



# INTERIM REPORT 2021



**国联证券股份有限公司**  
GUOLIAN SECURITIES CO., LTD.

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
Stock code: 1456

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# Company Information

## COMPANY NAME

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

## LEGAL REPRESENTATIVE

Mr. Yao Zhiyong

## DIRECTORS

### Executive Director

Mr. Ge Xiaobo

### Non-executive Directors

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

### Independent Non-executive Directors

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

## SUPERVISORS

Mr. Xu Faliang (Chairman)  
Mr. Zhou Weixing  
Mr. Ren Jun  
Ms. Shen Ying  
Ms. Yu Lei

## BOARD COMMITTEES

### Strategy Committee

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

### Remuneration and Nomination Committee

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

### Audit Committee

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

### Risk Control Committee

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

## SECRETARY OF THE BOARD

Mr. Wangjie

## COMPANY SECRETARY

Ms. Lin Fanyu

## AUTHORIZED REPRESENTATIVES

Mr. Yao Zhiyong  
Mr. Ge Xiaobo

## HEADQUARTERS IN THE PRC

Registered address of the Company:  
No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC  
Office address of the Company:  
12th Floor, No. 8 Jinrong One Street,  
Wuxi, Jiangsu Province, the PRC  
Website of the Company: [www.glsc.com.cn](http://www.glsc.com.cn)  
E-mail: [glsc-ir@glsc.com.cn](mailto:glsc-ir@glsc.com.cn)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

## ACCOUNTANTS

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

## LEGAL ADVISOR AS TO HONG KONG LAW

Clifford Chance

## STOCK CODE

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

## SHARE REGISTRAR

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

# Financial Highlights

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

## PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	Six months ended 30 June 2021	Six months ended 30 June 2020	Variance in comparison with the corresponding period of last year (%)
<b>Operating results (RMB'000)</b>			
Total revenue, gains and other income	1,666,923	1,165,305	43.05
Profit before income tax	508,644	437,784	16.19
Interim profit – attributable to the Company's Shareholders	378,997	321,243	17.98
Net cash used in operating activities	-3,233,015	-3,208,085	N/A
<b>Earnings per share (RMB/share)</b>			
Basic earnings per share	0.16	0.17	-5.88
Diluted earnings per share	0.16	0.17	-5.88
<b>Profitability index</b>			
– Returns on net assets <sup>(note 1)</sup> (%)	3.52	3.90	Decreased by 0.38 percentage points

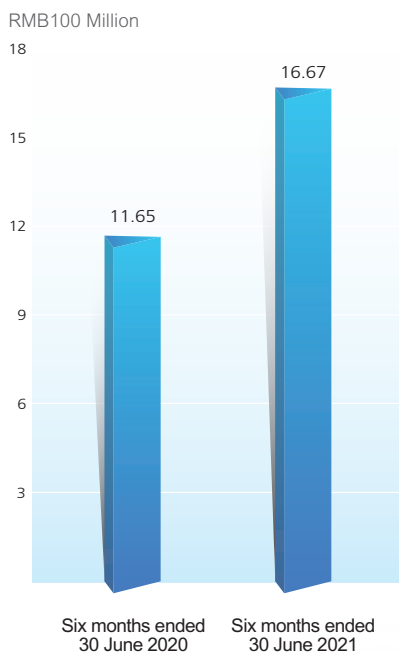
Items	As at 30 June 2021	As at 31 December 2020	Variance in comparison with the end of last year (%)
<b>Scale indicators (RMB'000)</b>			
Total assets	59,599,039	46,219,949	28.95
Total liabilities	48,965,099	35,625,779	37.44
Accounts payable to brokerage clients	11,014,434	9,327,198	18.09
Equity attributable to the Company's Shareholders	10,633,940	10,594,170	0.38
Share capital ('000 shares)	2,378,119	2,378,119	0.00
Net asset value per share attributable to the Company's Shareholders (RMB/share)	4.47	4.45	0.45
Liability-asset ratio <sup>(note 2)</sup> (%)	78.11	71.28	Increased by 6.83 percentage points

Notes:

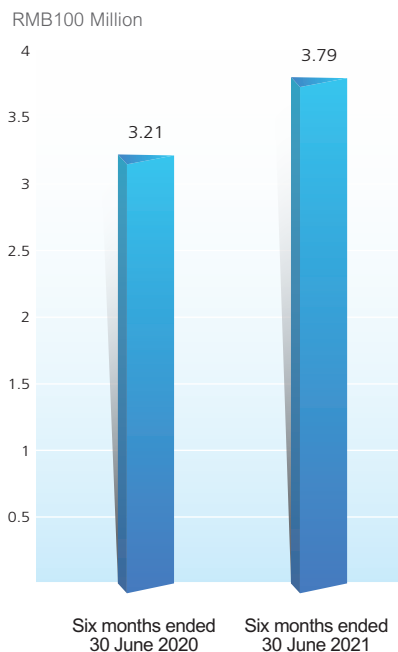
- Prepared in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and disclosures for the returns on net assets and earnings per share" (as amended in 2010) issued by the CSRC.
- Liability-asset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

# Financial Highlights

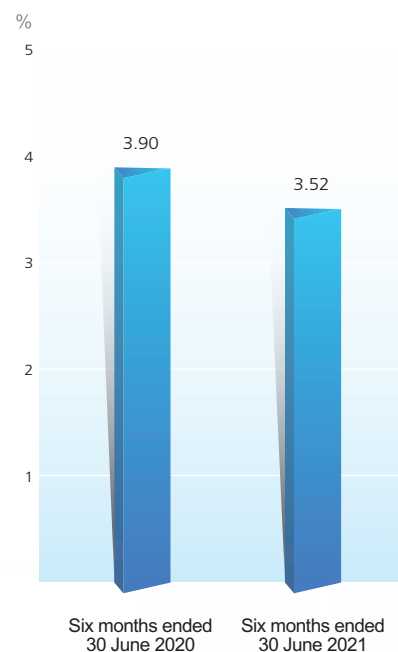
### Total revenue, gains and other income



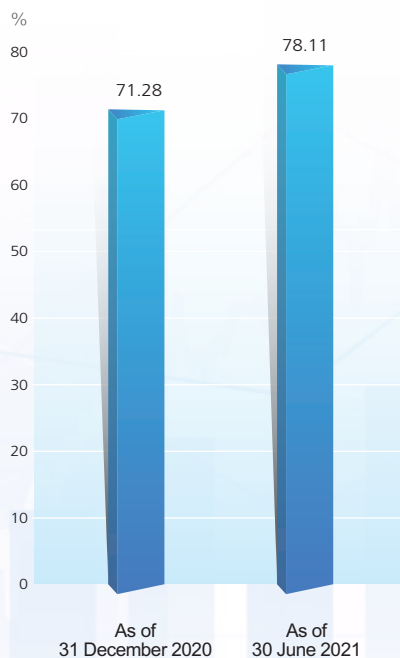
### Interim profit – attributable to the Company's Shareholders



### Returns on net assets



### Liability-asset ratio



### Scale indicators



# Management Discussion and Analysis

## I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD<sup>1</sup>

In the first half of 2021, with the epidemic situation improved, recovery has become the main focus of global economy. However, owing to the differences in the pace of vaccine dissemination and economic policy support, as well as respective own-economic structures, the global recovery was still imbalanced. In general, the two economic giants, China and the United States, will lead the recovery of the world economy and trade, with China's GDP recovering to its pre-epidemic level in 2020. According to IMF's forecast, the GDP in the United States will surpass its pre-epidemic level in 2021, while most developed economies and emerging market countries will not be expected to recover to their pre-epidemic levels until 2022 or 2023. The differentiation in recovery has also led to non-synchronized policy implementation which makes the global economic recovery becomes more and more complicated. The pace of the Fed's monetary policy shift and its spillover effects have become an important variable factor affecting global asset deployment.

In the first half year, despite multiple challenges such as partial volatile epidemics, rising upstream costs and complex external situations, the China economy still maintained its stable expansion momentum. With the dual support of a low base and demand expansion, the performance of various indicators increased rapidly in the first quarter, while the growth of main indicators has gradually returned to normalization despite weakening base indicators in the second quarter. In particular, the global recovery and the disruption in overseas supply have contributed to boost domestic exports performance, with the cumulative export growth up by 38.6% in the first half of the year. Due to the increase in commodity prices, the growth rate of imports has continued to expand. Domestic consumption has experienced a steady recovery, and showed a steady growth in commodity consumption, a strong recovery in service consumption, a rapid growth in online consumption, and a constant improvement in offline consumption. In terms of investment, real estate investment has shown strong resilience and become the main support for investment. With the improvement of corporate profits, the investment in manufacturing industry continued to recover, especially the robust high-tech manufacturing industry. The transformation of industrial structure had been accelerating, but was affected by the relatively slow issuance of local government bonds, and the investment in infrastructure was relatively sluggish. In terms of commodity prices, owing to the relatively better recovery of downstream demand, the supply side faced multiple challenges such as increasing shipping prices, chip shortages and soaring bulk prices. The mismatch between supply and demand caused significant increase in upstream PPI price, however, with the continuous decline in pork prices, the CPI rose by 0.5% cumulatively in the first half of the year, showing a moderate overall performance. With the overall controllable inflation, in the first half year, the domestic monetary policy emphasized the stability and structural adjustment through focusing on supporting small and micro enterprises and low-carbon economic development.

