) (Type II), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the fifth interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of 2016 Corporate Bonds (First Tranche) (Type II), the issuer has a redemption option and an option to adjust the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the fifth interest-bearing year. None of such options were exercised during the Reporting Period.

Section IX Corporate Bonds

II. CONTACT PERSONS AND INFORMATION OF THE TRUSTEES MANAGER AND CONTACT INFORMATION OF THE CREDIT RATING AGENCY OF THE CORPORATE BONDS

15	GUOJUN G2	Trustee of the bonds	Name	Changjiang Financing Services Co., Limited
16	GUOJUN G2		Address of office	21/F, Chamtime International Financial Centre, No. 1589 Century Avenue, Pudong New District, Shanghai
			Contact persons	Zhang Zhipeng and Liu Borang
			TEL	021-38784899
16	GUOJUN G4	Trustee of the bonds	Name	Everbright Securities Co. Ltd
17	GUOJUN G1		Address of office	No. 1508 Xinzha Road, Jing'an District, Shanghai
17	GUOJUN G2		Contact persons	Huang Liang and Xing Yiwei
17	GUOJUN G3		TEL	021-22169877/021-22169842
18	GUOJUN G1	Trustee of the bonds	Name	Industrial Securities Co., Ltd.
18	GUOJUN G2		Address of office	6/F, East Tower, Dingxiang International Building, 36 Changliu Road, Pudong New District, Shanghai
18	GUOJUN G3		Contact person	Yang Lingshan
18	GUOJUN G4		TEL	021-38565900
19	GUOJUN G1	Trustee of the bonds	Name	GF Securities Co., Ltd.
19	GUOJUN G3		Address of office	16/F, IFC I, No. 8 Century Avenue, Pudong New District, Shanghai
			Contact persons	Xie Tian, Yan Jin, Ma Qian, Lu Yicheng and Lou Heng
			TEL	020-66338888
19	GUOJUN G4	Trustee of the bond	Name	China Merchants Securities Co., Ltd.
			Address of office	26/F, China Merchants Securities Building, No. 111, Fuhua Yi Road, Futian District, Shenzhen
			Contact person	Chen Yujing
			TEL	0755-82943666
20	GUOJUN G1	Trustee of the bonds	Name	Essence Securities Co. Ltd.
20	GUOJUN G2		Address of office	35/F & Unit A02, 28/F, Anlian Building, No. 4018, Jintian Road, Futian District, Shenzhen
			Contact persons	ZHUANG Guochun, Xu Yingjie, Su Qingrui, Yao Yifei and Li Zeyan
			TEL	0755-82825447

Section IX Corporate Bonds

15	GUOJUN G2	Credit rating	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
16	GUOJUN G2	agency of the	Address of office	14/F, Huasheng Building, No. 398 Hankou Road, Shanghai
16	GUOJUN G4	bonds		
17	GUOJUN G1			
17	GUOJUN G2			
17	GUOJUN G3			
18	GUOJUN G1			
18	GUOJUN G2			
18	GUOJUN G3			
18	GUOJUN G4			
19	GUOJUN G1			
19	GUOJUN G3			
19	GUOJUN G4			
20	GUOJUN G1			
20	GUOJUN G2			

Other explanations:

Applicable Not applicable

III. USE OF PROCEEDS FROM THE CORPORATE BONDS

Applicable Not applicable

As at 30 June 2020, all the proceeds from the corporate bonds above have been used to supplement the working capital of the Company in order to meet the needs of its business operation, which was in line with the intended use, use plan and other agreements as set out in the bond prospectus.

IV. RATINGS OF THE CORPORATE BONDS

Applicable Not applicable

In December 2019 and March 2020, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. to conduct credit ratings for “20 GUOJUN G1” and “20 GUOJUN G2”. Pursuant to the “Credit Rating Reports on Guotai Junan Securities Co., Ltd. Public Issuance of 2020 Corporate Bonds (First Tranche) (《國泰君安證券股份有限公司公開發行2020年公司債券(第一期)信用評級報告》)” (Shanghai Brilliance Bond Rating (2019) 011626) and the “Credit Rating Reports on Guotai Junan Securities Co., Ltd. Public Issuance of 2020 Corporate Bonds (Second Tranche) (《國泰君安證券股份有限公司公開發行2020年公司債券(第二期)信用評級報告》)” (Shanghai Brilliance Bond Rating (2020) 010325) issued by Shanghai Brilliance, the long-term credit rating of the Company is AAA, the credit rating of this bond is AAA, and the credit rating outlook is stable.

Section IX Corporate Bonds

In May 2020, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted follow-up credit ratings for “15 GUOJUN G2”, “16 GUOJUN G2”, “16 GUOJUN G4”, “17 GUOJUN G1”, “17 GUOJUN G2”, “17 GUOJUN G3”, “18 GUOJUN G1”, “18 GUOJUN G2”, “18 GUOJUN G3”, “18 GUOJUN G4”, “19 GUOJUN G1”, “19 GUOJUN G3”, “19 GUOJUN G4”, “20 GUOJUN G1” and “20 GUOJUN G2” and issued the Report on the Follow-up Credit Rating of Guotai Junan Securities Co., Ltd. and its Public Issuance of Corporate Bonds (《國泰君安證券股份有限公司及其發行的公開發行公司債券跟蹤評級報告》) (Shanghai Brilliance Ongoing Rating [2020]100073), pursuant to which the credit ratings of “15 GUOJUN G2”, “16 GUOJUN G2”, “16 GUOJUN G4”, “17 GUOJUN G1”, “17 GUOJUN G2”, “17 GUOJUN G3”, “18 GUOJUN G1”, “18 GUOJUN G2”, “18 GUOJUN G3”, “18 GUOJUN G4”, “19 GUOJUN G1”, “19 GUOJUN G3”, “19 GUOJUN G4”, “20 GUOJUN G1” and “20 GUOJUN G2” remained at AAA, the credit rating of the Company remained at AAA, and the credit rating outlook was stable.

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER RELATED INFORMATION OF THE CORPORATE BONDS DURING THE REPORTING PERIOD

Applicable Not applicable

As agreed in the bond prospectuses of the Company, the Company’s debt repayment safeguard measures include: formulating the Bondholder Meeting Rules, establishing special repayment work teams, giving full play to the role of bond trustees and strictly performing the obligation of information disclosure. During the Reporting Period, the relevant plans and measures of the Company were consistent with the commitments in the bond prospectuses.

VI. MEETINGS OF THE HOLDERS OF THE CORPORATE BONDS

Applicable Not applicable

VII. PERFORMANCE OF DUTIES BY THE TRUSTEES OF THE CORPORATE BONDS

Applicable Not applicable

Changjiang Financing Services Co., Ltd., trustee of “15 GUOJUN G2” and “16 GUOJUN G2” bonds, issued the Report of Changjiang Financing Services Co., Ltd. on Trustee Management Services in respect of Corporate Bonds of Guotai Junan Securities Co., Ltd. (2019) (《長江證券承銷保薦有限公司關於國泰君安證券股份有限公司公司債券受託管理事務報告(2019年度)》) in June 2020.

Everbright Securities Co., Ltd., trustee of “16 GUOJUN G4”, “17 GUOJUN G1”, “17 GUOJUN G2” and “17 GUOJUN G3” bonds, issued the 2019 Bond Trustee Management Services Report of 2016 Corporate Bonds (Tranches II and III) and 2017 Corporate Bonds (Tranches I and II) of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司2016年公司債券(第二期)、(第三期)、2017年公司債券(第一期)、(第二期)受託管理事務報告(2019年度)》) in June 2020.

Section IX Corporate Bonds

Industrial Securities Co., Ltd., trustee of “18 GUOJUN G1”, “18 GUOJUN G2”, “18 GUOJUN G3” and “18 GUOJUN G4” bonds, issued the 2019 Bond Trustee Management Services Report of Corporate Bonds of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司公司債券受託管理事務報告(2019年度)》) in June 2020.

GF Securities Co., Ltd., trustee of “19 GUOJUN G1” and “19 GUOJUN G3” bonds, issued the 2019 Bond Trustee Management Services Report of Corporate Bonds of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司公司債券受託管理事務報告(2019年度)》) in June 2020.

China Merchants Securities Co., Ltd., trustee of “19 GUOJUN G4” bonds, issued the 2019 Bond Trustee Management Services Report of 2019 Corporate Bonds (Tranche III) Publicly Issued by Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司公開發行2019年公司債券(第三期)受託管理事務報告(2019年度)》) in April 2020.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR OR REPORTING PERIOD AND CORRESPONDING PERIOD OF LAST YEAR

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Major indicator	At the end of the Reporting Period	At the end of last year	Increase/decrease at the end of the Reporting Period as compared with the end of last year (%)	Reason for change
Current ratio (%)	145	151	Decreased by 6 percentage points	/
Quick ratio (%)	145	151	Decreased by 6 percentage points	/
Gearing ratio (%)	70.67	67.50	Increased by 3.17 percentage points	/
Loan repayment rate (%)	100	100	-	
Major indicator	During the Reporting Period (January-June)	Corresponding period of last year	Increase/decrease for the Reporting Period as compared with the Corresponding period of last year (%)	Reason for change
EBITDA interest coverage ratio	3.06	3.22	-4.97	/
Interest repayment ratio (%)	100	100	-	

Section IX Corporate Bonds

IX. INFORMATION OF THE OVERDUE LOAN

Applicable Not applicable

X. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Applicable Not applicable

During the Reporting Period, other bonds and debt financing instruments of the Company mainly included short-term financing bills, medium-term notes, structured notes and subordinated bonds. Please refer to the notes to the interim condensed financial statements set out in the Report for details. The principal amounts and interests of each financing instrument have been paid on time.

XI. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

As at the end of June 2020, the banking facilities of the Company from major banks with a relationship of the Company amounted to approximately RMB447 billion in aggregate, of which approximately RMB64.1 billion had been utilized and approximately RMB382.9 billion had not been utilized.

XII. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR COMMITMENTS SPECIFIED IN CORPORATE BOND PROSPECTUSES BY THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

XIII. SIGNIFICANT EVENTS OF THE COMPANY AND THE IMPACTS ON THE OPERATION POSITION AND SOLVENCY OF THE COMPANY

Applicable Not applicable

Section X Interim Condensed Consolidated Financial Statements

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT

To the board of directors of Guotai Junan Securities Co., Ltd.

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

INTRODUCTION

We have reviewed the accompanying interim financial report set out on pages 112 to 200, which comprises the condensed consolidated statements of financial position of Guotai Junan Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2020 and the related condensed consolidated income statements, the condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated cash flow statements for the six-month period ended at 30 June 2020 and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of interim financial report in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 accompanying interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

12 August 2020

Section X Interim Condensed Consolidated Financial Statements

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 <i>(Unaudited)</i> RMB'000	2019 <i>(Unaudited)</i> RMB'000
Revenue			
Fee and commission income	5	6,838,679	6,198,927
Interest income	6	6,762,995	5,928,327
Net investment gains	7	3,936,304	3,733,459
Total revenue		17,537,978	15,860,713
Other income and gains	8	3,310,167	2,457,466
Total revenue and other income		20,848,145	18,318,179
Fee and commission expenses	9	(1,152,921)	(974,616)
Interest expenses	10	(3,909,105)	(3,383,393)
Staff costs	11	(3,846,814)	(3,793,179)
Depreciation and amortization expenses	12	(693,235)	(628,001)
Tax and surcharges		(75,729)	(65,756)
Other operating expenses and costs	13	(3,723,346)	(2,254,586)
Provision for impairment losses		(3,820)	(20)
Credit loss expense	14	(117,638)	(494,488)
Total expenses		(13,522,608)	(11,594,039)

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

	Note	Six months ended 30 June	
		2020 <i>(Unaudited)</i> RMB'000	2019 <i>(Unaudited)</i> RMB'000
Operating profit		7,325,537	6,724,140
Share of profits of associates and joint ventures		<u>28,982</u>	<u>142,697</u>
Profit before income tax		7,354,519	6,866,837
Income tax expense	15	<u>(1,622,250)</u>	<u>(1,529,696)</u>
Profit for the period		<u>5,732,269</u>	<u>5,337,141</u>
Attributable to:			
Equity holders of the Company		5,453,713	5,020,115
Non-controlling interests		<u>278,556</u>	<u>317,026</u>
Total		<u>5,732,269</u>	<u>5,337,141</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share)			
– Basic	17	<u>0.58</u>	<u>0.54</u>
– Diluted		<u>0.58</u>	<u>0.53</u>

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020 <i>(Unaudited)</i> RMB' 000	2019 <i>(Unaudited)</i> RMB' 000
Profit for the period	5,732,269	5,337,141
Other comprehensive income for the period		
Other comprehensive income that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income		
– Net changes in fair value	551,651	7,468
– Changes in allowance for expected credit losses	58,362	45,881
– Reclassified to profit or loss	(740,756)	(220,722)
– Income tax impact	39,872	41,843
Share of other comprehensive income of associates and joint ventures		
– Share of other comprehensive income	—	(10,529)
Exchange differences on translation of financial statements in foreign currencies	211,634	39,737
Total items that may be reclassified to profit or loss	<u>120,763</u>	<u>(96,322)</u>
Other comprehensive income that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income		
– Net changes in fair value	(936,985)	1,118,812
– Income tax impact	233,213	(279,703)
Share of other comprehensive income of associates and joint ventures		
– Share of other comprehensive income	(127,116)	110,876
– Income tax impact	36,156	(27,719)
Total items that will not be reclassified to profit or loss	<u>(794,732)</u>	<u>922,266</u>
Other comprehensive income for the period, net of tax	<u>(673,969)</u>	825,944
Total comprehensive income for the period	<u><u>5,058,300</u></u>	<u><u>6,163,085</u></u>
Attributable to:		
Equity holders of the Company	4,767,921	5,845,482
Non-controlling interests	290,379	317,603
Total	<u><u>5,058,300</u></u>	<u><u>6,163,085</u></u>