Note:

<sup>1</sup> Unless otherwise stated, the relevant data in this section (Economic environment and market conditions during the Reporting Period) all come from Wind Information (if the statisticians revise the data subsequently, then there may be a minor deviation with the extracted value).

## Management Discussion and Analysis

In the first half of 2021, global stock indexes broadly rallied under economic recovery. In the first half year, the SSE Composite Index, the SZSE Component Index and the GEM index increased by 3.40%, 4.78% and 17.22% to 3,591.20 points, 15,161.70 points and 3,477.18 points respectively. The trading volume of SSE Composite Index and SZSE Component Index were RMB47.94 trillion and RMB59.32 trillion respectively, representing an increase of 37.72% and 10.06% respectively as compared with the same period of last year. As of the end of June, the balance of margin financing and securities lending in the two markets was RMB1,784.203 billion, representing an increase of 10.20% as compared with the beginning of the year. In terms of bond market, the yield of 10-year China Treasury Bonds went up and then dropped. By the end of the second quarter, the yield of 10-year China Treasury Bonds was 3.08%, decreased by 10 basis points as compared with the beginning of 2021. For the foreign exchange market, the central parity of US dollar against RMB dropped from 6.54 in the beginning of the year to 6.46 at the end of the second quarter. The relatively stronger China economic recovery as compared to the world has kept the continuous rising trend of RMB against US dollar since the second half of last year.

According to the statistics from the Securities Association of China on the operating data of securities companies in the first half of 2021, as of the end of June 2021, total assets of 139 securities companies were RMB9.72 trillion, representing an increase of 9.21% as compared with that as of the end of 2020, net asset were RMB2.39 trillion, representing an increase of 3.46% as compared with that as of the end of 2020 and net capital was RMB1.86 trillion, representing an increase of 2.20% as compared with that of the end of 2020. In the first half of 2021, 139 securities companies recorded aggregate operating income of RMB232.414 billion and net profit of RMB90.279 billion, representing a year-on-year increase of 8.91% and 8.58% respectively. In the first half year, 125 out of the 139 securities companies made profits.

2021 marks the first year of the “14th Five-Year” Plan and the second centenary goal. The transformation of economic structure and the promotion of innovation and entrepreneurship cannot be separated from the assistance of the capital market. In the first half of 2021, the capital market continued to reform, at the end of January, the Action Plan for Building a High Standard Market System (《建設高標準市場體系行動方案》) issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council proposed to promote the healthy development of the capital market; promote the reform of the stock issuance registration system at a steady pace; establish a normalized de-listing mechanism; develop institutional investors in the capital market; and reduce the financing costs of the real economy. The comprehensive reform of the registration system, optimization of the de-listing mechanism, enhancement of supervision and improvement of the quality of listed companies have become important directions for the capital market reform.

### II. GENERAL OPERATING SITUATION

As of 30 June 2021, total assets of the Group were RMB59.599 billion, representing an increase of 28.95% compared to 31 December 2020; and equity attributable to shareholders of the Company was RMB10.634 billion, representing an increase of 0.38% compared to 31 December 2020. During the Reporting Period, the Group achieved revenue, gains and other income amounting to RMB1.667 billion, representing a year-on-year increase of 43.05%; and net profit attributable to shareholders of the Company was RMB0.379 billion, representing a year-on-year increase of 17.98%.

The revenue generated from the brokerage and wealth management business was RMB490 million, representing a year-on-year increase of 14.87%; the revenue generated from the investment banking business was RMB209 million, representing a year-on-year increases of 38.92%; the revenue generated from the asset management and investment business was RMB107 million, representing a year-on-year increase of 139.43%; the revenue generated from the credit transactions business was RMB341 million, representing a year-on-year increase of 23.94%; and the revenue generated from the proprietary trading business was RMB468 million, representing a year-on-year increase of 76.25%.

### III. ANALYSIS OF PRINCIPAL BUSINESS

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

#### (I) Brokerage and Wealth Management Business

##### Market Environment

In the first half of 2021, the overall market trading sentiment of domestic securities market was vibrant as compared with the same period of last year, and stocks and funds trading volume on the Shanghai and Shenzhen markets was RMB115.73 trillion, up by 22.21% year-on-year (Source: Shanghai and Shenzhen Stock Exchange). The SSE Composite Index rose by 3.40%, while the SME Composite Index and the GEM Composite Index went up by 5.19% and 14.13% respectively.



## Management Discussion and Analysis

### Actions and Achievements

During the Reporting Period, the Company adhered to put customer demand as its focus, constantly innovated business models, optimized product evaluation system and asset deployment services system, and accelerated the transformation to wealth management business. The major measures include: promoting asset increment from multiple dimensions to enlarge customer scale and consolidate customer base; giving full play to the first-mover advantage of fund investment advisory to continue expanding the investment advisory team, making greater efforts in channels development, enriching investment advisory strategies, and improving the abilities of serving investment advisory customers; continuously improving the diversified product system and constantly optimizing research services such as asset deployment and portfolio construction to meet customers' multi-level wealth management needs; developing a high-net-worth client service system, and continuing to introduce more high-end quality products to meet the deployment needs of high-net-worth clients.

In the first half of 2021, the net income from agency sales of securities business of the Company was RMB200 million, representing a year-on-year decrease of 6.10% and ranked 52nd in the industry. During the Reporting Period, the transaction volume from the agency sales of securities of the Company (stocks and funds) was RMB1,056.091 billion, representing an increase of 14.36% as compared to the same period of last year, with a market share of 0.46%. As at the end of the Reporting Period, our total number of customers was 1,341,200, representing an increase of 9.61% as compared to the same period of last year.

Items	The first half of 2021	The first half of 2020	Year-on-year increase/ decrease
Trading volume of shares and funds (in RMB100 million)	<b>10,560.91</b>	9,234.42	14.36%
Number of securities brokerage clients (in '0,000)	<b>134.12</b>	122.36	9.61%

During the Reporting Period, sales volume of financial products of the Company amounted to RMB21.103 billion, representing a year-on-year increase of 5.30%. Among which, sales volume of self-developed asset management products amounted to RMB10.942 billion, representing a year-on-year decrease of 21.78%. Sales volume of third-party fund products amounted to RMB6.465 billion, representing a year-on-year increase of 28.55%. Sales volume of third-party trust products amounted to RMB2.088 billion, representing a year-on-year increase of 151.57%. Sales volume of other financial products amounted to RMB1.608 billion, representing a year-on-year increase of 737.50%.

## Management Discussion and Analysis

During the Reporting Period, the Company continued to promote fund investment advisory business through investor education, staff training, system construction optimization and innovative cooperation model, so as to expand business scale and better serve general customers. As at the end of the Reporting Period, there were 640 fund investment advisory employees, with a total of 97,338 people having contracts signed for fund investment advisory business, and the asset scale of authorized accounts was RMB7.108 billion.

### Outlook in the Second Half of 2021

In the second half of 2021, the Company will further improve its customer coverage and service system for “Small and medium-sized Businesses, Large Customers” to provide strong support for the Pan-wealth management transformation. The Company will strengthen the development of external channels for fund investment advisory and continue to perform well in the online operation of Internet channels. With the “General Direction 50” and high-end customization as the starting point, the Company will expand the sales scale of equity products. The Company will vigorously explore institutional clients of private equity, continue to improve the industry chain of private equity and establish differentiated advantages in certain services.

## (II) Investment Banking Business

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

### 1. Equity Financing Business

#### *Market Environment*

In the first half of 2021, the total amount of equity financing in the Shanghai and Shenzhen primary markets was RMB787.469 billion, representing a year-on-year increase of 21.40%, and had completed 568 enterprise fund raising projects, representing a year-on-year increase of 198. Of which, IPO market continued to be active and RMB210.950 billion were raised in the first half year, representing a year-on-year increase of 51.46%. The number of projects was 245, representing an increase of 126 as compared with that of the same period of last year. The size of additional issuance for financing was basically the same with that of the same period of last year, and the amount raised in the first half year was RMB367.967 billion, representing a year-on-year increase of 3.10%. It completed 232 enterprise financing projects, representing an increase of 110 as compared with the same period of last year.

# Management Discussion and Analysis

## *Actions and Achievements*

In the first half of 2021, Hua Ying Securities completed 2 refinancing projects. At the same time, the equity financing business of Hua Ying Securities propelled comprehensively. Among which, for the IPO business, 1 project received approval by CSRC and 4 projects with applications under review. For refinancing business, 4 projects already obtained approval and was pending issuance and 1 project with application received approval by CSRC. Moreover, in the first half year, Hua Ying Securities won the “IPO Underwriting Fast Progress Award (IPO承銷快速進步獎)” from Wind.

## *Outlook in the Second Half of 2021*

In the second half year, Hua Ying Securities will accelerate the implementation of IPO projects and the issuance of approved refinancing projects to ensure the revenue of key projects is realized as scheduled; focus on local IPO projects in Wuxi to build the business brand of regional equity; reserve quality projects to lay a solid foundation for sustainable business development.

## 2. Debt Financing Business

### *Market Environment*

In the first half of 2021, the domestic bond market issued 26,106 projects, representing an increase of 2,087 as compared with the same period of last year, with an issuance size of RMB29.57 trillion, representing a year-on-year increase of 14.13%. Of which, 230 enterprise bonds were issued, representing an increase of 71 as compared with the same period of last year, with an issuance size of RMB218.870 billion, representing a year-on-year increase of 15.15%. There were 1,934 corporate bonds issued, representing an increase of 179 as compared with the same period last year, with an issuance size of RMB1,666.590 billion, representing a year-on-year increase of 2.26%.

### *Actions and Achievements*

In the first half of 2021, the bond financing business of Hua Ying Securities developed steadily and had completed 35 bonds lead underwriting (including joint lead underwriting) projects and 34 distribution projects, underwriting a total amount of RMB21.063 billion, with the number of projects and underwriting scale increased by 176% and 28% year-on-year, respectively. In terms of project reserves, as of the end of the Reporting Period, Hua Ying Securities had 48 bonds projects which had already obtained approvals and were pending issuance, with a pending issuance amount of RMB95.730 billion and 17 bonds projects with applications under review.

## Management Discussion and Analysis

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

Currency: RMB				
Items	First half of 2021		First half of 2020	
	Amount	Number of	Amount	Number of
	of underwriting (In 100 million)	issuance	of underwriting (In 100 million)	issuance
Enterprise bonds	-	-	7.00	2
Corporate bonds	141.11	30	96.76	16
Financial bonds	55.00	6	60.00	5
Local government bonds	12.02	32	0.70	2
Other	2.50	1	-	-
Total	210.63	69	164.46	25

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

### *Outlook in the Second Half of 2021*

In the second half of 2021, Hua Ying Securities will continue to maintain the good development momentum of bond business and focus on promoting the innovation of bond business, expanding bond sales networks and enhancing bond sales capabilities, so as to achieve complete product variety and balanced development, and continued to provide customers with all-round and comprehensive bond financing services.

### 3. Financial Advisory Business

#### *Market Environment*

In the first half of 2021, owing to the accelerated IPO review process under the registration system and insufficient supply of high-quality merger and acquisition projects, the number of completed enterprise mergers and acquisitions and the amount of transactions in the first half of the year decreased significantly. From the perspective of restructuring approval, in the first half of 2021, 17 companies in the mergers and acquisitions and restructuring market got approval from the Listed Company Mergers and Acquisitions and Restructuring Review Committee of CSRC, with 2 companies being rejected, and 3 companies withdrew their applications. The approval pass rate was 89.47%, and the project success rate was 77.27%.

# Management Discussion and Analysis

## *Actions and Achievements*

In the first half of 2021, Hua Ying Securities completed 19 financial advisory projects (excluding NEEQ), 1 of which was mergers and acquisitions and restructuring project of listed companies, generating a financial advisory income of RMB28.6258 million, representing an increase of 110.28% as compared with the same period of last year.

## *Outlook in the Second Half of 2021*

In the second half of 2021, Hua Ying Securities will make active deployment, promote the development of mergers and acquisitions and restructuring business by expanding the scale of the refinancing business and actively seize business opportunities to continuously improve the comprehensive service capabilities of mergers and acquisitions.

## 4. NEEQ Business

### *Market Environment*

As of the end of the first half of 2021, the number of enterprises listed on NEEQ was 7,472, with a total market capitalization of RMB2,013.057 billion. The total trading volume on the NEEQ market amounted to RMB43.645 billion, and total funds raised from the issuance of shares amounted to RMB9.191 billion. As at the end of the Reporting Period, the NEEQ component index closed at 996.65, representing a decrease of 1.40% as compared to that as of the end of 2020; the NEEQ market-making component index closed at 1,139.63, representing an increase of 6.19% as compared to that as of the end of 2020.

### *Actions and Achievements*

In the first half of 2021, the NEEQ business continued to operate on the basis of expanding client coverage with value identification and actualization as the core, prepared for refined layer business, propelled listing business and completed daily supervision work. At the same time, it placed great emphasis on quality control and effective control of business risks.

In the first half of 2021, Hua Ying Securities completed 4 targeted issuance on the NEEQ, 2 other financial advisory businesses, on-going supervision for 99 enterprises, and 1 declared refined layer project.

# Management Discussion and Analysis

## *Outlook in the Second Half of 2021*

In the second half of 2021, Hua Ying Securities will continue to improve the business management system and market development system of NEEQ with value identification and actualization as the core, drive the development of other relevant business and provide quality NEEQ integrated services for customers to create good returns.

## **(III) Asset Management and Investment Business**

### **1. Asset Management**

#### *Market Environment*

2021 marks the “inauguration year of new asset management” when the “new asset management regulations” are about to complete its transition period. As the business improvement of reducing leverage, de-channeling and breaking the rigid repayment comes to an end, the rate of suppressing the asset management size of securities brokers has eventually begun to taper off, the assets under active management went up at a steady pace with the strategic focus has gradually shifted from the momentum of fixed income to fixed income + and multi-asset portfolio, which reflected the gradual increase in investor risk appetite under the trend of net value transformation for products. Since the first half of the year, the transformation of asset management of securities brokers has further accelerated. A number of securities brokers actively set up asset management subsidiaries, applied for the qualification for public offering fund management business, and accelerated the pace of public offering of large collective products, thereby speeding up the layout of the public offering.

#### *Actions and Achievements*

In the first half year, for asset management business, the Company focused on strengthening its active management capabilities, and optimized professional investment and research system. The Company provided effective professional asset deployment and underlying assets evaluation service according to its own licence advantages to determine its core strategy, continuously strengthened institutional customer development, effectively promoted channel agency sales and institutional customization, and significantly improved the operating performance and market influence, so as to further expand its market share.

As of the end of the Reporting Period, the entrusted funds of the asset management business of the Company amounted to RMB76.956 billion, representing a year-on-year increase of 166%. The size of asset securitization business amounted to RMB15.676 billion, representing a year-on-year increase of 1,376%.

## Management Discussion and Analysis

Among which, 53 are Collective Asset Management Scheme, with an asset size of RMB9.576 billion; 102 are Single Asset Management Scheme, with an asset size of RMB51.704 billion and 17 are Specialized Asset Management Scheme, with an asset size of RMB15.676 billion.

Category	Size of asset management (In RMB100 million)		Operating income <sup>1</sup> (In RMB ten thousand)	
	First half of 2021	First half of 2020	First half of 2021	First half of 2020
	Collective Asset Management Scheme	95.76	69.98	1,894.63
Single Asset Management Scheme	517.04	208.86	2,366.78	1,430.19
Specialized Asset Management Scheme	156.76	10.62	1,187.61	62.76
Total	769.56	289.46	5,449.02	3,767.93

Note 1: According to the standards of SAC.

### *Outlook in the Second Half of 2021*

In the second half of 2021, the Company will continue to build the three core capabilities of the asset management business, namely asset deployment capabilities, product coverage and evaluation and risk control of products. It will deepen its asset deployment and pan-FOF platform construction, centering on the general direction of its 50 systems. Under the established fund research framework, it will build a multi-strategy product pool integrating public and private placements and provide long-term and stable product deployment services to promote dual-wheel driver of flexible asset deployment + “general direction” product deployment.

The Company will continue to increase the development of the traditional asset management business and public fund investment advisory business, promote the transformation and sales of publicly funded collective products, actively prepare for the qualification applications of public fund business, and gather and integrate the advantages of internal and external channels and customer resources. The Company will propel the steady growth of the entrusted asset management scale through those methods such as optimizing product structure, improving investment performance and strengthening sales service system, and will continue to create value and gain for customers. At the same time, the Company will further strengthen its compliance and internal control, financial technology platform and system construction to ensure stable business operation.

## 2. Private Equity Investment

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

### *Market Environment*

Under the situation of global epidemic normalization, the fundraising market of private equity investment fund has continued to pick up, and the number of newly established funds has increased. In recent years, the government has issued a series of policies to promote the development of venture capital and private equity, encourage long-term capital to invest in equity investment and establish QDLP pilot points. The improvement of these systems is conducive to the sustainable and healthy development of the private equity industry, and policy advantage helps accelerating the adjustment and transformation of the private equity investment market.