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Non-current assets			
Property and equipment	18	5,186,984	5,211,423
Right-of-use assets	19	2,757,943	2,926,043
Goodwill	20	599,812	599,812
Other intangible assets	21	1,626,123	1,574,249
Investments in associates	23	1,227,960	1,183,891
Investments in joint ventures	23	986,125	1,274,671
Debt instruments at fair value through other comprehensive income	24	44,241,455	53,408,720
Equity instruments at fair value through other comprehensive income	25	17,324,255	17,547,076
Financial assets held under resale agreements	26	2,930,857	1,959,737
Financial assets at fair value through profit or loss	27	22,026,578	13,433,691
Refundable deposits	28	18,711,642	12,975,377
Deferred tax assets	29	1,524,799	1,251,032
Other non-current assets	30	701,550	1,154,839
Total non-current assets		119,846,083	114,500,561
Current assets			
Accounts receivable	31	8,017,576	3,484,166
Other current assets	32	4,726,372	2,017,453
Margin accounts receivable	33	78,306,231	72,088,344
Debt instruments at fair value through other comprehensive income	24	11,114,692	6,858,108
Financial assets held under resale agreements	26	44,584,445	51,980,260
Financial assets at fair value through profit or loss	27	198,453,831	175,588,501
Derivative financial assets	34	1,306,495	550,081
Clearing settlement funds	35	3,109,679	4,460,152
Cash held on behalf of brokerage customers	36	130,351,863	102,533,823
Cash and bank balances	37	23,204,980	25,252,829
Total current assets		503,176,164	444,813,717
Total assets		623,022,247	559,314,278

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

		As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
	Note		
Current liabilities			
Loans and borrowings	38	16,754,927	10,312,724
Short-term debt instruments	39	22,547,356	17,424,352
Placements from other financial institutions	40	7,421,177	9,488,642
Accounts payable to brokerage customers	41	141,192,549	109,336,526
Employee benefits payable	42	5,162,554	5,685,105
Income tax payable		1,396,561	1,414,731
Financial assets sold under repurchase agreements	43	130,520,511	126,017,296
Financial liabilities at fair value through profit or loss	44	43,081,837	37,845,046
Derivative financial liabilities	34	3,508,766	1,358,809
Bonds payable	45	20,898,747	17,672,144
Lease liabilities	46	666,899	638,382
Other current liabilities	47	<u>24,611,210</u>	<u>14,229,188</u>
Total current liabilities		<u>417,763,094</u>	<u>351,422,945</u>
Net current assets		<u>85,413,070</u>	<u>93,390,772</u>
Total assets less current liabilities		<u>205,259,153</u>	<u>207,891,333</u>
Non-current liabilities			
Loans and borrowings	38	1,521,434	1,490,000
Bonds payable	45	51,549,034	51,901,409
Lease liabilities	46	1,526,913	1,725,455
Deferred tax liabilities	29	155,310	13,762
Financial liabilities at fair value through profit or loss	44	8,966,362	6,441,647
Other non-current liabilities	48	<u>232,587</u>	<u>225,237</u>
Total non-current liabilities		<u>63,951,640</u>	<u>61,797,510</u>
Net assets		<u><u>141,307,513</u></u>	<u><u>146,093,823</u></u>

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

	Note	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Equity			
Share capital	49	8,907,949	8,907,948
Other equity instruments	50	11,129,798	16,129,799
Treasury Shares		(1,123,926)	—
Reserves	51	70,479,891	71,127,776
Retained profits	51	42,873,265	41,335,967
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		132,266,977	137,501,490
Non-controlling interests		9,040,536	8,592,333
		<hr/>	<hr/>
Total equity		<u>141,307,513</u>	<u>146,093,823</u>

Approved and authorized for issue by the Board of Directors on 12 August 2020.

He Qing _____

Chairman

Wang Song _____

Executive Director

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Company (Unaudited)											
	Share capital	Reserves									Non-controlling interests	Total equity
		Other equity instruments	Capital reserve	Investment revaluation	Translation reserve	Surplus reserve	General reserve	Treasury Shares	Retained profits	Total		
		RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000		
Unaudited												
At 31 December 2019	8,907,948	16,129,799	46,208,639	(40,809)	290,279	7,172,530	17,497,137	—	41,335,967	137,501,490	8,592,333	146,093,823
Profit for the period	—	—	—	—	—	—	—	—	5,453,713	5,453,713	278,556	5,732,269
Other comprehensive income for the period	—	—	—	(833,645)	147,853	—	—	—	—	(685,792)	11,823	(673,969)
Total comprehensive income for the period	—	—	—	(833,645)	147,853	—	—	—	5,453,713	4,767,921	290,379	5,058,300
Appropriation to general reserve	—	—	—	—	—	—	28,930	—	(28,930)	—	—	—
Dividends	—	—	—	—	—	—	—	—	(3,474,100)	(3,474,100)	—	(3,474,100)
Issuance of other equity instrument	—	5,000,000	—	—	—	—	—	—	—	5,000,000	—	5,000,000
Redemption of other equity instrument	—	(10,000,000)	—	—	—	—	—	—	—	(10,000,000)	—	(10,000,000)
Distribution to other equity instrument holders	—	—	—	—	—	—	—	—	(402,500)	(402,500)	—	(402,500)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(45,932)	(45,932)
Other comprehensive income that has been reclassified to retained profits	—	—	—	10,885	—	—	—	—	(10,885)	—	—	—
Conversion of convertible bonds	1	(1)	8	—	—	—	—	—	—	8	—	8
Acquisition of treasury shares	—	—	—	—	—	—	(1,123,926)	—	—	(1,123,926)	—	(1,123,926)
Others	—	—	(1,916)	—	—	—	—	—	—	(1,916)	203,756	201,840
At 30 June 2020	<u>8,907,949</u>	<u>11,129,798</u>	<u>46,206,731</u>	<u>(863,569)</u>	<u>438,132</u>	<u>7,172,530</u>	<u>17,526,067</u>	<u>(1,123,926)</u>	<u>42,873,265</u>	<u>132,266,977</u>	<u>9,040,536</u>	<u>141,307,513</u>

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

Attributable to equity holders of the Company (Unaudited)

	Reserves										
	Share capital	Other equity instruments	Capital reserve	Investment revaluation	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
Unaudited											
At 31 December 2018	8,713,941	11,129,819	43,715,696	(916,167)	78,588	7,176,439	15,481,374	38,070,373	123,450,063	10,223,329	133,673,392
Impact of adopting IFRS 16	—	—	—	—	—	(3,909)	(9,851)	(56,806)	(70,566)	(9,769)	(80,335)
Restated opening balance under IFRS 16	<u>8,713,941</u>	<u>11,129,819</u>	<u>43,715,696</u>	<u>(916,167)</u>	<u>78,588</u>	<u>7,172,530</u>	<u>15,471,523</u>	<u>38,013,567</u>	<u>123,379,497</u>	<u>10,213,560</u>	<u>133,593,057</u>
Profit for the period	—	—	—	—	—	—	—	5,020,115	5,020,115	317,026	5,337,141
Other comprehensive income for the period	—	—	—	797,375	27,992	—	—	—	825,367	577	825,944
Total comprehensive income for the period	—	—	—	797,375	27,992	—	—	5,020,115	5,845,482	317,603	6,163,085
Placement of H shares	194,000	—	2,511,288	—	—	—	—	—	2,705,288	—	2,705,288
Appropriation to general reserve	—	—	—	—	—	—	34,120	(34,120)	—	—	—
Dividends	—	—	—	—	—	—	—	(2,449,685)	(2,449,685)	—	(2,449,685)
Distribution to other equity instrument holders	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	(47,820)	(47,820)
Other comprehensive income that has been reclassified to retained profits	—	—	—	(691)	—	—	—	691	—	—	—
Conversion of convertible bonds	7	(16)	145	—	—	—	—	—	136	—	136
Redemption of other equity instruments issued by a subsidiary	—	—	—	—	—	—	—	—	—	(262,666)	(262,666)
Acquisition of non-controlling interests in a subsidiary	—	—	(8,807)	—	—	—	—	—	(8,807)	(209,653)	(218,460)
Others	—	—	(67,266)	—	—	—	—	—	(67,266)	11,392	(55,874)
At 30 June 2019	<u>8,907,948</u>	<u>11,129,803</u>	<u>46,151,056</u>	<u>(119,483)</u>	<u>106,580</u>	<u>7,172,530</u>	<u>15,505,643</u>	<u>39,960,568</u>	<u>128,814,645</u>	<u>10,022,416</u>	<u>138,837,061</u>

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020	2019
		(Unaudited) RMB'000	(Unaudited) RMB'000
Cash flows from operating activities:			
Profit before income tax		7,354,519	6,866,837
Adjustments for:			
Interest expenses		3,909,105	3,383,393
Share of profits of associates and joint ventures		(28,982)	(142,697)
Depreciation and amortization		693,235	628,001
Provision for impairment losses		3,820	20
Credit loss expense		117,638	494,488
Net (gains)/losses on disposal of property and equipment		(16,778)	104
Foreign exchange losses/(gains)		7,498	(35,495)
Net realized gains from financial instruments		(740,756)	(124,204)
Gain on disposal of subsidiaries, associates and joint ventures		(128,898)	(738,687)
Dividend and interest income from financial assets at fair value			
through other comprehensive income		(1,129,426)	(994,410)
Interest income from time deposits, loans and receivables		(93,908)	(496,438)
Unrealized fair value changes in financial instruments at fair value			
through profit or loss		(1,291,730)	(1,459,222)
Unrealized fair value changes in derivatives		520,170	867,707
		9,175,507	8,249,397

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

	Note	Six months ended 30 June	
		2020 <i>(Unaudited)</i> RMB'000	2019 <i>(Unaudited)</i> RMB'000
Increase in refundable deposits		(5,775,326)	(2,250,165)
Increase in margin accounts receivable		(6,238,877)	(10,202,167)
Increase in accounts receivable, other current assets and other non-current assets		(5,971,544)	(658,692)
Decrease in financial assets held under resale agreements		3,358,889	28,090
Increase in financial instruments at fair value through profit or loss and derivative financial instruments		(22,855,049)	(28,415,323)
Increase in cash held on behalf of brokerage customers		(24,137,720)	(26,836,476)
Increase in accounts payable to brokerage customers		31,460,481	28,185,655
Increase in other liabilities		7,530,548	825,315
Decrease in employee benefits payable		(539,814)	(545,895)
Increase in financial assets sold under repurchase agreements		3,637,474	41,975,572
(Decrease)/Increase in placements from other financial institutions		(2,067,467)	2,104,368
Cash generated from operations		(12,422,898)	12,459,679
Income taxes paid		(1,476,145)	(1,852,985)
Interest paid		(1,645,088)	(1,484,053)
Net cash (used in)/generated from operating activities		(15,544,131)	9,122,641

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

	Six months ended 30 June	
Note	2020	2019
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Cash flows from investing activities:		
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets	23,788	4,589
Dividends and interest received from financial assets at fair value through other comprehensive income and other investments	1,221,425	1,298,821
Proceeds from disposal of financial assets at fair value through other comprehensive income and other investments	42,872,150	30,797,631
Proceeds from disposal of subsidiaries, associates and joint ventures	293,074	85,512
Purchases of subsidiaries, associates and joint ventures	—	(235,650)
Purchases of property and equipment, other intangible assets and other non-current assets	(442,918)	(978,273)
Purchases of financial assets at fair value through other comprehensive income and other investments	(41,020,074)	(43,037,985)
Purchases of other investing activities	(136,144)	—
Net cash generated from/(used in) investing activities	2,811,301	(12,065,355)

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

		Six months ended 30 June	
	Note	2020	2019
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Cash flows from financing activities:			
Net proceeds from placement of H shares		—	2,711,819
Proceeds from issuance of other equity instrument		5,000,000	—
Proceeds from issuance of short-term debt instruments		33,830,832	22,412,184
Proceeds from issuance of bonds payable		9,874,365	12,676,743
Proceeds from loans and borrowings		19,509,613	15,249,347
Redemption of other equity investments issued by a subsidiary		—	(262,666)
Repayment of debt securities issued		(36,066,091)	(21,435,279)
Repayment of loans and borrowings		(10,495,078)	(15,674,324)
Interest paid		(1,614,858)	(1,360,755)
Dividends paid		(518,674)	(55,668)
Redemption of other equity investments		(10,000,000)	—
Acquisition of treasury shares		(1,123,926)	—
Distribution to other equity instrument holders		—	(590,000)
Cash used in other financing activities		(378,210)	(340,844)
Net cash generated from financing activities		8,017,973	13,330,557
Net (decrease)/increase in cash and cash equivalents		(4,714,857)	10,387,843
Cash and cash equivalents at the beginning of the period		45,771,060	37,947,251
Effect of foreign exchange rate changes		123,537	27,367
Cash and cash equivalents at the end of the period	52	41,179,740	48,362,461

The accompanying notes form part of this interim financial report.

Section X Interim Condensed Consolidated Financial Statements

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

1 CORPORATE INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "Company") in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司).

The Company publicly issued A shares and was listed on the Shanghai Stock Exchange on 26 June 2015, with the stock code 601211. On 11 April 2017, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), with the stock code 02611.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Group is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, the financial advisory business relating to securities trading and securities investment, margin financing and securities lending, the agency sale of securities investment funds, the agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

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2 BASIS OF ACCOUNTING

These interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with *International Accounting Standard 34, Interim Financial Reporting* (“IAS 34”), and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2019 (‘last annual financial statements’).

The interim financial report has been prepared in accordance with the same accounting policies in the Group’s last annual financial statements.