### *Actions and Achievements*

In the first half year, Guolian Capital achieved an operating income of RMB32.3726 million and net profit of RMB24.9100 million. During the Reporting Period, Guolian Capital continued to promote the withdrawal of projects under existing fund and made every effort to develop incremental equity investment business. As of 30 June 2021, Guolian Capital completed the registration of eight fund products in total with a cumulative management size of RMB1.027 billion, among which, a fund product with a size of RMB27.50 million was newly added in the first half of 2021. One project has completed its withdrawal, and 2 withdrawal projects are in progress.

### *Outlook in the Second Half of 2021*

In the second half of 2021, Guolian Capital will actively promote business development and team building. Firstly, Guolian Capital will expand and strengthen the scale of fund management and promote the establishment and filing of new funds as soon as possible by giving full play to its functional financial resources aggregation, so as to further strengthen the cooperation with government-guided funds and market-oriented professional institutions. It will also increase the expansion efforts of M&A funds and industrial funds and continue to explore and promote the development of financial consulting and other businesses. Secondly, it will continue to strengthen the establishment of project-based funds and in-depth exploration of business development potential by leveraging the diversified resources support of the parent company, and set up project special fund to promote the cooperation with potential investors. Thirdly, it will continue to actively promote the withdrawal of existing projects and fund liquidation and deregistration, and perform a good job in management service of established funds. Fourthly, it will improve the various systems to ensure that they cover the entire process of fundraising, investment, management and withdrawal and strengthen system support and internal team building.



# Management Discussion and Analysis

## (IV) Credit Transaction Business

### 1. Margin Financing and Securities Lending

#### *Market Environment*

In the first half of 2021, the balance of margin financing and securities lending in Shanghai and Shenzhen stock markets showed frequent fluctuations. As of the end of the Reporting Period, the total balance of margin financing and securities lending amounted to RMB1,784.203 billion, of which the balance of margin financing was RMB1,628.156 billion and the balance of securities lending was RMB156.047 billion, representing an increase of 10.20% as compared with the balance of margin financing and securities lending of RMB1,619.008 billion in the end of December 2020.

#### *Actions and Achievements*

During the Reporting Period, the margin financing and securities lending business of the Company seized the cooperation opportunity with public equity as a breakthrough to construct a system for the industry chain of securities lending and vigorously expanded the sources of securities lending. The Company established an online communication mechanism to promote the steady growth of balance of the margin financing and securities lending by combining with offline pushing methods. At the same time, the Company optimized the risk management of margin financing and securities lending and strengthened pre-warning risk alert to avoid the occurrence of risk events.

As at the end of the Reporting Period, the total number of credit accounts of clients was 23,546, representing a year-on-year increase of 5.87%. The total credit amount of margin financing and securities lending of clients was RMB61.939 billion, representing a year-on-year increase of 19.66%. The closing balance of margin financing and securities lending was RMB10.132 billion, representing a year-on-year increase of 69.60%. The daily balance of margin financing and securities lending was RMB9.059 billion, representing a year-on-year increase of 70.57%. Interest income from margin financing and securities lending was RMB284 million, representing a year-on-year increase of 55.19%.

# Management Discussion and Analysis

## *Outlook in the Second Half of 2021*

In the second half of the year, by centering on its wealth management transformation and development philosophy, the Company will continue to focus on customer service and do relevant work well in multiple channels and dimensions with the objective of improving the business scale of margin financing and securities lending. First of all, the Company will increase the linkage between businesses, promote the realization of business opportunities with diversified products and services, and focus on expanding high-net-worth professional customers and institutional customers. Secondly, the Company will continue to take customer needs as its orientation, actively integrate various resources, expand business customer bases, and improve the single status of securities source channels to promote the rapid increase of securities lending balance. Thirdly, the Company will control business risks in a precise manner and improve business pre-warning risk alert ability to consolidate and enhance the risk management of the business during and after the event.

## 2. **Stock Pledged Repurchase**

### *Market Environment*

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

## Management Discussion and Analysis

### *Actions and Achievements*

During the Reporting Period, the Company further clarified the development strategies of the stock pledged repurchase business according to market conditions, and conducted the stock pledged repurchase business under the premise of strictly controlling business risks. The stock pledged repurchase business achieved stable development. As of the end of June 2021, the principal balance of stock pledged repurchase business of the Company was RMB3.726 billion, an increase of 20.86% from RMB3.083 billion as at the end of 2020. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB1.650 billion, an increase of 13.87% from RMB1.449 billion as at the end of 2020, with an average performance guarantee ratio of 332.62%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB2.076 billion, an increase of 27.05% from RMB1.634 billion as at the end of 2020, with an average performance guarantee ratio of 289.68%. In addition, as of the end of the Reporting Period, the Company raised RMB46 million from the business of financing-oriented option exercise.

### *Outlook in the Second Half of 2021*

In the second half of 2021, the Company will continue to do a good job in the risk control of stock pledged repurchase business and carefully select high-quality projects to prudently carry out incremental business; enhance the market analysis and project research of financing-oriented option exercise business, and on the basis of the traditional model of its original self-funded stock pledge business, customize comprehensive investment and financing programs, and expand multi-dimensional service business by comprehensively focusing on customer actual needs such as the substantial shareholders and senior management of listed companies.

## (V) Proprietary Trading Business

### Market Environment

In the first half of 2021, the world was struck by the second round of epidemic. However, the epidemic situation of major economies was stable, the economic recovery process continued to move forward, the continuous wave of commodity price increases had pushed up domestic inflationary pressures, and accompanied by shrinking credit, while the Fed's currency turn signal were getting clearer and clearer gradually. In the first half year, the stock market was characterized by turbulence and differentiation with the value of blue chips adjusted after the surge at the beginning of the year, followed by the cyclical sector leading the market trend under the background of commodity price increase. Since the second quarter, growth stocks represented by GEM and STAR Market have seen significant increases.

## Management Discussion and Analysis

The economic fundamentals continued to rectify in the first half year with the PPI data exceeded expectations, which had kept the market showing inflationary concerns. However, the inflation control measures taken by the central government in the middle of the year have been effective. In terms of policy, the Central Bank set the tone for a prudent monetary policy of “no sharp turn”. The fiscal policy continued a positive trend, the actual fiscal expenditures were higher than expected, bond supply pressures were weaker than expected, banks’ over-reserves were higher than expected, and the superposition of various factors has made the fund continue to be loosened after a short-term tension in prior year. Economic expectations were high at the beginning but showed a down-turn, the market has relatively optimistic expectations for the bond market in the future, and the bond market showed a mild bullish mood of continuous volatility in the first half year.

### Actions and Achievements

For equity proprietary trading business, the Company has all along been adhering to its principle of value investment and taking absolute return as the direction, adopted fundamental research as starting point, focused on under-valued industries and companies that had good growth potential, and developed the business steadily while taking risks and returns into consideration. In the first half of 2021, the equity proprietary trading business has effectively reduced the adverse impact of market adjustments on the portfolio through beforehand layout planning and timely adjustment of position types. At the same time, it has seized the rising opportunities of certain industries and companies to achieve better investment returns. The yield rate outperformed the CSI 300 index significantly.

For fixed income business, the Company continued to explore a “seller” fixed income business model that matched the business characteristics of securities companies. With serving customers as the fundamental, the Company carried out investment trading under the premise of strictly controlling risk and achieved steady returns with the expansion of investment scale gradually. The Company made full use of customer resources advantages to actively expand market-making and sub-underwriting business. The Company carried out business innovation vigorously. In the first half of 2021, the Company added the notes trading and investment advisory services, published the featured index “China Bond-Guolian Securities Yangtze Delta Select Short-term Bond Balance Index”, and actively applied for market maker qualifications at the same time.

For equity derivatives business, the Company provides institutional customers with OTC derivatives services, including OTC option quotation transactions and income swaps that cover domestic targets, and supported by quantitative strategy and quantitative product investment to solve customer’s requirements of risks management, asset deployment and strategic investment, provides corporate customers with equity solutions, and provides institutional customers and retail customers with floating-income products, such as income certificates and structured products to meet customers’ wealth management and major asset allocation needs. In the first half of 2021, the Company maintained effective internal and external communication, continued to develop on-market and OTC derivative business, improved product supply and risk management capabilities, increased the development of new products and new structures, and kept close pace to market demand.

# Management Discussion and Analysis

## Outlook in the Second Half of 2021

For equity proprietary trading business, the Company will continue to reinforce the investment and research system construction, strengthen market research and judgment, strengthen fundamental research, and develop stock investment business steadily. In the second half year, there is still room for adjustment in the valuation structure of the domestic A-share market, high-quality value blue chips are still facing downward pressure, growth industries are in the process of Davis Double Play, and the overall market risk-return ratio is not high. In the second half of 2021, the equity investment business of the Company will further select growing individual stocks, focus on the layout of medium and long-term opportunities, while flexibly using position adjustment, futures hedging and other methods to achieve a balance between risks and returns, and carry out stock investment business steadily.

For fixed income business, the Company will continue to strengthen FICC quantitative investment and research capabilities, build a top-down research investment trading system, refine the development of investment and trading strategies, and broaden FICC business scope based on enhanced investment and research capabilities. The Company will continue to enhance quantitative dynamic monitoring of positions, adjust investment portfolio strategies in a timely manner, and look for arbitrage opportunities to increase fixed income + segment investment scale. The Company will achieve rotation allocation of various major assets that have fixed income, and continue to focus on the business mission of “focusing on customer needs” at the same time to improve product design and customer service comprehensive capacities, with a view to customizing special products according to customer needs and creating capital intermediary business for fixed income products with Guolian characteristics.

For equity derivatives business, the Company will focus on the vision of becoming an equity solution provider in the corporate client market, an OTC derivatives trader (market maker) in the institutional client market, and an on-market derivatives market maker and quantitative product provider in the retail client market, continue to strengthen the on-market and OTC derivatives business and quantitative business and improve the ability to solve comprehensive equity management. The Company will continue to promote cross-selling with customer departments and business synergy with other business departments, strengthen the coverage of professional investors, focus on meeting customer needs, and enhance comprehensive financial service capabilities.

## IV. PROSPECTS AND FUTURE PLANS

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

## Management Discussion and Analysis

In the second half year, the Company will accelerate the non-public issuance of A shares to further enhance capital strength and risk resistance capabilities, and expand the scale of assets and business. Firstly, for the wealth management business, the Company will continue to improve the customer coverage and service system with “Small and medium-sized Businesses, Large Customers” as the core, and take the public fund investment advisory business as the starting point to create a “General Direction” product system and customer service system, and build core competitiveness in differentiated products, companion services and digital operations. Secondly, for the investment banking business, the Company will continue to grasp the opportunities of the registration system reform, give full play to the important role of direct financing in city development through industry and the construction of Taihu Science and Technology Innovation Belt, and establish investment banking service brand in some key industries and key regions. Thirdly, it will further expand the scale of financial market business, increase the diversification of the products and strategies of fixed income business and equity derivatives business to meet the diversified needs of more financial institution customers in terms of counterparty, liquidity and risk management. Fourthly, it will continue to improve the internal control system and system construction, benchmark the best practices in the industry, and comprehensively improve the quantification and refinement level of compliance and risk management.

### V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2021, the equity attributable to the Company’s Shareholders was RMB10.634 billion, representing an increase of 0.38% from RMB10.594 billion at the end of 2020.

During the Reporting Period, the securities market became more active with trading volume of Shanghai Stock Exchange and Shenzhen Stock Exchange increased. The Group actively promoted business transformation, enriched trading varieties and the total assets size increased by 28.95% as compared with the end of last year, while the quality of assets and liquidity remained sound. Due to strong liquidity business nature of the Group, the balance sheet mainly includes current assets and current liabilities. As at the end of the Reporting Period, cash assets accounted for 23.50% of total assets; financial investment assets (including interests in associated companies and financial assets investment, mainly investment in financial assets with strong liquidity) accounted for 51.66% of total assets; financing assets (including margin accounts receivable and financial assets held under resale agreements) accounted for 21.40% of total assets; and other property and equipment, intangible assets, right-of-use assets and other operational assets accounted for 3.44% of total assets. The Group’s total self-owned assets (total assets less accounts payable to brokerage clients) was RMB48.585 billion, representing an increase of RMB11.692 billion, or 31.69%, as compared with the end of 2020.

## Management Discussion and Analysis

The overall liability-asset ratio of the Company increased slightly. As at the end of the Reporting Period, the self-owned liability-asset ratio of the Group (both total assets and total liabilities less accounts payable to brokerage clients) was 78.11%, representing an increase of 6.83 percentage points as compared with 71.28% at the end of 2020. The Group's operating leverage (total assets less accounts payable to brokerage clients divided by equity attributable to the Company's Shareholders) was 4.57 times, representing an increase as compared to the 3.48 times at the end of 2020. The Group has developed stringent risk management measures for net capital and other risk control indicators. A stress test will be conducted on the general liquidity and other financial indicators before making any material capital investment.

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

## VI. ESTABLISHMENT OF BRANCHES

As at the end of the Reporting Period, the Company had 13 branch offices and 85 securities branches. During the Reporting Period, the Company cancelled the Subei Branch, the Securities Branch of Nanning Minzu Avenue, the Securities Branch of Guilin Binjiang Road, the Securities Branch of Nanchang Beijing East Road and the Securities Branch of Susong Fuyu West Road.

## VII. MAJOR INVESTMENT AND FINANCING EVENTS

### (1) Major Investment Events

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

### (2) Major Financing Events

#### 1. Equity Financing

The second extraordinary general meeting for the year 2021, the first class meeting for A shareholders for the year 2021, and the first class meeting for H shareholders for the year 2021 convened on 1 March 2021 of the Company considered and approved the relevant resolutions on the proposed non-public issuance of A shares. The Company received the administrative licence acceptance form from CSRC on 13 May 2021 and completed the response feedback of the application documents on 4 June 2021. Currently, the Company is actively moving forward the process of non-public issuance of A shares.

## Management Discussion and Analysis

### 2. Debt Financing

In the first half of 2021, the cumulative additional debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB8.415 billion, and the cumulative principal repayment of debt financing matured amounted to RMB5.125 billion. The remaining amount of outstanding debt financing of the Company as at 30 June 2021 was RMB17.15 billion. The remaining amount of various indebtedness was as follows:

- (1) The new public issuance of corporate bonds to professional investors was RMB5.0 billion during the Reporting Period. The outstanding public issuance of corporate bonds as at 30 June 2021 to professional investors was RMB6.5 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Public issuance of	150,000	2020/4/15	2022/4/15	730	2.88%
corporate bonds to	100,000	2021/3/15	2024/3/15	1,096	3.70%
professional investors	150,000	2021/5/12	2024/5/12	1,096	3.59%
	150,000	2021/6/7	2023/6/7	730	3.27%
	100,000	2021/6/28	2024/6/28	1,096	3.65%

- (2) The private issuance of corporate bonds remained unchanged during the Reporting Period. The outstanding privately issued corporate bonds as at 30 June 2021 was RMB3.3 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Private issuance of	80,000	2020/1/16	2023/1/16	1,096	4.13%
corporate bonds	150,000	2020/3/11	2023/3/11	1,095	3.60%
	100,000	2020/10/15	2022/10/15	730	4.07%



## Management Discussion and Analysis

- (3) The private issuance of subordinated bonds remained unchanged during the Reporting Period. The outstanding privately issued subordinated bonds as at 30 June 2021 was RMB4.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Private issuance of subordinated bonds	150,000	2016/7/29	2021/7/29	1,825	3.89%
	80,000	2019/3/27	2022/3/27	1,095	4.74%
	70,000	2020/3/5	2023/3/5	1,095	4.25%
	100,000	2020/11/26	2022/11/26	730	4.70%

- (4) The new public issuance of short-term corporate bonds to professional investors was RMB1.0 billion during the Reporting Period. The remaining amount of the outstanding short-term corporate bonds as at 30 June 2021 was RMB2.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Public issuance of short-term corporate bonds to professional investors	100,000	2020/12/24	2021/12/24	365	3.35%
	100,000	2021/4/13	2022/2/16	309	3.10%

- (5) The new issuance of inter-bank securities corporate short-term financing bonds was RMB1.0 billion during the Reporting Period, with the principal of RMB3.0 billion being repaid, there was no outstanding securities corporate short-term financing bonds as at 30 June 2021.

## Management Discussion and Analysis

- (6) The new issuing amounts of fixed-income type income certificates were RMB665 million during the Reporting Period, with the principal of RMB1.525 billion being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 30 June 2021 were RMB900 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Fixed-income type income certificates	3,000	2020/10/30	2021/7/28	272	3.80%
	10,000	2020/12/10	2021/12/9	365	4.00%
	15,000	2020/12/29	2021/12/22	359	4.00%
	3,000	2021/1/5	2021/7/4	181	3.90%
	2,000	2021/2/2	2021/8/1	181	3.60%
	1,000	2021/3/5	2021/9/5	185	2.90%
	3,000	2021/4/23	2021/7/23	91	2.65%
	10,000	2021/4/28	2021/10/28	183	3.70%
	3,000	2021/5/12	2021/8/11	92	2.80%
	3,000	2021/5/13	2021/8/17	96	2.65%
	3,000	2021/5/21	2021/11/22	186	3.00%
	4,000	2021/6/1	2021/9/1	93	2.65%
	20,000	2021/6/29	2021/11/21	146	3.70%
	10,000	2021/6/29	2021/11/22	146	3.70%

- (7) The additional refinancing facilities were RMB750 million during the Reporting Period, with the principal of RMB600 million being repaid. The remaining amount of the outstanding refinancing facilities as at 30 June 2021 was RMB450 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Refinancing	30,000	2021/6/29	2021/9/28	91	2.80%
	15,000	2021/6/29	2021/12/28	182	2.50%

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

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

## Management Discussion and Analysis

### IX. ISSUANCE OF SHARES AND USE OF PROCEEDS

As at 31 December 2020, the proceeds previously raised from the issuance of A Shares and H Shares of the Company have all been used up for the committed projects.