They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial statements as comparative information does not constitute the Company’s annual consolidated financial statements but is derived from those financial statements.

These interim financial statements were authorised for issue by the Company’s board of directors on 12 August 2020.

3 USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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4 SEGMENT REPORTING

The Group is organized into business units based on their products and services and has six reportable operating segments as follows:

- (1) The institutional finance-Institutional investor services segment, which primarily includes prime brokerage, stock-pledged financing and securities repurchase, research businesses provided to institutional clients, as well as market-making and proprietary trading;
- (2) The institutional finance-Investment banking segment, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients;
- (3) The personal finance segment, which primarily includes securities and futures brokerage, margin financing, securities lending, wealth management and financial planning services provided to retail clients through both online and offline channels;
- (4) The investment management segment, which primarily includes asset management, fund management, and direct investment management services to institutions and individuals;
- (5) The international business segment, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, margin financing, financial products, market-making and investment businesses; and
- (6) The other segment, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purposes.

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4 SEGMENT REPORTING (continued)

(a) Operating segments

	Six months ended 30 June 2020						
	Institutional finance		Personal finance	Investment management	International business	Other	Total
Institutional investor services	Investment banking	RMB' 000					
Unaudited							
Segment total revenue and other income							
Fee and commission income	832,254	1,019,706	3,790,275	708,450	485,649	2,345	6,838,679
Interest income	2,612,122	—	3,562,297	26,648	561,852	76	6,762,995
Net investment gains	2,734,520	—	—	565,559	636,225	—	3,936,304
Other income and gains	2,545,606	—	3,697	146,435	36,645	577,784	3,310,167
Total revenue and other income	<u>8,724,502</u>	<u>1,019,706</u>	<u>7,356,269</u>	<u>1,447,092</u>	<u>1,720,371</u>	<u>580,205</u>	<u>20,848,145</u>
Segment expenses	(6,384,650)	(471,768)	(4,316,631)	(656,057)	(1,176,016)	(517,486)	(13,522,608)
Including: Interest expenses	(1,875,478)	(3,569)	(1,495,791)	(14,869)	(509,645)	(9,753)	(3,909,105)
Credit loss expense	(85,036)	—	6,856	—	(39,458)	—	(117,638)
Provision for impairment losses	(3,820)	—	—	—	—	—	(3,820)
Segment operating profit	<u>2,339,852</u>	<u>547,938</u>	<u>3,039,638</u>	<u>791,035</u>	<u>544,355</u>	<u>62,719</u>	<u>7,325,537</u>
Share of profit of associates and joint ventures	—	—	—	28,982	—	—	28,982
Segment profit before income tax	<u>2,339,852</u>	<u>547,938</u>	<u>3,039,638</u>	<u>820,017</u>	<u>544,355</u>	<u>62,719</u>	<u>7,354,519</u>
Income tax expense	(527,529)	(123,535)	(685,299)	(184,876)	(86,871)	(14,140)	(1,622,250)
Segment profit for the period	<u>1,812,323</u>	<u>424,403</u>	<u>2,354,339</u>	<u>635,141</u>	<u>457,484</u>	<u>48,579</u>	<u>5,732,269</u>
As at 30 June 2020							
Segment total assets	<u>259,810,377</u>	<u>1,563,286</u>	<u>212,800,863</u>	<u>20,649,627</u>	<u>121,217,211</u>	<u>6,980,883</u>	<u>623,022,247</u>
Segment total liabilities	<u>230,293,825</u>	<u>1,195,531</u>	<u>133,190,944</u>	<u>2,450,338</u>	<u>108,566,544</u>	<u>6,017,552</u>	<u>481,714,734</u>
Six months ended 30 June 2020							
Other segment information:							
Depreciation and amortization expenses	76,259	75,202	372,075	32,066	56,546	81,087	693,235
Capital expenditure	<u>75,269</u>	<u>94,108</u>	<u>66,802</u>	<u>13,292</u>	<u>103,121</u>	<u>90,326</u>	<u>442,918</u>

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4 SEGMENT REPORTING (continued)

(a) Operating segments (continued)

	Six months ended 30 June 2019								
	Institutional finance						Other	Total	
	Institutional		Personal finance	Investment management	International business	RMB' 000			RMB' 000
	investor services	Investment banking							
RMB' 000	RMB' 000								
Unaudited									
Segment total revenue and other income									
Fee and commission income	657,786	740,315	3,306,028	845,680	649,118	—	6,198,927		
Interest income	2,526,311	—	2,842,294	18,713	540,993	16	5,928,327		
Net investment gains	2,506,253	—	—	305,484	921,722	—	3,733,459		
Other income and gains	1,130,304	—	9,262	789,508	(30,048)	558,440	2,457,466		
Total revenue and other income	<u>6,820,654</u>	<u>740,315</u>	<u>6,157,584</u>	<u>1,959,385</u>	<u>2,081,785</u>	<u>558,456</u>	<u>18,318,179</u>		
Segment expenses	(3,847,142)	(370,198)	(4,694,048)	(569,396)	(1,488,407)	(624,848)	(11,594,039)		
Including: Interest expenses	(1,660,310)	(4,974)	(1,185,906)	(27,986)	(480,501)	(23,716)	(3,383,393)		
Credit loss expense	(23,891)	—	(1,347)	(50,000)	(419,250)	—	(494,488)		
Provision for impairment losses	—	—	(20)	—	—	—	(20)		
Segment operating profit	2,973,512	370,117	1,463,536	1,389,989	593,378	(66,392)	6,724,140		
Share of profit of associates and joint ventures	—	—	—	142,697	—	—	142,697		
Segment profit before income tax	2,973,512	370,117	1,463,536	1,532,686	593,378	(66,392)	6,866,837		
Income tax expense	(688,538)	(85,703)	(338,893)	(354,905)	(77,029)	15,372	(1,529,696)		
Segment profit for the period	<u>2,284,974</u>	<u>284,414</u>	<u>1,124,643</u>	<u>1,177,781</u>	<u>516,349</u>	<u>(51,020)</u>	<u>5,337,141</u>		
As at 31 December 2019									
Segment total assets	<u>243,730,534</u>	<u>861,681</u>	<u>189,995,465</u>	<u>23,802,426</u>	<u>94,575,489</u>	<u>6,348,683</u>	<u>559,314,278</u>		
Segment total liabilities	<u>191,426,298</u>	<u>989,215</u>	<u>131,765,639</u>	<u>5,456,194</u>	<u>82,778,592</u>	<u>804,517</u>	<u>413,220,455</u>		
Six months ended 30 June 2019									
Other segment information:									
Depreciation and amortization expenses	91,648	82,255	303,056	33,390	57,383	60,269	628,001		
Capital expenditure	<u>225,509</u>	<u>281,662</u>	<u>167,232</u>	<u>4,880</u>	<u>41,814</u>	<u>257,176</u>	<u>978,273</u>		

Section X Interim Condensed Consolidated Financial Statements

4 SEGMENT REPORTING *(continued)*

(b) Geographical segments

	Six months ended 30 June	
	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue		
Mainland, China	15,854,252	13,748,880
Hong Kong, China	1,683,726	2,111,833
Total	<u>17,537,978</u>	<u>15,860,713</u>

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the six months ended 30 June 2020 and 2019.

5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000
Securities brokerage and investment consulting business	4,429,902	3,866,121
Underwriting and sponsorship business	1,118,152	957,679
Asset management business	723,990	870,406
Futures brokerage business	265,103	213,015
Custodian fee	177,023	135,508
Financial advisory business	121,365	152,060
Others	3,144	4,138
Total	<u>6,838,679</u>	<u>6,198,927</u>

Section X Interim Condensed Consolidated Financial Statements

6 INTEREST INCOME

	Six months ended 30 June	
	2020	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Margin financing and securities lending	2,603,013	2,100,339
Deposits in financial institutions	1,852,544	1,525,429
Debt instruments at fair value through other comprehensive income	1,037,906	876,445
Stock-pledged financing and securities repurchase	969,813	1,114,428
Other financial assets held under resale agreements	138,965	147,639
Term loan	45,838	101,371
Others	114,916	62,676
	<u>6,762,995</u>	<u>5,928,327</u>
Total	<u>6,762,995</u>	<u>5,928,327</u>

7 NET INVESTMENT GAINS

	Six months ended 30 June	
	2020	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend and other income		
Financial instruments at fair value through profit or loss	1,921,867	1,851,247
Equity instruments at fair value through other comprehensive income	91,520	117,965
Net realized gains		
Financial instruments at fair value through profit or loss	401,845	276,606
Debt instruments at fair value through other comprehensive income	740,756	220,722
Derivative financial instruments	8,756	524,504
Unrealized gains/(losses)		
Financial assets at fair value through profit or loss	1,710,123	4,261,438
Financial liabilities at fair value through profit or loss	(418,393)	(2,802,216)
Derivative financial instruments	(520,170)	(620,289)
Others	—	(96,518)
	<u>3,936,304</u>	<u>3,733,459</u>
Total	<u>3,936,304</u>	<u>3,733,459</u>

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8 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
Income from bulk commodity trading	2,588,643	1,064,432
Government grants ⁽¹⁾	537,074	541,529
Gain on disposal of associates	128,898	738,687
Foreign exchange (losses)/gains	(7,498)	35,495
Others	63,050	77,323
Total	<u>3,310,167</u>	<u>2,457,466</u>

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

9 FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
Securities brokerage and investment consulting business	909,534	878,679
Futures brokerage business	103,578	42,158
Underwriting and sponsorship business	67,583	42,801
Others	72,226	10,978
Total	<u>1,152,921</u>	<u>974,616</u>

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10 INTEREST EXPENSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
Bonds	1,478,146	1,520,289
Financial assets sold under repurchase agreements	1,220,747	1,037,745
Accounts payable to brokerage customers	257,770	200,745
Short-term debt instruments	243,703	175,879
Loans and borrowings	230,651	146,010
Placements from other financial institutions	205,861	102,729
Securities lending	88,233	57,512
Lease liabilities	45,604	44,135
Others	138,390	98,349
	<hr/>	<hr/>
Total	<u>3,909,105</u>	<u>3,383,393</u>

11 STAFF COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
Salaries, bonuses and allowances	3,386,007	3,298,131
Contributions to defined contribution schemes	213,913	219,213
Other social welfare	246,894	275,835
	<hr/>	<hr/>
Total	<u>3,846,814</u>	<u>3,793,179</u>

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11 STAFF COSTS *(continued)*

The employees of the Group in Mainland China participate in state-managed retirement benefit schemes operated by the respective local governments in Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

12 DEPRECIATION AND AMORTIZATION EXPENSES

	Six months ended 30 June	
	2020 <i>(Unaudited)</i> RMB'000	2019 <i>(Unaudited)</i> RMB'000
Depreciation of right-of-use assets	327,780	301,514
Depreciation of property and equipment	275,374	253,993
Amortization of other intangible assets	78,338	59,289
Amortization of long-term deferred expenses	11,743	13,205
Total	<u>693,235</u>	<u>628,001</u>

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13 OTHER OPERATING EXPENSES AND COSTS

	Six months ended 30 June	
	2020	2019
	<i>(Unaudited)</i> <i>RMB'000</i>	<i>(Unaudited)</i> <i>RMB'000</i>
Cost of bulk commodity trading	2,622,509	1,059,119
Information technology expenses	168,003	124,108
Rental and property management expenses ⁽¹⁾	109,295	220,883
Postal and communication expenses	84,313	73,571
Administrative and office operating expenses	74,396	98,076
Consulting fees	62,008	81,388
Business travel expenses	55,679	89,100
Stock exchange management fees	54,852	55,165
Securities investor protection funds	53,328	55,165
Advertising expenses	32,438	42,900
Utilities expenses	18,764	21,280
Auditors' remuneration	7,846	7,356
Others	379,915	326,475
	3,723,346	2,254,586
Total	3,723,346	2,254,586

(1) During the six months ended 30 June 2020, the expenses related to short-term leases of RMB107,166 thousand (six months ended 30 June 2019: RMB135,643 thousand) and the expenses related to leases of low-value leases (except for short-term leases) of RMB2,129 thousand (six months ended 30 June 2019: RMB2 thousand) were recognized in profit or loss.

14 CREDIT LOSS EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>(Unaudited)</i> <i>RMB'000</i>	<i>(Unaudited)</i> <i>RMB'000</i>
Margin accounts receivable	20,990	368,677
Financial assets held under resale agreements	29,941	43,584
Others	66,707	82,227
	117,638	494,488
Total	117,638	494,488

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15 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax		
Mainland China income tax	1,395,383	1,116,345
Hong Kong profits tax	49,845	70,296
Deferred tax	177,022	343,055
Total tax charges for the period	1,622,250	1,529,696

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company's subsidiaries in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period.

16 DIVIDENDS

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Distribution to ordinary shares ⁽¹⁾	3,474,100	2,449,685
Distribution to other equity instrument holders ⁽²⁾	402,500	590,000

(1) Pursuant to the resolution of the meeting of shareholders held on 15 June 2020, the Company distributed cash dividends of RMB3.9 for every 10 shares (tax included) amounting to RMB3,474 million in total on 12 August 2020 for the year ended 31 December 2019.

Pursuant to the resolution of the meeting of shareholders held on 24 June 2019, the Company distributed cash dividends of RMB2.75 for every 10 shares (tax included) amounting to RMB2,450 million in total on 12 August 2019 for the year ended 31 December 2018.

(2) The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. As at 30 June 2020, the Company has recognized the dividend payable to other equity instrument holders of RMB402.5 million (31 December 2019: RMB590 million).

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17 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

The numerator of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect (a) the interest of dilutive potential ordinary shares recognized in profit or loss, where applicable, (b) the income or expenses from the conversion of dilutive potential ordinary shares into ordinary shares, (c) the dilutive effect of subsidiaries' potential ordinary shares and (d) the tax impact of the above adjustments.