### X. EMPLOYEES, REMUNERATION POLICIES AND TRAINING PROGRAMS

As of 30 June 2021, the number of staff was 2,457 (including 360 brokers), of which the number of staff of parent company was 2,005 (including 360 brokers).

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

Combined with the Company's human resources management work and the Company's development, the Company completed the revision of the measures in relation to performance appraisal management, employee income deferred payment, and on-the-job inspection personnel management to better assist business development. The Company has also completed the adjustment of the Company's headquarters staff's fixed salary and branch staff's fixed salary in accordance with the Company's MD rank management measures and branch staff management measures, and based on the results of the 2020 employee appraisal.

In order to adapt to the innovative development trend of the industry and talent cultivation, the Company continued to improve and optimize the talent training system to constantly improve the comprehensive qualities of the Company's staff. In the first half year, the Company revised the training management measures and internal lecturer management measures to provide institutional guarantees for business development. The Company continued to strengthen the construction of reserve talent echelon, and determined the key business lines of potential talents of the Company according to the reserve talent selection and training management methods and based on the annual talent reviewing results and the performance evaluation of the past three years. The Company organized various training activities continuously based on the needs of business development, including business lecture hall seminars, in-house lecturers training, online training for new employees, comprehensive financial training, and special training for various business lines. The Company further strengthened the operation of the online learning platforms, including checking and updating existing E courses, introducing 6 classic book interpretation courses regarding finance and workplace skills, and 3 college open course learning programmes on the online learning platforms. In the second half year, on the basis of continuous promotion of various training work, the Company will further strengthen the management of the Company's various departments and the training of potential talents. Combined with the business development priorities of the Company, the Company will introduce high-quality training resources, organize the implementation of specialized talents training programmes, and continue to cultivate valuable talents for the Company.

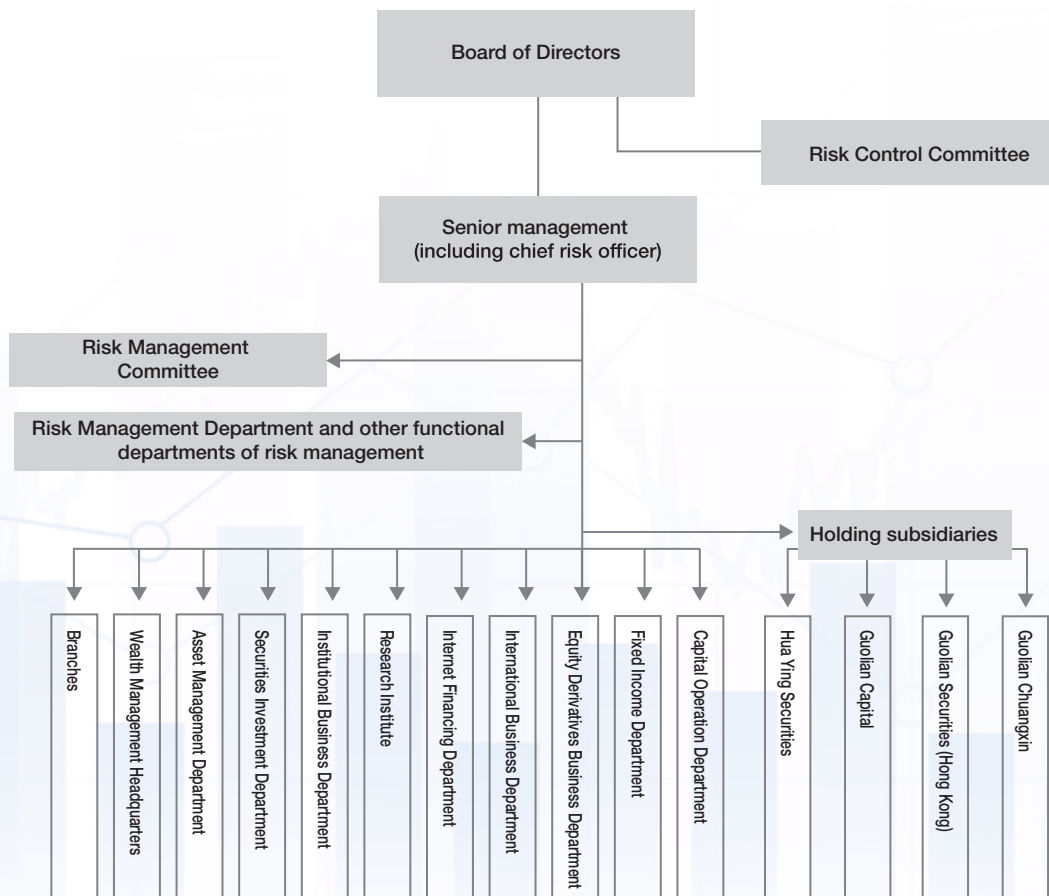
## XI. RISK MANAGEMENT

### (I) General Description

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

### (II) Risk Management Organizational Structure

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



# Management Discussion and Analysis

## 1. Board of Directors and Risk Control Committee

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

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

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

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

## Management Discussion and Analysis

The Company establishes a Risk Management Committee under the senior management, which is responsible for the overall risk monitoring and management of the Company within the scope of authorization of the Board and management, formulating and adjusting the risk management decisions of the Company, approving new business and risk limits, and making decisions and approvals for important matters involving risk management.

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

- (1) organize and implement the overall risk management of the Company;
- (2) review and approve the Company's risk management plan and risk measurement methods, models and indicators;
- (3) organize the formulation of the Company's internal risk management system and policies, and evaluate major market, credit, liquidity and other risks;
- (4) organize investigation and inquiry for hidden risks existing in business operation and management activities; report major hidden risks that discovered to the president of the Company in a timely manner, and put forward rectification opinions to the person-in-charge of other relevant departments; possesses the authority to report to the Board and its Risk Control Committee or the chairman of the Supervisory Committee had the major hidden risks or the rectification of hidden risks fails to meet the standards.

## Management Discussion and Analysis

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

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

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

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

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

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

### 1. Market Risk

Market risk refers to the risk that may cause losses to the Company's business resulting from the adverse changes in market prices, including interest rates, exchange rates, stocks, funds, commodities and derivatives prices, etc. The market risk of the Company mainly comes from securities investment business, fixed income business, equity derivatives business and asset management business, etc.

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

### 2. Credit Risk

Credit risk refers to the risk of losses due to defaults by financing parties, counterparties or issuers. The credit risk of the Company mainly arises from the following aspects: stock pledged repurchase transactions, margin financing and securities lending and other financing businesses; over-the-counter ("OTC") derivative business, such as swaps, OTC option and forwards, credit derivatives, etc.; bond investment transactions (including bond-related transactions such as spot bonds transactions, bond repurchase transactions, bond forward transactions and bond lending business), in which bonds include but not limited to treasury bonds, local bonds, financial bonds, government-backed agency bonds, corporate bonds and non-financial enterprises debt financing instruments, corporate bonds, asset-backed securities, interbank certificates of deposit; non-standardized debt asset investment, etc.



## Management Discussion and Analysis

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

### 3. Liquidity Risk

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

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

### 4. Operational Risk

Operational risk refers to losses caused by imperfections or failures of internal procedures or systems, human errors or external events.

## Management Discussion and Analysis

The Company has established a sound internal control mechanism, regularly and irregularly carries out effectiveness assessment of operational risk identification and control. The Risk Management Department arranges special staff to take charge of operational risk, standardize and optimize business processes through new business assessment, business process rationalizing and system review to prevent risks from occurring; collect and sort out internal and external risk events to establish operational risk event database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk culture; and prepares emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the outbreak of large-scale operational risk caused by information system failure.

### 5. Compliance Risk

Compliance risk refers to the risk that the Company or its staff will be investigated for legal responsibility, take regulatory measures, take disciplinary actions and suffer property losses or commercial goodwill losses due to violation of laws, regulations and standards in operation management or practice.