The denominator of the diluted earnings per share amount is the total number of (a) the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and (b) the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

When calculating the weighted average number of ordinary shares which are assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares issued in prior years are assumed to be converted at the beginning of the period and those issued in the period are assumed to be converted at the issuance date. The Group has convertible corporate bonds as dilutive potential ordinary shares.

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17 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	<i>(Unaudited)</i>
	RMB'000	<i>RMB'000</i>
Earnings		
Profit attributable to equity holders of the Company	5,453,713	5,020,115
Less: Profit attributable to other equity holders of the Company	(254,235)	<i>(295,000)</i>
Profit attributable to ordinary equity holders of the Company	5,199,478	4,725,115
Add: Interest expense on convertible bonds, net of tax	149,170	147,072
Less: Dilutive effect of a subsidiary's potential ordinary shares	(435)	<i>(965)</i>
Adjusted profit attributable to ordinary equity holders of the Company	5,348,213	4,871,222
Shares (in thousand)		
Weighted average number of ordinary shares in issue during the period	8,907,948	8,794,332
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares	360,810	<i>354,692</i>
Adjusted weighted average number of ordinary shares in issue during the period	9,268,758	9,149,024
Earnings per share attributable to ordinary equity holders of the Company (RMB Yuan per share)		
– Basic	0.58	0.54
– Diluted	0.58	0.53

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18 PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unaudited									
Cost									
As at 1 January 2020	3,666,148	929,585	65,000	1,583,295	18,773	153,369	1,255,495	161,350	7,833,015
Additions	5,950	74,865	527	41,643	440	1,351	169,331	41,593	335,700
Transfers during the period	1,009,459	1,104	5,584	96,037	—	265	(1,185,728)	4,845	(68,434)
Disposals	—	(39,165)	(831)	(13,531)	(57)	(2,364)	—	(557)	(56,505)
As at 30 June 2020	<u>4,681,557</u>	<u>966,389</u>	<u>70,280</u>	<u>1,707,444</u>	<u>19,156</u>	<u>152,621</u>	<u>239,098</u>	<u>207,231</u>	<u>8,043,776</u>
Accumulated depreciation									
As at 1 January 2020	(848,941)	(472,873)	(7,555)	(995,010)	(9,979)	(105,640)	—	(89,341)	(2,529,339)
Depreciation charge	(62,932)	(67,720)	(3,820)	(102,527)	(1,231)	(6,820)	—	(30,324)	(275,374)
Disposals	—	26,228	790	10,470	55	2,111	—	520	40,174
As at 30 June 2020	<u>(911,873)</u>	<u>(514,365)</u>	<u>(10,585)</u>	<u>(1,087,067)</u>	<u>(11,155)</u>	<u>(110,349)</u>	<u>—</u>	<u>(119,145)</u>	<u>(2,764,539)</u>
Impairment									
As at 1 January 2020 and 30 June 2020	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 30 June 2020	<u>3,677,431</u>	<u>452,024</u>	<u>59,695</u>	<u>620,377</u>	<u>8,001</u>	<u>42,272</u>	<u>239,098</u>	<u>88,086</u>	<u>5,186,984</u>

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18 PROPERTY AND EQUIPMENT (continued)

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Audited									
Cost									
As at 1 January 2019	3,650,829	643,356	57,248	1,369,340	18,651	153,274	271,146	193,613	6,357,457
Additions	12,222	75,824	10,113	235,951	3,862	12,973	1,425,119	9,714	1,785,778
Transfers during the year	—	244,694	—	75,471	—	—	(439,181)	47	(118,969)
Acquisition of a subsidiary	3,739	—	—	—	—	—	—	—	3,739
Disposals	(642)	(34,289)	(2,361)	(97,467)	(3,740)	(12,878)	(1,589)	(42,024)	(194,990)
As at 31 December 2019	<u>3,666,148</u>	<u>929,585</u>	<u>65,000</u>	<u>1,583,295</u>	<u>18,773</u>	<u>153,369</u>	<u>1,255,495</u>	<u>161,350</u>	<u>7,833,015</u>
Accumulated depreciation									
As at 1 January 2019	(729,919)	(392,410)	(2,680)	(828,033)	(11,532)	(102,958)	—	(115,666)	(2,183,198)
Depreciation charge	(119,065)	(110,970)	(7,036)	(246,134)	(2,045)	(14,687)	—	(14,608)	(514,545)
Disposals	43	30,507	2,161	79,157	3,598	12,005	—	40,933	168,404
As at 31 December 2019	<u>(848,941)</u>	<u>(472,873)</u>	<u>(7,555)</u>	<u>(995,010)</u>	<u>(9,979)</u>	<u>(105,640)</u>	<u>—</u>	<u>(89,341)</u>	<u>(2,529,339)</u>
Impairment									
As at 1 January 2019 and									
31 December 2019	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 31 December 2019	<u>2,724,954</u>	<u>456,712</u>	<u>57,445</u>	<u>588,285</u>	<u>8,794</u>	<u>47,729</u>	<u>1,255,495</u>	<u>72,009</u>	<u>5,211,423</u>

As at 30 June 2020, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB216,000 thousand (31 December 2019: RMB231,000 thousand).

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19 RIGHT-OF-USE ASSETS

	Buildings	Land-use right	Total
	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>
Unaudited			
Cost			
As at 1 January 2020	3,289,866	876,029	4,165,895
Increases	197,735	—	197,735
Decreases	<u>(190,908)</u>	<u>—</u>	<u>(190,908)</u>
As at 30 June 2020	<u>3,296,693</u>	<u>876,029</u>	<u>4,172,722</u>
Accumulated depreciation			
As at 1 January 2020	(1,108,007)	(109,793)	(1,217,800)
Depreciation charge	(318,242)	(9,538)	(327,780)
Decreases	<u>152,853</u>	<u>—</u>	<u>152,853</u>
As at 30 June 2020	<u>(1,273,396)</u>	<u>(119,331)</u>	<u>(1,392,727)</u>
Impairment			
As at 1 January 2020 and 30 June 2020	<u>(22,052)</u>	<u>—</u>	<u>(22,052)</u>
Net carrying amount			
As at 30 June 2020	<u><u>2,001,245</u></u>	<u><u>756,698</u></u>	<u><u>2,757,943</u></u>

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19 RIGHT-OF-USE ASSETS (continued)

	Buildings <i>RMB'000</i>	Land-use right <i>RMB'000</i>	Total <i>RMB'000</i>
Audited			
Cost			
As at 1 January 2019	3,203,089	876,029	4,079,118
Increases	419,959	—	419,959
Decreases	<u>(333,182)</u>	<u>—</u>	<u>(333,182)</u>
As at 31 December 2019	<u>3,289,866</u>	<u>876,029</u>	<u>4,165,895</u>
Accumulated depreciation			
As at 1 January 2019	(760,007)	(90,717)	(850,724)
Depreciation charge	(601,609)	(19,076)	(620,685)
Decreases	<u>253,609</u>	<u>—</u>	<u>253,609</u>
As at 31 December 2019	<u>(1,108,007)</u>	<u>(109,793)</u>	<u>(1,217,800)</u>
Impairment			
As at 1 January 2019	—	—	—
Increase	<u>(22,052)</u>	<u>—</u>	<u>(22,052)</u>
As at 31 December 2019	<u>(22,052)</u>	<u>—</u>	<u>(22,052)</u>
Net carrying amount			
As at 31 December 2019	<u>2,159,807</u>	<u>766,236</u>	<u>2,926,043</u>

20 GOODWILL

	As at 30 June 2020 (Unaudited) <i>RMB'000</i>	As at 31 December 2019 (Audited) <i>RMB'000</i>
Cost	599,812	599,812
Less: Impairment losses	<u>—</u>	<u>—</u>
Carrying amount	<u>599,812</u>	<u>599,812</u>

Section X Interim Condensed Consolidated Financial Statements

20 GOODWILL *(continued)*

Impairment testing on goodwill

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Cost and carrying value		
Unit A – Shanghai Securities Co., Ltd.	578,916	578,916
Unit B – Guotai Junan Futures Co., Ltd.	2,491	2,491
Unit C – Vietnam Investment Securities Company	18,405	18,405
Total	599,812	599,812

The Company acquired 51% of the equity interests in Shanghai Securities Co., Ltd. (“Shanghai Securities”) from Shanghai International Group Co., Ltd. in July 2014. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the cash-generating unit (“CGU”) of Shanghai Securities Co., Ltd.

The Company acquired 100% of the equity interests in Guotai Junan Futures Co., Ltd. from a third party in 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd.

The Company acquired 50.97% of the equity interests in Vietnam Investment Securities Company by subscription of new shares in 2019. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Vietnam Investment Securities Company.

The recoverable amounts have been determined on the basis of value-in-use calculation. The calculation used cash flow projections based on financial budgets approved by management and a pre-tax discount rate of 13% which reflected the risk specific to the cash-generating units, with the terminal growth rate of 3%. Other assumptions include budgeted income and gross margin estimated based on the past performance and management’s expectations of market developments, etc.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

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21 OTHER INTANGIBLE ASSETS

	Software <i>RMB'000</i>	Trading seats rights <i>RMB'000</i>	Securities and futures brokerage qualification <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Unaudited					
Cost					
As at 1 January 2020	979,337	206,185	1,066,264	16,348	2,268,134
Additions	131,056	—	—	16	131,072
Disposal and other movement	—	—	—	(466)	(466)
As at 30 June 2020	<u>1,110,393</u>	<u>206,185</u>	<u>1,066,264</u>	<u>15,898</u>	<u>2,398,740</u>
Accumulated amortization					
As at 1 January 2020	(550,391)	(126,539)	—	(1,724)	(678,654)
Amortization	(78,257)	—	—	(81)	(78,338)
As at 30 June 2020	<u>(628,648)</u>	<u>(126,539)</u>	<u>—</u>	<u>(1,805)</u>	<u>(756,992)</u>
Impairment					
As at 1 January 2020	—	(4,756)	—	(10,475)	(15,231)
Additions	—	—	—	(394)	(394)
As at 30 June 2020	<u>—</u>	<u>(4,756)</u>	<u>—</u>	<u>(10,869)</u>	<u>(15,625)</u>
Net carrying amount					
As at 30 June 2020	<u>481,745</u>	<u>74,890</u>	<u>1,066,264</u>	<u>3,224</u>	<u>1,626,123</u>

Section X Interim Condensed Consolidated Financial Statements

21 OTHER INTANGIBLE ASSETS (continued)

	Software <i>RMB'000</i>	Trading seats rights <i>RMB'000</i>	Securities and futures brokerage qualification <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Audited					
Cost					
As at 1 January 2019	747,443	205,866	1,066,264	16,331	2,035,904
Additions	232,049	—	—	17	232,066
Acquisition of a subsidiary	—	319	—	—	319
Disposal and other movement	(155)	—	—	—	(155)
As at 31 December 2019	<u>979,337</u>	<u>206,185</u>	<u>1,066,264</u>	<u>16,348</u>	<u>2,268,134</u>
Accumulated amortization					
As at 1 January 2019	(420,435)	(126,539)	—	(1,275)	(548,249)
Amortization	(130,111)	—	—	(449)	(130,560)
Disposal and other movement	155	—	—	—	155
As at 31 December 2019	<u>(550,391)</u>	<u>(126,539)</u>	<u>—</u>	<u>(1,724)</u>	<u>(678,654)</u>
Impairment					
As at 1 January 2019 and 31 December 2019	—	(4,756)	—	(10,475)	(15,231)
Net carrying amount					
As at 31 December 2019	<u>428,946</u>	<u>74,890</u>	<u>1,066,264</u>	<u>4,149</u>	<u>1,574,249</u>

The other intangible assets of securities and futures brokerage qualification are generated from the acquisition of Shanghai Securities, and the impairment of which is tested together with the goodwill arising from the acquisition of Shanghai Securities, that is, the carrying amount of securities and futures brokerage qualification was included in the cash-generating unit to which the goodwill was allocated for impairment testing purposes. Management believes that there was no impairment of the securities and futures brokerage qualification as at 30 June 2020 and 31 December 2019. Refer to note 20 for impairment testing of goodwill arising from the acquisition of Shanghai Securities.

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22 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in consolidated structured entities

The Group has consolidated certain structured entities, including asset management schemes, trust schemes and limited partnerships. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates an exposure to variability of returns from the activities of those structured entities that is of such significance that indicates that the Group is a principal.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) Interests in unconsolidated structured entities

The Group exercised the power over the structured entities including limited partnerships and asset management products by acting as a manager or general partner during the period. Except for the structured entities the Group has consolidated as stated in note 22(a), in management's opinion, the variable returns the Group exposed to over these structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as financial assets at fair value through profit or loss and investments in associates and joint ventures. As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's interests in unconsolidated structured entities were RMB4,883 million and RMB5,939 million, respectively. The management fee arising from these unconsolidated structured entities amounted to RMB382 million and RMB552 million for the periods ended 30 June 2020 and 2019, respectively.

The carrying amounts of interests in unconsolidated structured entities in the consolidated statement of financial position are approximately equal to the maximum exposure to the loss of interests held by the Group in the unconsolidated structured entities.