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

### 6. Reputation Risk

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

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

## Other Information

### I. DIVIDENDS

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

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

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

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

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

Name of Shareholders	Class of shares	Nature of interest	Number of shares (Note 1)	Percentage of total number of issued shares of the Company (Note 4)	Percentage of total number of issued shares in the relevant class of shares of the Company (Note 4)
Guolian Group (Note 2)	A shares	Beneficial owner and interest in controlled corporation	1,376,336,123 (L)	57.87%	71.11%
Guolian Trust	A shares	Beneficial owner	390,137,552 (L)	16.41%	20.16%
Guolian Industrial (Note 3)	A shares	Interest in controlled corporation	266,899,445 (L)	11.22%	13.79%
Wuxi Electric	A shares	Beneficial owner	266,899,445 (L)	11.22%	13.79%

Notes:

- (1) (L) denotes long positions.
- (2) Guolian Group is the beneficial owner of 543,901,329 A shares of the Company, and is deemed to have interests in the following shares in controlled corporations: (i) 390,137,552 A shares of the Company held by Guolian Trust; (ii) 266,899,445 A shares of the Company held by Wuxi Electric; (iii) 73,500,000 A shares of the Company held by Minsheng Investment; (iv) 72,784,141 A shares of the Company held by Yimian Textile; and (v) 29,113,656 A shares of the Company held by Huaguang Environment.
- (3) Guolian Industrial is deemed to have interests in the 266,899,445 A shares of the Company held by Wuxi Electric, its wholly-owned subsidiary.
- (4) As at the end of the Reporting Period, the Company issued 1,935,479,000 A shares and 442,640,000 H shares, a total of 2,378,119,000 shares.

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

## Other Information

### IV. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

### V. CORPORATE GOVERNANCE

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

### VI. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

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

## VII. OPERATING OF THE BOARD AND THE BOARD COMMITTEES

### (1) Composition of the Board

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

During the Reporting Period, all Directors performed their statutory duties honestly and diligently and protected the interests of the Shareholders of the Company as a whole, especially the interests of minority Shareholders, in accordance with the relevant provisions of laws, regulations and articles of association of the Company. During the Reporting Period, the Board convened a total of 5 general meetings (including 2 class meetings) for its Shareholders to consider and approve 20 proposals, and convened 5 Board meetings and considered and approved 40 proposals.

### (2) Board Committees

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

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

## Other Information

During the Reporting Period, the Strategy Committee convened a total of 2 meetings, which considered and approved 3 proposals. The Audit Committee convened a total of 3 meetings, which considered and approved 12 proposals. The Remuneration and Nomination Committee convened a total of 3 meetings, which considered and approved 4 proposals. The Risk Control Committee convened a total of 2 meetings, which considered and approved 5 proposals.

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

## VIII. OPERATION OF THE SUPERVISORY COMMITTEE

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

During the Reporting Period, the Supervisory Committee has convened 4 meetings and considered 23 proposals. The Supervisors earnestly performed their duties and supervised the standard operation of the Company and safeguarded the legal rights and interests of the Company, Shareholders and investors in accordance with the relevant provisions of the Company Law and Securities Law and other relevant laws and regulations and the articles of association of the Company.

## IX. MAJOR LITIGATIONS

### (1) Events during the Reporting Period

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

### (2) Progress of previous events during the Reporting Period

In relation to the SME private placement bonds dispute case with Inner Mongolia Nailun Agriculture Technology Corporation (內蒙古奈倫農業科技股份有限公司), as of the end of the Reporting Period, the court has ruled to terminate this enforcement procedure.

## X. INFORMATION RELATING TO THE COMPANY'S CONTROLLING SHAREHOLDERS

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

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

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

During the Reporting Period, Guolian Capital received 3 letters of intent from the Controlling Shareholders of the Company or their controlled entities regarding the referral of its new Direct Investment Business. After the evaluation by the investment decision committee of Guolian Capital, it was unanimously agreed to give up the options, the reasons of which were that these new business investment opportunities have problems such as fierce industry competition, long investment cycles and high exit risks, which do not meet the investment projects review standards of Guolian Capital.



## Other Information

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

During the Reporting Period, Mr. Wu Xingyu, an independent non-executive Director of the Company, has served as a director of Land Space Technology Corporation Ltd.\* (藍箭航太空間科技股份有限公司) since April 2021 and resigned as an independent director of Beijing Tongrentang Co., Ltd.\* (北京同仁堂股份有限公司) (600085.SH) in June 2021. Mr. Zhou Weixing, a Supervisor of the Company, has ceased to be the secretary of the board of directors of Wuxi Weifu High-technology Co., Ltd.\* (無錫威孚高科技集團股份有限公司) and redesignated as a senior expert since May 2021. Mr. Xu Faliang has served as a Supervisor and the chairman of the Supervisory Committee of the Company since May 2021, and Mr. Jiang Zhiqiang has ceased to be a Supervisor and the chairman of the Supervisory Committee of the Company. Mr. Jiang Zhiqiang has served as the chief risk officer of the Company since May 2021, and Mr. Chen Xingjun has ceased to be the chief risk officer of the Company. Ms. Yin Hongwei has concurrently served as a director of Guolian Securities (Hong Kong) since March 2021.

### XII. EVENTS AFTER THE REPORTING PERIOD

#### Non-public Issuance of A Shares

The application for Non-public Issuance of A Share of the Company was approved by the Issuance Approval Committee of the CSRC on 5 July 2021. The application for Non-public Issuance of A Share of the Company was approved by the CSRC on 27 July 2021. At present, the Company is actively preparing for the Non-public Issuance of A Share.

## Definitions

“Board”	the board of Director(s) of the Company
“Central Bank”	the People’s Bank of China
“CG Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
“China”, “PRC”	the People’s Republic of China
“Collective Asset Management Scheme”	an asset management contract entered into with multiple clients by a securities firm, pursuant to which the clients’ assets are placed in the custody of commercial banks or in other institutions approved by the CSRC which are qualified to hold client transaction settlement funds, and the securities firm provides asset management services to the clients through designated accounts
“Company”, “our Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司)
“Company Law”	the Company Law of the PRC
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Guolian Group, Guolian Trust, Wuxi Electric, Minsheng Investment, Yimian Textile, Huaguang Environment, Guolian Industrial and Guolian Financial Investment
“CPI”	Consumer Price Index
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Direct Investment Business”	a business in which the subsidiary set up by the securities firm leverages on its own professional advantage to search for and find quality investment projects and make equity investment or equity related debt investment with its own or raised funds, so as to obtain income from equity interest or debts
“end of the Reporting Period”	30 June 2021

## Definitions

“FICC”	fixed-income, currencies and commodities business
“FOF”	fund of funds
“GDP”	gross domestic product
“General Direction 50”	The Company creates a single or TOF or high-end customized configuration service for Small and medium-sized Businesses, Large Customers with the core assets configuration pool featuring “private offering as the mainstay and public offering as the supplement”
“Group”	our Company and its subsidiaries
“Guolian Capital”	Guolian Capital Co., Ltd. (國聯通寶資本投資有限責任公司), a limited liability company established in the PRC on 18 January 2010 and a wholly-owned subsidiary of our Company
“Guolian Financial Investment”	Wuxi Guolian Financial Investment Group Co., Ltd. (無錫國聯金融投資集團有限公司), 100% of the equity interest of which is held by Guolian Group
“Guolian Group”	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)
“Guolian Industrial”	Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司)
“Guolian Securities (Hong Kong)”	Guolian Securities (Hong Kong) Limited (國聯證券(香港)有限公司)
“Guolian Trust”	Guolian Trust Co., Ltd. (國聯信託股份有限公司)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaguang Environment”	Wuxi Huaguang Environment & Energy Group Co., Ltd. (無錫華光環保能源集團股份有限公司), renamed from Wuxi Huaguang Boiler Co., Ltd. (無錫華光鍋爐股份有限公司)
“Hua Ying Securities”	Hua Ying Securities Co., Ltd. (華英證券有限責任公司), 100% of the equity interest of which is held by the Company

## Definitions

“IFRS”	include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“IPO”	Initial Public Offering
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Minsheng Investment”	Wuxi Minsheng Investment Co., Ltd. (無錫民生投資有限公司), a wholly-owned subsidiary of Guolian Financial Investment and holds 3.09% of the equity interest of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuer contained in Appendix 10 of the Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Non-competition Agreement”	the non-competition agreement dated 15 June 2015 entered into among the Company and Guolian Group, Guolian Trust, Wuxi Electric, Guolian Textile, Guolian Environmental and Guolian Industrial
“QDLP”	Qualified Domestic Limited Partner
“Reporting Period”	the period for the six months ended 30 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shareholders”	holders of the shares of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange

## Definitions

“Single Asset Management Scheme”	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client’s name
“Small and medium-sized Businesses, Large Customers”	Small and medium-sized financial institutions such as small and medium banks and quantitative private equity fund as well as high-net-worth clients
“Specialized Asset Management Scheme”	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account
“SSE Composite Index”	Shanghai Stock Exchange Composite Index, reflecting changes of price of shares listed on Shanghai Stock Exchange
“Supervisor(s)”	the Supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“SZSE Component Index”	Shenzhen Stock Exchange Composite Index, reflecting changes of price of A and/or B shares listed on Shenzhen Stock Exchange
“Wind Information”	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock limited liability company incorporated in the PRC and a service provider of financial data, information and software
“Wuxi Electric”	Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯地方電力有限公司), a wholly-owned subsidiary of Guolian Industrial, which holds 11.22% of the equity interest of the Company, previously known as “Wuxi Municipal Electric Power Company” (無錫市地方電力公司)
“Yimian Textile”	Wuxi Yimian Textile Group Co., Ltd. (無錫一棉紡織集團有限公司), formerly known as Wuxi Guolian Textile Group Co., Ltd. (無錫國聯紡織集團有限公司)