23 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Share of net assets		
– Associates	1,227,960	1,183,891
– Joint ventures	986,125	1,274,671
Total	<u>2,214,085</u>	<u>2,458,562</u>

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23 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The Group had the following associates and joint ventures:

Name of associates and joint ventures	Place of incorporation or primary business	Registered capital/Capital commitment (Expressed in yuan)	Principal activities	Equity interest held as at 30 June 2020
Associates:				
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	Shenzhen PRC	RMB400,000,000	Investment management and advisory	25%
Shenzhen GTJA Leading Junding Phase 1 Investment Fund LLP	Shenzhen PRC	RMB130,000,000	Investment management and advisory	38%
Xiamen Hongxin Electron-Tech Co., Ltd. ⁽²⁾	Xiamen PRC	RMB177,000,000	Flexible printed circuit board research and design	2%
Shanghai Kechuang Center Equity Investment Fund Management Co., Ltd. ⁽²⁾	Shanghai PRC	RMB100,000,000	Investment management and equity investment	13%
Huaan Funds Management Co., Ltd. ("HuaAn Fund")	Shanghai PRC	RMB150,000,000	Fund management	20%
Shenzhen United Property and Share Rights Exchange ⁽²⁾	Shenzhen PRC	RMB500,000,000	Provision of intermediary services and equity registration services for equity trading	10%
Joint ventures:				
Xiamen GTJA Junxin Equity Investment Xiamen PRC Company LLP ⁽²⁾	Xiamen PRC	RMB200,100,000	Investment management and equity investment	10%
Shanghai Guojun Chuangtou Longxu Shanghai PRC Investment Management Centre LLP	Shanghai PRC	RMB200,000,000	Investment management and equity investment	25%
Shanghai Guojun Chuangtou Longsheng Shanghai PRC Investment Centre LLP	Shanghai PRC	RMB500,000,000	Investment management and equity investment	20%
Shanghai Guojun Chuangtou Longzhao Shanghai PRC Investment Management Centre LLP ⁽¹⁾	Shanghai PRC	RMB1,000,200,000	Investment management and equity investment	55%
Shanghai Junzheng Investment Shanghai PRC Management Co., Ltd. ⁽¹⁾	Shanghai PRC	RMB10,000,000	Investment management and advisory	51%
Shanxi GTJA Chuangtou Equity Investment Company LLP ⁽²⁾	Shanghai PRC	RMB220,000,000	Investment management and advisory	10%
Shanghai Guojun Chuangtou Zhengjun No. 2 Equity Investment LLP	Shanghai PRC	RMB100,010,000	Investment management and advisory	25%
Shanghai Guojun Chuangtou Longzhang Investment Management Centre LLP	Shanghai PRC	RMB233,000,000	Investment management and advisory	28%
Shanghai Juntong Jinglian Investment LLP ⁽¹⁾	Shanghai PRC	RMB710,000,000	Investment management and advisory	100%
Juntong Phase II Fund	Shanghai PRC	RMB401,000,000	Investment management and advisory	50%
Shanghai North Industries GTJA Investment Centre LLP ⁽²⁾	Shanghai PRC	RMB652,000,000	Investment management and advisory	16%
GTJA Chaungxin Equity Investment FOF Center LLP	Shanghai PRC	RMB8,008,000,000	Investment management and advisory	29%

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23 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

- (1) Although the Group's percentages of shareholdings in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates or joint ventures as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Six months ended 30 June	
	2020	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Share of associates' profit for the period	60,592	49,126
Share of joint ventures' (loss)/profit for the period	(31,610)	93,571
	80,012	48,868
	(178,146)	204,705
	1,227,960	1,183,891
	986,125	1,274,671

	As at	As at
	30 June	31 December
	2020	2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in associates	1,227,960	1,183,891
Aggregate carrying amount of the Group's investments in joint ventures	986,125	1,274,671

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24 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Non-current		
Government bonds	8,169,645	10,979,202
Financial bonds	4,724,042	9,003,336
Corporate bonds	23,068,082	24,533,966
Other bonds	<u>8,279,686</u>	<u>8,892,216</u>
Total	<u><u>44,241,455</u></u>	<u><u>53,408,720</u></u>
Analysed as:		
Listed outside Hong Kong	36,450,128	28,065,608
Unlisted	<u>7,791,327</u>	<u>25,343,112</u>
Total	<u><u>44,241,455</u></u>	<u><u>53,408,720</u></u>
Current		
Government bonds	103,265	1,355,652
Financial bonds	103,314	337,463
Corporate bonds	4,023,198	3,313,903
Other bonds	<u>6,884,915</u>	<u>1,851,090</u>
Total	<u><u>11,114,692</u></u>	<u><u>6,858,108</u></u>
Analysed as:		
Listed outside Hong Kong	3,784,430	4,303,152
Unlisted	<u>7,330,262</u>	<u>2,554,956</u>
Total	<u><u>11,114,692</u></u>	<u><u>6,858,108</u></u>

As at 30 June 2020, debt instruments at fair value through other comprehensive income of the Group included approximately RMB43,066,235 thousand of pledged, restricted or transferred assets.

Section X Interim Condensed Consolidated Financial Statements

24 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(continued)

(a) Analysis of the movements of allowance for ECL:

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
At the beginning of the period/year	208,151	151,826
Charge for the period/year	58,362	76,027
Reversal	—	(5,622)
Amounts written-off	<u>(46,687)</u>	<u>(14,080)</u>
At the end of the period/year	<u>219,826</u>	<u>208,151</u>

(b) Analysis of the stages of allowance for ECL:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 30 June 2020	<u>100,077</u>	<u>89,670</u>	<u>30,079</u>	<u>219,826</u>
As at 31 December 2019	<u>122,265</u>	<u>85,886</u>	<u>—</u>	<u>208,151</u>

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25 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Non-current		
Contribution to designated accounts at China Securities Finance Corporation Limited ("CSFC investment") ⁽¹⁾⁽²⁾	12,626,560	13,011,129
Equity securities ⁽²⁾	4,697,695	4,535,947
Total	<u>17,324,255</u>	<u>17,547,076</u>
Analysed as:		
Listed in Hong Kong	104,955	136,648
Listed outside Hong Kong	3,563,101	3,376,626
Unlisted	13,656,199	14,033,802
Total	<u>17,324,255</u>	<u>17,547,076</u>

(1) As at 30 June 2020, the equity instruments at fair value through other comprehensive income included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). CSFC managing the operation and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. As at 30 June 2020, the fair value of the Company's contribution was RMB12,627 million, based on the investment account statement provided by CSFC.

(2) The Group has designated some investments, including CSFC investment and those held for strategic investment purposes or for securities lending, as equity instruments at fair value through other comprehensive income during the period ended 30 June 2020. The dividend income related to equity instruments at fair value through other comprehensive income was disclosed in note 7.

For the period ended 30 June 2020, the Group disposed of some of the equity instruments at fair value through other comprehensive income, as a result of adjustments in its investment strategy. The accumulated net realized loss and the dividend income of the equity instruments disposed of were RMB14,513 thousand and RMB14 thousand, respectively.

(3) As at 30 June 2020, equity instruments at fair value through other comprehensive income of the Group included approximately RMB1,392,937 thousand of pledged, restricted or transferred shares.

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26 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Non-current		
Equity securities	2,958,764	1,977,491
Less: Allowance for ECLs	<u>(27,907)</u>	<u>(17,754)</u>
Total	<u>2,930,857</u>	<u>1,959,737</u>
Current		
Equity securities	29,659,080	31,763,998
Debt securities	17,597,928	22,668,973
Precious metals	—	191,701
Others	7,179	10,134
Less: Allowance for ECLs	<u>(2,679,742)</u>	<u>(2,654,546)</u>
Total	<u>44,584,445</u>	<u>51,980,260</u>

(b) Analysed by market:

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Non-current		
Stock exchanges	2,958,764	1,977,491
Less: Allowance for ECLs	<u>(27,907)</u>	<u>(17,754)</u>
Total	<u>2,930,857</u>	<u>1,959,737</u>

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26 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(b) Analysed by market: *(continued)*

Current	As at 30 June 2020 (Unaudited) RMB' 000	As at 31 December 2019 (Audited) RMB' 000
Stock exchanges	33,513,676	34,808,253
Interbank market	13,743,332	19,624,718
Over the counter	7,179	201,835
Less: Allowance for ECLs	(2,679,742)	(2,654,546)
Total	<u>44,584,445</u>	<u>51,980,260</u>

(c) Analysis of the movements of allowance for ECLs:

	As at 30 June 2020 (Unaudited) RMB' 000	As at 31 December 2019 (Audited) RMB' 000
At the beginning of the period/year	2,672,300	1,634,561
Charge for the period/year	35,140	1,310,009
Reversal	(5,199)	(272,270)
Amounts written-off and others	5,408	—
At the end of the period/year	<u>2,707,649</u>	<u>2,672,300</u>

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26 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(d) Analysis of the stages of allowance for ECL:

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2020	<u>119,504</u>	<u>41,932</u>	<u>2,546,213</u>	<u>2,707,649</u>
As at 31 December 2019	<u>129,378</u>	<u>295,877</u>	<u>2,247,045</u>	<u>2,672,300</u>

The carrying amount of financial assets held under resale agreements, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB42,051,675 thousand and RMB5,463,627 thousand respectively.

(e) Analyzed by the stages of allowance for ECLs of stock-pledged financing :

	As at 30 June 2020			
	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Gross carrying amount	23,889,577	1,106,631	6,945,142	31,941,350
Allowance for ECLs	112,647	41,932	2,546,213	2,700,792
Fair value of collateral	<u>80,483,312</u>	<u>2,238,005</u>	<u>5,756,699</u>	<u>88,478,016</u>
	As at 31 December 2019			
	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Gross carrying amount	23,999,121	4,160,204	4,856,790	33,016,115
Allowance for ECLs	122,872	295,877	2,247,045	2,665,794
Fair value of collateral	<u>74,968,637</u>	<u>10,747,268</u>	<u>3,637,303</u>	<u>89,353,208</u>

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26 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(f) Fair value of collateral:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Fair value	107,851,426	115,006,605
Including: Available for sale or pledge	—	502,051
Including: Sold or pledged	—	—
	107,851,426	115,006,605

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Non-current		
At fair value through profit or loss:		
Funds	7,431,802	7,212,279
Debt securities	6,497,012	1,356,921
Equity securities	3,866,828	2,427,263
Asset backed securities	2,889,642	2,100,845
Other investments ⁽¹⁾	1,341,294	336,383
Total	22,026,578	13,433,691
Analysed as:		
Listed in Hong Kong	379,142	470,935
Listed outside Hong Kong	3,526,748	2,728,098
Unlisted	18,120,688	10,234,658
Total	22,026,578	13,433,691

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27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Current	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
At fair value through profit or loss:		
Debt securities	117,364,456	95,314,955
Funds	46,201,634	44,112,122
Equity securities	11,086,429	17,999,884
Wealth management products	7,987,734	6,078,196
Asset management schemes	7,187,033	5,009,153
Perpetual bonds	5,789,454	3,502,108
Asset backed securities	1,703,117	1,289,836
Other investments ⁽¹⁾	1,133,974	2,282,247
Total	<u>198,453,831</u>	<u>175,588,501</u>
Analysed as:		
Listed in Hong Kong	5,136,670	18,639,994
Listed outside Hong Kong	102,133,458	103,402,041
Unlisted	91,183,703	53,546,466
Total	<u>198,453,831</u>	<u>175,588,501</u>

(1) Other investments mainly represent investments in precious metals, etc.

As at 30 June 2020, financial assets at fair value through profit or loss of the Group included approximately RMB70,674,640 thousand of pledged, restricted or transferred assets.

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28 REFUNDABLE DEPOSITS

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Deposits with exchanges and other financial institutions:		
Future deposits	14,923,152	10,204,363
Trading deposits	1,510,226	1,082,727
Performance deposits	1,445,679	1,201,915
Credit deposits	479,907	319,882
Other deposits	<u>352,678</u>	<u>166,490</u>
Total	<u><u>18,711,642</u></u>	<u><u>12,975,377</u></u>

29 DEFERRED TAX

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

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Deferred tax assets	1,524,799	1,251,032
Deferred tax liabilities	<u>(155,310)</u>	<u>(13,762)</u>
Total	<u><u>1,369,489</u></u>	<u><u>1,237,270</u></u>

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29 DEFERRED TAX (continued)

The following are the major deferred tax assets and liabilities recognized and the movements therein during the year 2019 and the six months ended 30 June 2020:

Deferred tax arising from:	Allowance for ECLs/ impairment losses <i>RMB'000</i>	Employee benefits payable <i>RMB'000</i>	Changes in fair value <i>RMB'000</i>	Fair value revaluation on acquisition of subsidiaries <i>RMB'000</i>	Deductible tax losses <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2018	748,797	799,187	35,874	(442,987)	12,437	92,728	1,246,036
Impact of adopting IFRS 16	—	—	—	—	—	26,778	26,778
As at 1 January 2019	748,797	799,187	35,874	(442,987)	12,437	119,506	1,272,814
Recognized in profit or loss	454,540	212,779	(329,990)	9,334	45,365	(133,774)	258,254
Recognized in other comprehensive income	(13,364)	—	(165,807)	—	—	(31,085)	(210,256)
Transferred out	—	—	(82,980)	—	—	(562)	(83,542)
As at 31 December 2019	1,189,973	1,011,966	(542,903)	(433,653)	57,802	(45,915)	1,237,270
As at 1 January 2020	1,189,973	1,011,966	(542,903)	(433,653)	57,802	(45,915)	1,237,270
Recognized in profit or loss	16,945	(92,151)	(245,194)	4,667	39,235	99,476	(177,022)
Recognized in other comprehensive income	(1,652)	-	274,737	-	-	36,156	309,241
As at 30 June 2020	1,205,266	919,815	(513,360)	(428,986)	97,037	89,717	1,369,489

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

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30 OTHER NON-CURRENT ASSETS

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Prepayments for equity investment	343,704	—
Advances relating to lawsuits	256,037	256,037
Deposit	96,805	69,346
Long-term deferred expenses	53,408	58,156
Term loans	—	776,571
Others	794,089	859,913
Less: Allowance for ECLs	<u>(842,493)</u>	<u>(865,184)</u>
Total	<u>701,550</u>	<u>1,154,839</u>

(a) Analysis of the movements of allowance for ECLs:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
At the beginning of the period/year	865,184	666,235
Charge for the period/year	2,816	210,879
Reversal	(1)	(11,930)
Amounts written-off and others	<u>(25,506)</u>	<u>—</u>
At the end of the period/year	<u>842,493</u>	<u>865,184</u>

(b) Analysed by the stages of allowance for ECLs:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 30 June 2020	<u>5,569</u>	<u>2,465</u>	<u>834,459</u>	<u>842,493</u>
As at 31 December 2019	<u>—</u>	<u>25,489</u>	<u>839,695</u>	<u>865,184</u>

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31 ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Accounts receivable from:		
– Settlement	3,606,854	314,738
– Brokers and dealers	3,307,475	2,125,007
– Fee and commission	984,611	932,281
– Fund management fee	80,960	83,092
– Cash and custodian clients	41,846	36,141
Less: Allowance for ECLs	(4,170)	(7,093)
Total	8,017,576	3,484,166

(b) Analysed by aging:

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Within 1 year	8,017,576	3,484,166

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31 ACCOUNTS RECEIVABLE *(continued)*

(c) Analysis of the movements of allowance for ECLs:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
At the beginning of the period/year	7,093	26,465
Reversal	—	(19,372)
Amounts written-off and others	<u>(2,923)</u>	<u>—</u>
At the end of the period/year	<u>4,170</u>	<u>7,093</u>

(d) Analysed by the stages of allowance for ECLs:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 30 June 2020	<u>4,170</u>	<u>—</u>	<u>—</u>	<u>4,170</u>
As at 31 December 2019	<u>7,093</u>	<u>—</u>	<u>—</u>	<u>7,093</u>

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32 OTHER CURRENT ASSETS

(a) Analysed by nature:

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Term loans	2,756,698	562,070
Bulk commodity trading inventories	442,524	587,019
Prepayments	300,579	44,956
Dividends receivable	135,535	24,068
Deposit	48,314	76,569
Prepayment for expenses	31,015	99,176
Receivable from disposal of an associate	—	139,078
Others	1,147,695	616,685
Less: Allowance for ECLs/impairment losses	(135,988)	(132,168)
Total	4,726,372	2,017,453

(b) Analysis of the movements of allowance for ECLs/impairment losses:

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
At the beginning of the period/year	132,168	135,196
Charge for the period/year	3,820	—
Reversal	—	(3,028)
At the end of the period/year	135,988	132,168

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32 OTHER CURRENT ASSETS *(continued)*

(c) Analysed by the stages of allowance for ECLs:

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2020	<u>—</u>	<u>—</u>	<u>132,168</u>	<u>132,168</u>
As at 31 December 2019	<u>—</u>	<u>—</u>	<u>132,168</u>	<u>132,168</u>

33 MARGIN ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Individuals	59,386,294	55,160,769
Institutions	20,311,866	18,284,407
Less: Allowance for ECLs	<u>(1,391,929)</u>	<u>(1,356,832)</u>
Total	<u>78,306,231</u>	<u>72,088,344</u>

(b) Analysis of the movements of allowance for ECLs:

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
At the beginning of the period/year	1,356,832	592,078
Charge for the period/year	28,459	777,089
Reversal	(7,469)	(12,335)
Amounts written-off and others	<u>14,107</u>	<u>—</u>
At the end of the period/year	<u>1,391,929</u>	<u>1,356,832</u>

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33 MARGIN ACCOUNTS RECEIVABLE (continued)

(c) Analysed by the stages of allowance for ECLs:

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2020	<u>117,247</u>	<u>4,921</u>	<u>1,269,761</u>	<u>1,391,929</u>
As at 31 December 2019	<u>83,731</u>	<u>4,836</u>	<u>1,268,265</u>	<u>1,356,832</u>

The carrying amount of margin accounts receivable, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB77,790,555 thousand and RMB515,676 thousand respectively.

(d) The fair value of collateral for the margin financing and securities lending business is analysed as follows:

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Fair value of collateral:		
– Stocks	251,891,203	228,668,761
– Cash	12,445,601	10,135,486
– Funds	4,089,083	2,405,770
– Bonds	<u>370,874</u>	<u>206,371</u>
Total	<u>268,796,761</u>	<u>241,416,388</u>

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34 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2020		
	Nominal amount	Fair value	
		Assets (Unaudited)	Liabilities (Unaudited)
	RMB' 000	RMB' 000	RMB' 000
Interest rate derivatives			
– Treasury futures	37,502,400	—	(2,696)
– Interest rate swap	1,586,991,037	7,062	(500,864)
– Interest rate options	4,467,200	1,533	(26,650)
– Others	8,800,208	212,794	(196,634)
Equity derivatives			
– Stock index futures	7,398,059	148,753	(12,912)
– Forward contracts	1,152,595	16,336	(27,356)
– Equity return swaps	10,244,369	273,320	(1,210,651)
– Stock options	21,435,484	207,102	(291,877)
– Others	5,082,358	3,937	(275,798)
Currency derivatives			
– Currency swaps	1,808,622	6,300	(13,382)
– Foreign exchange forward	38,896,117	96,855	(84,644)
– Foreign exchange options	1,254,678	12,144	(40,957)
Other derivatives			
– Precious metals futures	1,984,297	327	(111,520)
– Au (T+D)	63,284	762	—
– Commodity futures	1,341,488	2,747	(464)
– Gold options	16,299,832	21,110	(669,495)
– Commodity options	20,338,819	353,177	(208,295)
– Others	6,064,512	92,594	(17,518)
Less: Cash (received)/paid as settlement		(150,358)	182,947
Total		<u>1,306,495</u>	<u>(3,508,766)</u>

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34 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2019		
	Nominal amount	Fair value	
			Assets (Audited)
	RMB'000	RMB'000	RMB'000
Interest rate derivatives			
– Treasury futures	8,309,245	—	(20,147)
– Interest rate swap	1,037,310,494	10,024	(135,363)
– Interest rate options	594,000	408	(3,139)
– Others	6,319,305	50,345	(7,019)
Equity derivatives			
– Stock index futures	8,097,994	5,807	—
– Forward contracts	8,159,500	131,605	(120,853)
– Equity return swaps	6,546,765	120,986	(729,967)
– Stock options	29,727,888	93,584	(281,697)
Currency derivatives			
– Currency swaps	23,495,013	13,100	(23,004)
– Foreign exchange forward	8,698,694	71,236	(52,531)
– Foreign exchange options	208,053	7,609	(17,390)
– Others	1,364,569	5,611	—
Other derivatives			
– Precious metals futures	2,315,137	—	(59,235)
– Au (T+D)	273,636	1,058	—
– Commodity futures	2,606,484	—	(2,508)
– Gold options	18,571,491	1,803	(25,502)
– Commodity options	15,183,850	53,889	(47,541)
– Others	1,432,076	8,497	(4,307)
Less: Cash (received)/paid as settlement		(25,481)	171,394
Total		550,081	(1,358,809)

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35 CLEARING SETTLEMENT FUNDS

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	3,002,374	4,248,348
– Others	107,305	211,804
Total	3,109,679	4,460,152

As at 30 June 2020 and 31 December 2019, the Group's clearing settlement funds of RMB86,239 thousand and RMB193,157 thousand, respectively, were restricted.

36 CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

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37 CASH AND BANK BALANCES

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Cash on hand	409	513
Bank balances	<u>23,204,571</u>	<u>25,252,316</u>
Total	<u>23,204,980</u>	<u>25,252,829</u>

As at 30 June 2020 and 31 December 2019, the Group's bank balances of RMB452,475 thousand and RMB706,908 thousand, respectively, were restricted.

As at 30 June 2020, the ECL allowance for cash and cash balances amounted to RMB7,685 thousand (31 December 2019: RMB5,919 thousand).

38 LOANS AND BORROWINGS

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Current		
Unsecured loans and borrowings ⁽¹⁾	<u>16,754,927</u>	<u>10,312,724</u>
Non-current		
Unsecured loans and borrowings ⁽²⁾	<u>1,521,434</u>	<u>1,490,000</u>

(1) As at 30 June 2020 and 31 December 2019, the current unsecured loans and borrowings of the Group were repayable within one year, bearing interest at rates ranging from 1.54% to 3.10% per annum and from 2.41% to 5.31% per annum, respectively.

(2) As at 30 June 2020 and 31 December 2019, the non-current unsecured loans and borrowings of the Group were repayable in 2 years, bearing interest at a rate of 4.09% per annum.

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39 SHORT-TERM DEBT INSTRUMENTS

Unaudited	Nominal interest rate	As at	Increase	Decrease	As at
		1 January 2020			30 June 2020
		RMB'000	RMB'000	RMB'000	RMB'000
Short-term financing bills payable	1.40% - 3.05%	6,018,550	22,105,134	(17,104,377)	11,019,307
Short-term corporate bonds	3.70%	2,007,578	25,558	(2,033,136)	—
Medium-term notes	0.00% - 3.00%	3,133,819	6,571,141	(2,827,143)	6,877,817
Structured notes	2.10% - 4.00%	6,264,405	5,430,969	(7,045,142)	4,650,232
Total		17,424,352	34,132,802	(29,009,798)	22,547,356

Audited	Nominal interest rate	As at	Increase	Decrease	As at
		1 January 2019			31 December 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Short-term financing bills payable	2.57% - 3.15%	3,019,418	21,122,439	(18,123,307)	6,018,550
Short-term corporate bonds	3.70% - 4.25%	507,862	2,020,992	(521,276)	2,007,578
Medium-term notes	1.50% - 3.70%	2,289,294	3,151,646	(2,307,121)	3,133,819
Structured notes	2.70% - 5.00%	1,228,850	13,209,915	(8,174,360)	6,264,405
Total		7,045,424	39,504,992	(29,126,064)	17,424,352

40 PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Placements from banks ⁽¹⁾	4,391,528	5,469,923
Placements from CSFC ⁽²⁾	3,029,649	4,018,719
Total	7,421,177	9,488,642

(1) As at 30 June 2020 and 31 December 2019, placements from banks were repayable within one year, and bore interest at annual interest rates ranging from 2.06% to 3.00% and from 1.85% to 2.95%, respectively.

(2) As at 30 June 2020 and 31 December 2019, placements from CSFC were repayable within one year, and bore interest at annual interest rates ranging from 2.50% to 3.25% and from 3.25% to 3.50%.

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41 ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Brokerage business deposits	123,194,136	97,030,542
Margin financing and securities lending deposits	17,998,413	12,305,984
Total	<u>141,192,549</u>	<u>109,336,526</u>

Accounts payable to brokerage customers mainly include money held on behalf of customers in banks and clearing houses, and bear interest at the prevailing market interest rates.

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

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not provide additional value in view of the nature of these businesses.

42 EMPLOYEE BENEFITS PAYABLE

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Salaries, bonuses and allowances	4,821,612	5,382,418
Social welfare and others	298,540	278,175
Contributions to a defined contribution scheme	42,402	24,512
Total	<u>5,162,554</u>	<u>5,685,105</u>

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43 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Bonds	112,284,726	104,028,206
Funds	10,991,957	8,090,127
Precious metals	6,943,640	10,896,125
Margin accounts receivable-backed repurchase	300,188	3,002,838
Total	<u>130,520,511</u>	<u>126,017,296</u>

(b) Analysed by market:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Interbank market	78,921,440	73,411,056
Stock exchanges	44,355,243	38,707,277
Over the counter	7,243,828	13,898,963
Total	<u>130,520,511</u>	<u>126,017,296</u>

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44 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Current		
At fair value through profit or loss ⁽¹⁾		
– Debt securities	11,395,075	5,668,354
Designated as at fair value through profit or loss		
– Debt securities ⁽²⁾	29,247,106	32,049,360
– Interest attributable to other holders of consolidated structured entities ⁽³⁾	2,439,656	127,332
Total	43,081,837	37,845,046
Non-current		
Designated as at fair value through profit or loss		
– Debt securities ⁽²⁾	8,422,446	5,891,494
– Interest attributable to other holders of consolidated structured entities ⁽³⁾	543,916	550,153
Total	8,966,362	6,441,647

(1) As at 30 June 2020 and 31 December 2019, included in the Group's financial liabilities through profit or loss were bonds and gold borrowed by the Group.

(2) As at 30 June 2020 and 31 December 2019, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.

(3) As at 30 June 2020 and 31 December 2019, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

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45 BONDS PAYABLE

	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Current		
Corporate bonds ⁽¹⁾	18,287,631	9,357,582
Subordinated bonds ⁽¹⁾	696,443	8,297,637
Medium-term notes	—	16,925
Structured notes	1,914,673	—
Total	20,898,747	17,672,144
	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
Non-current		
Corporate bonds ⁽¹⁾	47,123,681	47,507,688
Subordinated bonds ⁽¹⁾	3,000,000	3,000,000
Medium-term notes	1,425,353	1,393,721
Total	51,549,034	51,901,409

Section X Interim Condensed Consolidated Financial Statements

45 BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows:

As at 30 June 2020

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
17 GUOJUN G1	4,700,000	2017.08	2020.08	4.57%
17 GUOJUN G3	3,700,000	2017.10	2020.10	4.78%
18 GUOJUN G1	4,300,000	2018.03	2021.03	5.15%
18 GUOJUN G2	4,300,000	2018.04	2021.04	4.55%
Subordinated bonds				
17 Shanghai Securities C2	600,000	2017.08	2020.08	5.30%
Non-current				
Corporate bonds				
15 GUOJUN G2 (i)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G2 (ii)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
18 GUOJUN G3	4,700,000	2018.07	2021.07	4.44%
18 GUOJUN G4	300,000	2018.07	2023.07	4.64%
19 GUOJUN G1	3,000,000	2019.04	2022.04	3.90%
19 GUOJUN G3	2,900,000	2019.05	2022.05	3.73%
19 GUOJUN G4	2,500,000	2019.10	2022.10	3.48%
20 GUOJUN G1	4,000,000	2020.01	2023.01	3.37%
20 GUOJUN G2	4,000,000	2020.03	2023.03	3.05%
GUOJUN Convertible bonds (iii)	7,000,000	2017.07	2023.07	1.00%
GTJA HOLD B2203 (iv)	3,437,271	2019.03	2022.03	3.875%
GTJA SEC B2203 (v)	1,993,335	2019.03	2022.03	0.728%
19 GTJA Financial Bond 01	8,000,000	2019.08	2022.08	3.48%
Subordinated bonds				
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%

Section X Interim Condensed Consolidated Financial Statements

45 BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: (continued)

As at 31 December 2019

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
17 GUOJUN G1	4,700,000	2017.08	2020.08	4.57%
17 GUOJUN G3	3,700,000	2017.10	2020.10	4.78%
Subordinated bonds				
17 GUOJUN C1	5,000,000	2017.02	2020.02	4.60%
17 Shanghai Securities C1	1,400,000	2017.05	2020.05	5.30%
17 Shanghai Securities C2	600,000	2017.08	2020.08	5.30%
17 GUOZI 01	1,000,000	2017.05	2020.05	4.60%
Non-current				
Corporate bonds				
15 GUOJUN G2 (i)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G2 (ii)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
18 GUOJUN G1	4,300,000	2018.03	2021.03	5.15%
18 GUOJUN G2	4,300,000	2018.04	2021.04	4.55%
18 GUOJUN G3	4,700,000	2018.07	2021.07	4.44%
18 GUOJUN G4	300,000	2018.07	2023.07	4.64%
19 GUOJUN G1	3,000,000	2019.04	2022.04	3.90%
19 GUOJUN G3	2,900,000	2019.05	2022.05	3.73%
19 GUOJUN G4	2,500,000	2019.10	2022.10	3.48%
GUOJUN Convertible bonds (iii)	7,000,000	2017.07	2023.07	1.00%
GTJA HOLD B2203 (iv)	3,437,271	2019.03	2022.03	3.875%
GTJA SEC B2203 (v)	1,993,335	2019.03	2022.03	0.757%
19 GTJA Financial Bond 01	8,000,000	2019.08	2022.08	3.48%
Subordinated bonds				
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%

(i) In November 2015, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.

(ii) In April 2016, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.

Section X Interim Condensed Consolidated Financial Statements

45 BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: (continued)

- (iii) In July 2017, as approved by the CSRC, the Company issued 6-year A-share convertible bonds with par value of RMB7 billion. The convertible bonds bear a fixed annual interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The initial conversion price is RMB20.20 per share. The convertible bonds holders may exercise their rights to convert the convertible bonds into the Company's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 105% of the par value, inclusive of interest for the sixth year.

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

The convertible corporate bonds issued have been split into the liability and equity components. After considering direct transaction costs, the Company recognized the equity part of the convertible corporate bonds as other equity instruments amounting to RMB1,129,841 thousand.

For the six months ended 30 June 2020, convertible corporate bonds with a principal amount of RMB295 thousand were converted into 14,768 ordinary A shares.

- (iv) In March 2019, Guotai Junan Holdings Limited (BVI) issued 3-year corporate bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5853 and bear a fixed annual interest rate of 3.875% payable on a semi-annual basis.
- (v) In March 2019, the Company issued 3-year corporate bonds with a par value of EUR255 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5883 and bear a floating annual interest rate with an initial coupon rate of 0.832% payable on a quarterly basis.

46 LEASE LIABILITIES

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Buildings		
Current	<u>666,899</u>	<u>638,382</u>
Non-current	<u>1,526,913</u>	<u>1,725,455</u>

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47 OTHER CURRENT LIABILITIES

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Accounts payable arising from derivative brokerage	9,044,095	5,132,673
Settlement payables to clearing house and customers	4,178,256	2,849,011
Dividends payable	4,042,439	614,009
Accounts payable to brokers	1,701,035	1,439,982
Advance received from issuance of financial products	1,439,460	88,776
Payables to interest holders of consolidated structured entities	978,625	1,259,103
Other tax payable	404,100	859,486
Bills payable	260,875	99,855
Underwriting fee payable in relation to the listing of A shares and H shares	238,169	238,169
Payable for construction projects	135,844	136,189
Proceeds from underwriting securities received on behalf of customers	134,778	499,566
Fund and asset management scheme distribution expenses payable	67,198	56,611
Payables for the securities investor protection fund	51,636	60,679
Interest payable	21,461	14,200
Gold borrowing expenses payable	19,993	30,451
Dividend received on behalf of customers	945	10,899
Others	1,892,301	839,529
	24,611,210	14,229,188
Total	24,611,210	14,229,188

48 OTHER NON-CURRENT LIABILITIES

	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Risk reserve for the futures brokerage business	150,473	143,123
Provisions	82,114	82,114
	232,587	225,237
Total	232,587	225,237

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49 SHARE CAPITAL

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

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
At the beginning of the period/year	8,907,948	8,713,941
The conversion of convertible bonds into ordinary shares	1	7
Issuance of shares ⁽¹⁾	—	194,000
At the end of the period/year	<u>8,907,949</u>	<u>8,907,948</u>

(1) In April 2019, The Company placed 194,000,000 new H Shares at a price of HKD16.34 per H Share.

50 OTHER EQUITY INSTRUMENTS

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Perpetual subordinated bonds ⁽¹⁾	10,000,000	15,000,000
Equity component of convertible bonds ⁽²⁾	<u>1,129,798</u>	<u>1,129,799</u>
Total	<u>11,129,798</u>	<u>16,129,799</u>

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50 OTHER EQUITY INSTRUMENTS *(continued)*

- (1) As approved by the CSRC, the Company issued four batches of perpetual subordinated bonds (“15 Guojun Y1”, “15 Guojun Y2”, “19 Guojun Y1” and “20 Guojun Y1”) amounting to RMB5 billion, RMB5 billion, RMB5 billion and RMB5 billion with an initial interest rate of 6.00%, 5.80%, 4.20% and 3.85% on 22 January 2015, 3 April 2015, 23 September 2019 and 18 March 2020, respectively. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

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

As at 30 June 2020 and 31 December 2019, the Company recognized dividends payable to holders of the perpetual subordinated bonds amounting to RMB402.5 million and RMB590 million (note 16), respectively.

- (2) Refer to note 45 for the issuance of convertible bonds.

51 RESERVES AND RETAINED PROFITS

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of the acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(2) Investment revaluation reserve

Investment revaluation reserve mainly represents the fair value changes of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

Section X Interim Condensed Consolidated Financial Statements

51 RESERVES AND RETAINED PROFITS *(continued)*

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes the statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", the articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the statutory surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

(5) General reserve

The general reserve includes the general risk reserve and the transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve. The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% of its annual net profit to the transaction risk reserve.

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51 RESERVES AND RETAINED PROFITS *(continued)*

(6) Retained profits

The movements in retained profits are set out below:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
At the end of last year	41,335,967	38,070,373
Impact of adopting IFRS 16	—	(56,806)
At the beginning of the period/year	41,335,967	38,013,567
Profit for the period/year	5,453,713	8,637,037
Appropriation to general reserve	(28,930)	(2,025,614)
Dividends	(3,474,100)	(2,449,685)
Distribution to other equity instrument holders	(402,500)	(590,000)
Others	(10,885)	(249,338)
At end of the period/year	<u>42,873,265</u>	<u>41,335,967</u>

52 CASH AND CASH EQUIVALENTS

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cash on hand	409	525
Bank balances	23,204,571	34,688,633
Clearing settlement funds	3,109,679	3,379,193
Financial assets held under resale agreements with original maturity of less than three months	17,049,839	13,496,576
Less: bank deposits with original maturity of more than three months, risk reserve deposits, restricted bank balances and clearing settlement funds	<u>(2,184,758)</u>	<u>(3,202,466)</u>
Total	<u>41,179,740</u>	<u>48,362,461</u>

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53 TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize these assets.

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable-backed repurchase whose beneficial rights are transferred to counterparties and repurchased by the Group at the maturity date. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for the securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities lent.

(3) Asset-backed securities management schemes

The Group sells margin accounts receivable to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Such securitization vehicle is consolidated by the Group, and consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors. The cash flows that the securitization vehicle collects from the transferred assets have not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognized these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognized as a financial liability.

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53 TRANSFERRED FINANCIAL ASSETS *(continued)*

(4) Margin financing borrowing

Transferred financial assets that do not qualify for derecognition include securities transferred to CSFC. When CSFC exercises the rights attached to the securities, it shall follow the instructions of the Group. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities transferred.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

	Repurchase agreements <i>RMB'000</i>	Securities lending <i>RMB'000</i>	Margin financing borrowing <i>RMB'000</i>
30 June 2020			
Carrying amount of transferred assets	<u>1,060,182</u>	<u>1,951,379</u>	<u>3,093,488</u>
Carrying amount of related liabilities	<u>300,188</u>	<u>N/A</u>	<u>N/A</u>
 31 December 2019	 Repurchase agreements <i>RMB'000</i>	 Securities lending <i>RMB'000</i>	 Margin financing borrowing <i>RMB'000</i>
Carrying amount of transferred assets	<u>7,566,316</u>	<u>1,501,038</u>	<u>1,637,179</u>
Carrying amount of related liabilities	<u>7,282,761</u>	<u>N/A</u>	<u>N/A</u>

54 COMMITMENTS

(1) Capital commitments

As at 30 June 2020, there is no significant capital commitment.

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55 CONTINGENCIES

As at 30 June 2020 and 31 December 2019, the contingent liabilities due to pending litigations amounted to RMB531,440 thousand and RMB274,702 thousand, respectively.

56 SHARE-BASED PAYMENTS OF A SUBSIDIARY

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the “Share Option Scheme”) and a share award scheme (the “Share Award Scheme”) for the purpose of motivating and rewarding staff who contributed to GJIHL’s operations. During the six months ended 30 June 2020, the total equity-settled share-based compensation expense of RMB15,009 thousand was recognized in profit or loss (six months ended 30 June 2019: RMB23,955 thousand).

57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Associates and joint ventures of the Group

The detailed information of the Group’s associates and joint ventures is set out in note 23.

(2) Other related parties of the Group

Name of the related parties	Relationship of the related parties
Shanghai State-owned Assets Operation Co., Ltd. (“Shanghai SA”)	Shareholder that holds more than 5% equity interest of the Company
Shanghai International Group Co., Ltd. (“SIG”)	Shareholder that holds more than 5% equity interest of the Company
Shenzhen Investment Holding Co., Ltd. (“SIHC”)	Shareholder that holds more than 5% equity interest of the Company
Shanghai Rural Commercial Bank (“SRCB”)	The director of the Company acts as a director of the entity
Zheng Tong Co., Ltd. (“Zhengtong”)	The senior management of the Company acts as a director of the entity
Shanghai Pudong Development Bank Co., Ltd. (“SPD Bank”)	The director of the Company acts as a director of the entity
Great Wall Securities Co., Ltd. (“GW Securities”)	The supervisor of the Company acts as the vice chairman of the entity

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57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) Relationship of related parties *(continued)*

(2) Other related parties of the Group *(continued)*

Name of the related parties	Relationship of the related parties
Shenzhen Energy Group Co., Ltd. ("Shenzhen Energy")	The supervisor of the Company acted as the senior management of the entity
Guotai Junan Leasing (Shanghai) Co., Ltd. ("Guotai Junan Leasing")	The Shanghai SA holds more than 30% equity interests of the entity's parent company
Galaxy Asset Management Co., Ltd. ("Galaxy AMC")	The director of the Company acts as a director of the entity
Shanghai International Group Asset Management Co., Ltd. ("SIG AM")	SIG controls the company
Yangtze River Economy United Development (Group) Co., Ltd. ("YUDC")	The director of the Company acts as the vice chairman of the entity
Bright food (Group) Co., Ltd. ("Bright Food")	The director of the Company acts as a director of the entity
Shanghai Pudong Development Bank Financial Leasing Co., Ltd. ("SPDB Financial Leasing")	The senior management of Shanghai SA acts as a director of the entity
Guoxin Investment Development Co., Ltd. ("GXID")	Shanghai SA controls the entity
Shanghai Sitico Assets Management Co., Ltd. ("SITICO AM")	SIG controls the entity
Shanghai Chengtou Group Co., Ltd. ("Chengtou Group")	The director of the Company acts as the senior management of the entity
CITIC Trust Co., Ltd ("CITIC Trust")	The trustee of a trust in favor of Shanghai SA
China Three Gorges Co., Ltd. ("CTG")	The director of the Company acts as the external director of the entity
Shanghai Junyao (Group) Co., Ltd. ("Junyao Group")	The supervisor of the Company acts as the vice chairman of the entity

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57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Transactions between the Group and other related parties

(1) Fee and commission income from related parties

Name of related parties	Description of transaction	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Shanghai SA	Underwriting	5,584	2,786
Bright Food	Underwriting	2,830	283
Chengtou Group	Underwriting	1,415	—
YUDC	Underwriting	1,023	—
SPD Bank	Underwriting	481	880
China Minsheng Investment Group	Underwriting	N/A	708
SPD Bank	Assets management	6,727	8,769
SRCB	Assets management	1,702	254
Shanghai International Trust Co., Ltd.	Assets management	N/A	349
HuaAn Fund	Trading seats lending	33,175	28,540
Galaxy AMC	Trading seats lending	1,525	1,301
CITIC Trust	Securities brokerage	3,116	—
SIG	Securities brokerage	1,298	406
Shanghai SA	Securities brokerage	842	457
SPD Bank	Financial advisory	613	—
SRCB	Financial advisory	—	755

(2) Fee and commission expense to related parties

Name of related parties	Description of transaction	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
SPD Bank	Third-party funds depository business	850	308
Zhengtong	Third-party enquiry	—	200

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57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(3) Interest received from related parties

Name of related parties	Description of transaction	Six months ended 30 June	
		2020	2019
		(Unaudited) RMB'000	(Unaudited) RMB'000
SPD Bank	Deposit in financial institutions	79,433	171,084
SPD Bank	Financial assets held under resale agreements	133	348
Guosen Securities Co., Ltd.	Financial assets held under	N/A	103

(4) Interest paid to related parties

Name of related parties	Description of transaction	Six months ended 30 June	
		2020	2019
		(Unaudited) RMB'000	(Unaudited) RMB'000
SPD Bank	Placements from other financial institutions	11,796	1,853
SPD Bank	Bonds	6,485	3,633
Guosen Securities Co., Ltd.	Bonds	N/A	779
SRCB	Financial assets sold under repurchase agreements	1,967	2,410
SPD Bank	Financial assets sold under repurchase agreements	1,270	1,286
SPD Bank	Gold lease	1,118	—
SIG	Clients' Deposits	857	271

(5) Operating expenses and costs paid to related parties

Name of related parties	Description of transaction	Six months ended 30 June	
		2020	2019
		(Unaudited) RMB'000	(Unaudited) RMB'000
SPD Bank	Sales of financial products	7,220	5,037

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57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(c) Balances of related party transactions between the Group and its related parties

(1) Deposits with related parties

Name of related parties	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
SPD Bank	7,801,366	11,228,264
SRCB	8	9

(2) Accounts receivable

Name of related parties	Description of transaction	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
HuaAn Fund	Trading seats lending	42,416	20,062
Galaxy AMC	Trading seats lending	834	1,097
SPD Bank	Management fee and remuneration	7,849	10,644
SRCB	Management fee and remuneration	2,480	777
SIG	Management fee and remuneration	894	5
GXID	Management fee and remuneration	654	534

Section X Interim Condensed Consolidated Financial Statements

57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(3) Financial assets held under resale agreements

Name of related parties	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
Shanghai SA	748,668	—
SPD Bank	590,298	800,480

(4) Accounts payable

Name of related parties	Description of transaction	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
SPD Bank	Sales of financial products	7,788	6,716
SPD Bank	Third-party funds depository business	627	298

(5) Financial assets sold under repurchase agreements

Name of related parties	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
SPD Bank	366,268	1,000,556

Section X Interim Condensed Consolidated Financial Statements

57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(6) Bonds payable to related parties

Name of related parties	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
SPD Bank	1,586,289	1,019,216

(7) Loans and borrowings with related parties

Name of related parties	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
SITICO AM	1,034,083	1,014,689
SIG	486,019	476,933

(8) Related parties' funds, asset management plans and trusts held by the Group

Name of related parties	As at 30 June 2020 <i>(Unaudited)</i> <i>RMB'000</i>	As at 31 December 2019 <i>(Audited)</i> <i>RMB'000</i>
HuaAn Fund	43,054	32,160

Section X Interim Condensed Consolidated Financial Statements

57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(9) The Group's assets management plans or funds held by related parties

Name of related parties	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
SIG AM	—	826

(10) Bonds receivable from related parties

Name of related parties	As at 30 June 2020 <i>(Unaudited)</i> RMB'000	As at 31 December 2019 <i>(Audited)</i> RMB'000
SPD Bank	2,034,484	1,902,758
CTG	338,146	—
GW Securities	304,582	168,128
Bright Food	124,673	—
SIG	52,023	—
Junyao Group	30,300	—

Section X Interim Condensed Consolidated Financial Statements

57 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Remuneration of key management personnel

Remuneration of key management personnel of the Group is as follows:

	Six months ended 30 June	
	2020 <i>(Unaudited)</i> RMB'000	2019 <i>(Unaudited)</i> RMB'000
Salaries, allowances and benefits	4,667	4,734
Discretionary bonuses	9,654	8,960
Pension scheme contributions and other social welfare	349	276
Total	<u>14,670</u>	<u>13,970</u>

58 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

Section X Interim Condensed Consolidated Financial Statements

58 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

Unaudited				
30 June 2020	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
– Debt securities	21,875,771	98,030,526	3,955,171	123,861,468
– Funds	18,511,095	26,315,253	8,807,088	53,633,436
– Equity securities	10,226,599	2,003,395	2,723,263	14,953,257
– Other investments	5,310,230	22,502,154	219,864	28,032,248
Debt instruments at fair value through other comprehensive income				
– Debt securities	29,476,080	25,880,067	–	55,356,147
Equity instrument at fair value through other comprehensive income				
– Equity securities	4,099,909	322,214	275,572	4,697,695
– CSFC investment	–	12,626,560	–	12,626,560
Derivative financial assets	<u>249,871</u>	<u>1,056,624</u>	<u>–</u>	<u>1,306,495</u>
Total	<u>89,749,555</u>	<u>188,736,794</u>	<u>15,980,958</u>	<u>294,467,307</u>
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
– Debt securities	814,696	10,580,379	–	11,395,075
Designated as at fair value through profit or loss				
– Debt securities	–	29,317,488	8,352,064	37,669,552
– Others	–	2,361,494	622,078	2,983,572
Derivative financial liabilities	<u>120,130</u>	<u>3,388,636</u>	<u>–</u>	<u>3,508,766</u>
Total	<u>934,826</u>	<u>45,647,997</u>	<u>8,974,142</u>	<u>55,556,965</u>

Section X Interim Condensed Consolidated Financial Statements

58 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

Audited				
31 December 2019	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
– Debt securities	2,912,305	93,759,571	—	96,671,876
– Funds	24,130,212	19,812,779	7,381,410	51,324,401
– Equity securities	17,484,776	170,657	2,771,714	20,427,147
– Other investments	7,494,181	12,786,169	318,418	20,598,768
Debt instruments at fair value through other comprehensive income				
– Debt securities	1,822,685	58,444,143	—	60,266,828
Equity instrument at fair value through other comprehensive income				
– Equity securities	3,775,849	5,797	754,301	4,535,947
– CSFC investment	—	13,011,129	—	13,011,129
Derivative financial assets	110,155	345,007	94,919	550,081
Total	57,730,163	198,335,252	11,320,762	267,386,177
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
– Debt securities	—	5,668,354	—	5,668,354
Designated as at fair value through profit or loss				
– Debt securities	—	31,300,721	6,640,133	37,940,854
– Others	—	45,974	631,511	677,485
Derivative financial liabilities	132,873	987,387	238,549	1,358,809
Total	132,873	38,002,436	7,510,193	45,645,502

During the period/year mentioned above, there were no significant transfers of fair value measurements between Level 1 and Level 2.

Section X Interim Condensed Consolidated Financial Statements

58 FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the period, the Group held no changes on the valuation techniques for level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Section X Interim Condensed Consolidated Financial Statements

58 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(3) Movements in Level 3 financial instruments measured at fair value:

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Equity instruments at fair value through other comprehensive income <i>RMB'000</i>	Derivative assets <i>RMB'000</i>	Financial liabilities at fair value through profit or loss <i>RMB'000</i>	Derivative liabilities <i>RMB'000</i>
Unaudited					
As at 1 January 2020	10,471,542	754,301	94,919	(7,271,644)	(238,549)
Gains/(losses) for the year	24,120	—	—	90,456	—
Changes in fair value recognized in other comprehensive income	—	(169,057)	—	—	—
Purchases	5,319,616	—	—	(1,027,706)	—
Issues	—	—	—	—	—
Transfers in	11,177	—	—	(765,248)	—
Transfers out	(118,633)	(200,907)	(94,919)	—	238,549
Disposal and settlements	(2,436)	(108,765)	—	—	—
As at 30 June 2020	<u>15,705,386</u>	<u>275,572</u>	<u>—</u>	<u>(8,974,142)</u>	<u>—</u>
Audited					
As at 1 January 2019	6,937,559	746,439	27,697	(5,112,563)	(139,945)
Gains/(losses) for the year	309,700	—	(204,385)	112,646	(312,514)
Changes in fair value recognized in other comprehensive income	—	(145,131)	—	—	—
Purchases	3,754,730	190,877	1,220,572	—	—
Issues	—	—	—	(2,635,910)	(1,606,000)
Transfers in	940,751	—	—	—	—
Transfers out	(123,012)	(32,662)	—	—	—
Disposal and settlements	(1,348,186)	(5,222)	(948,965)	364,183	1,819,910
As at 31 December 2019	<u>10,471,542</u>	<u>754,301</u>	<u>94,919</u>	<u>(7,271,644)</u>	<u>(238,549)</u>

Section X Interim Condensed Consolidated Financial Statements

58 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measured within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investments with disposal restrictions within a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Stocks/unlisted equity investments	Level 3	Market comparable model	Discount for lack of marketability	The higher the volatility, the lower the fair value
Stocks/unlisted equity investments	Level 3	Recent transaction price	N/A	N/A
Unlisted funds	Level 3	Market comparable model	Discount for lack of marketability	The higher the volatility, the lower the fair value
Unlisted funds	Level 3	Recent transaction price	N/A	N/A
Other investments	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Financial liabilities	Level 3	Market comparable model	Discount for lack of marketability	The higher the volatility, the lower the fair value
Financial liabilities	Level 3	Recent transaction price	N/A	N/A

The fair value of the financial instruments in level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

Section X Interim Condensed Consolidated Financial Statements

58 FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(5) Financial assets and liabilities not measured at fair value

As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximated to their fair values, except for bonds payable, whose carrying amounts and fair values are summarized below:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Bonds payable		
Carrying amounts	<u>72,447,781</u>	<u>69,573,553</u>
Fair values		
– Level 1	55,877,387	6,479,540
– Level 2	10,164,851	62,184,988
– Level 3	<u>6,969,993</u>	<u>1,403,206</u>
Total	<u>73,012,231</u>	<u>70,067,734</u>

Section X Interim Condensed Consolidated Financial Statements

59 SHARE-BASED PAYMENTS

On 7 June 2020, the Company established the adoption of the restricted share incentive scheme of A shares. The scheme proposed to grant no more than 8,900,000 restricted A shares to the incentive participants. Currently, the incentive participants are executive directors, senior management officers and other core staff of the Company.

All options are to be settled by physical delivery of shares. The conditions for granting and unlocking restricted shares include statutory conditions, operation results at the Company level and operation results at the individual level of incentive participants.

As at 30 June 2020, the Company has repurchased 68,000,000 shares from the secondary market using internal fund with the total amount of RMB1,124 million.

As at 30 June 2020, The scheme has not been granted.

60 EVENTS AFTER THE REPORTING PERIOD

Other than those already disclosed elsewhere in the consolidated financial statements, significant events after the reporting period included the following events:

(a) Issuance of bonds

In July 2020, the Company has issued short-term debt instruments of RMB4 billion, bearing interest at 1.95% per annum.

In July 2020, the Company has issued corporate bonds of RMB5 billion, bearing interest at 3.55% per annum.

Section X Interim Condensed Consolidated Financial Statements

61 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the revised IFRSs effective as of 1 January 2020.

Amendments to IFRS 3

Definition of a Business

Amendment to IFRS 16

Covid-19-Related Rent Concessions

The revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 3

Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

These amendments had no impact on the consolidated financial statements of the Group as there is no business combination during the period.

Section X Interim Condensed Consolidated Financial Statements

61 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

Amendment to IFRS 16

Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

These amendments had no material impact on the consolidated financial statements of the Group as there is no material COVID-19-related rent concessions obtained during the period.

62 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the group’s operating environment and has impacted the group’s operations and financial position. The group has been closely monitoring the impact of the developments on the group’s business and has put in place contingency measures. As far as the group’s businesses are concerned, the overall impact of the COVID-19 pandemic on the entity’s financial position and financial performance is limited.

63 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 12 August 2020.

Section XI Documents Available for Inspection

- Documents available for inspection
- I. Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting department of the Company.
 - II. Original copies of all documents and announcements disclosed on the websites designated by the CSRC during the Reporting Period.
 - III. Other relevant materials.

Chairman: HE Qing

Approved by the board of directors for the submission on 12 August 2020

INFORMATION ON AMENDMENTS

Applicable Not applicable

Section XII Information Disclosure of Securities Company

I. RELEVANT INFORMATION ABOUT SIGNIFICANT ADMINISTRATIVE PERMISSIONS FOR THE COMPANY

Applicable Not applicable

No.	Date of approval	Headings of approval	No. of approval
1	11 January 2020	Shanghai Office of China Securities Regulatory Commission's Reply on Approval of Establishment of 10 Branch Offices by Guotai Junan Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2020] No. 2
2	13 January 2020	China Securities Regulatory Commission's Reply on Guotai Junan Capital Management Co., Ltd., a Secondary Subsidiary of Guotai Junan Securities Co., Ltd., Becoming a Private Equity Fund Management Body as an Operating Entity	Ji Gou Bu Han [2020] No. 105
3	12 February 2020	Shanghai Office of China Securities Regulatory Commission's Reply on Approval of He Qing's Qualification as Chairman of Securities Company	Hu Zheng Jian Xu Ke [2020] No. 7
4	28 February 2020	China Securities Regulatory Commission's Reply on Matters in relation to Carrying out Fund Investment and Consultancy Business by Guotai Junan Securities Co., Ltd. on a Pilot basis	Ji Gou Bu Han [2020] No. 385
5	29 June 2020	State-owned Assets Supervision and Administration Commission of Shanghai's Reply on Approval of Implementation of Restricted Share Incentive Plan by Guotai Junan	Hu Guo Zi Wei Fen Pei [2020] No. 148

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

Applicable Not applicable

The Company's classified evaluation result in 2019: Class A Grade AA