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

# Report on Review of Condensed Consolidated Financial Statements

# Deloitte.

# 德勤

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

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

## Introduction

We have reviewed the condensed consolidated financial statements of Guolian Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 46 to 102, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

24 August 2021

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>Revenue</b>			
– Commission and fee income	4	641,733	481,606
– Interest income	5	516,764	415,929
<b>Total revenue</b>		<b>1,158,497</b>	897,535
Net investment gains	6	507,165	266,490
Other income	7	1,261	1,280
<b>Total revenue, gains and other income</b>		<b>1,666,923</b>	1,165,305
Commission and fee expenses	8	(130,462)	(99,713)
Interest expenses	9	(417,645)	(259,886)
Staff costs	10	(402,052)	(233,786)
Depreciation and amortization		(85,543)	(77,562)
Other operating expenses	11	(115,102)	(77,519)
Impairment losses under expected credit loss model, net of reversal	12	(19,830)	5,108
<b>Total expenses</b>		<b>(1,170,634)</b>	(743,358)
Share of results of associates	18	3,184	4,720
Other gains, net	13	9,171	11,117
<b>Profit before income tax</b>		<b>508,644</b>	437,784
Income tax expense	14	(129,647)	(116,541)
<b>Profit for the period</b>		<b>378,997</b>	321,243
Attributable to:			
Shareholders of the Company		378,997	321,243
<b>Earnings per share</b>			
(Expressed in RMB per share)			
– Basic	15	0.16	0.17

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>Profit for the period</b>		<b>378,997</b>	321,243
<b>Other comprehensive (expense)/income:</b>			
Items that will not be reclassified to profit or loss:			
Fair value loss on:			
– investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)		(85,099)	–
Income tax relating to items that will not be reclassified to profit or loss		21,275	–
Subtotal		(63,824)	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(2,870)	189
Fair value (loss)/gain on:			
– debt instruments measured at FVTOCI		(3,792)	–
Impairment loss for debt instruments at FVTOCI included in profit or loss		20,913	–
Income tax relating to items that may be reclassified subsequently to profit or loss		(4,280)	–
Subtotal		9,971	189
<b>Other comprehensive (expense)/income for the period, net of tax</b>		<b>(53,853)</b>	189
<b>Total comprehensive income for the period</b>		<b>325,144</b>	321,432
Attributable to:			
Shareholders of the Company		325,144	321,432

The notes on pages 53 to 102 form an integral part of these condensed consolidated financial statements.



# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	17	90,882	88,752
Right-of-use assets	17	185,034	177,560
Intangible assets		44,835	59,145
Interests in associates	18	103,850	104,903
Other non-current assets	19	152,508	326,479
Financial assets held under resale agreements	24	304,999	24,838
Derivative financial assets	34	75,274	18,425
Financial assets at fair value through profit or loss	25	517,249	322,828
Equity instruments at fair value through other comprehensive income	26	1,858,526	–
Debt instruments at fair value through other comprehensive income	27	3,416,377	1,678,037
Deferred tax assets	20	27,182	36,960
Refundable deposits	21	301,872	236,637
<b>Total non-current assets</b>		<b>7,078,588</b>	<b>3,074,564</b>
<b>Current assets</b>			
Other current assets	22	1,546,432	696,167
Margin accounts receivable	23	9,778,755	8,413,066
Financial assets held under resale agreements	24	2,668,955	4,102,681
Derivative financial assets	34	335,037	59,220
Financial assets at fair value through profit or loss	25	24,485,254	16,632,263
Clearing settlement funds	28	2,258,075	2,511,606
Cash held for brokerage clients	29	9,089,886	7,449,016
Cash and bank balances	30	2,358,057	3,281,366
<b>Total current assets</b>		<b>52,520,451</b>	<b>43,145,385</b>
<b>Total assets</b>		<b>59,599,039</b>	<b>46,219,949</b>
<b>Current liabilities</b>			
Other current liabilities	31	2,153,827	1,928,847
Income tax liabilities		52,772	28,497
Bonds in issue	32	6,925,151	6,479,759
Lease liabilities		72,270	57,564
Contract liabilities		9,391	9,312
Due to other financial institutions		728,132	300,070
Financial liabilities at fair value through profit or loss	33	698,450	827,288
Derivative financial liabilities	34	277,428	94,983
Financial assets sold under repurchase agreements	35	15,169,264	8,707,695
Accounts payable to brokerage clients		11,014,434	9,327,198
<b>Total current liabilities</b>		<b>37,101,119</b>	<b>27,761,213</b>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Net current assets</b>		<b>15,419,332</b>	15,384,172
<b>Total assets less current liabilities</b>		<b>22,497,920</b>	18,458,736
<b>Equity</b>			
Share capital	36	2,378,119	2,378,119
Share premium		3,659,711	3,659,711
Reserves		2,008,144	2,061,633
Retained earnings		2,587,966	2,494,707
<b>Equity attributable to shareholders of the Company</b>		<b>10,633,940</b>	10,594,170
<b>Total equity</b>		<b>10,633,940</b>	10,594,170
<b>Non-current liabilities</b>			
Other non-current liabilities	37	1,199,604	352,892
Deferred tax liabilities	20	5,070	–
Derivative financial liabilities	34	94,008	21,601
Lease liabilities		115,196	118,079
Financial liabilities at fair value through profit or loss	33	450,102	71,994
Bonds in issue	32	10,000,000	7,300,000
<b>Total non-current liabilities</b>		<b>11,863,980</b>	7,864,566
<b>Total equity and non-current liabilities</b>		<b>22,497,920</b>	18,458,736

The notes on pages 53 to 102 form an integral part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 46 to 102 were approved and authorized for issue by the Board of Directors on 24 August 2021 and signed on behalf by:

Yao Zhiyong

Chairman of the Board and non-Executive Director

Ge Xiaobo

Executive Director and President

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

(All amounts in RMB'000 unless otherwise stated)

	Note	Attributable to shareholders of the Company								
		Share capital RMB'000	Share premium RMB'000	Reserves					Retained earnings RMB'000	Total RMB'000
				Surplus reserve RMB'000	General reserve RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000		
<b>Balance at 1 January 2021 (audited)</b>		2,378,119	3,659,711	605,753	1,488,676	3,372	(21,351)	(14,817)	2,494,707	10,594,170
Profit for the period		-	-	-	-	-	-	-	378,997	378,997
Other comprehensive expense for the period		-	-	-	-	(50,983)	(2,870)	-	-	(53,853)
<b>Total comprehensive income for the period</b>		-	-	-	-	(50,983)	(2,870)	-	378,997	325,144
Dividends recognized as distribution	16	-	-	-	-	-	-	-	(285,374)	(285,374)
Appropriation to general reserve		-	-	-	364	-	-	-	(364)	-
<b>Balance at 30 June 2021 (unaudited)</b>		2,378,119	3,659,711	605,753	1,489,040	(47,611)	(24,221)	(14,817)	2,587,966	10,633,940
<b>Balance at 1 January 2020 (audited)</b>		1,902,400	2,178,478	548,961	1,373,525	-	-	(14,817)	2,078,779	8,067,326
Profit for the period		-	-	-	-	-	-	-	321,243	321,243
Other comprehensive income for the period		-	-	-	-	-	189	-	-	189
<b>Total comprehensive income for the period</b>		-	-	-	-	-	189	-	321,243	321,432
Appropriation to general reserve		-	-	-	816	-	-	-	(816)	-
<b>Balance at 30 June 2020 (unaudited)</b>		1,902,400	2,178,478	548,961	1,374,341	-	189	(14,817)	2,399,206	8,388,758

The notes on pages 53 to 102 form an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
<b>Operating activities</b>		
<b>Profit before income tax</b>	<b>508,644</b>	437,784
Adjustments for:		
Depreciation and amortization	85,543	77,562
Impairment losses under expected credit loss model, net of reversal	19,830	(5,108)
Net gains on disposal of property and equipment and other intangible assets	(2,849)	(163)
Unrealized fair value change of financial instruments at fair value through profit or loss	(111,188)	(27,852)
Foreign exchange gains	(53)	(5,637)
Share of results of associates	(3,184)	(4,720)
Interest income from debt instruments at fair value through other comprehensive income	(49,709)	-
Net gains arising from debt instruments at fair value through other comprehensive income	2,798	-
Dividends from equity instruments at fair value through other comprehensive income	(81,115)	-
Interest expense of bonds in issue	252,098	173,766
Interest expense of lease liabilities	4,108	3,858
Realized gains from disposal of financial instruments at fair value through profit or loss	(45,740)	(118,326)
Realized gains from disposal of an associate	(13)	-
Dividends and interest income from financial instruments at fair value through profit or loss	(7,467)	(4,636)
<b>Operating cash flows before movements in working capital</b>	<b>571,703</b>	526,528
Net increase in margin accounts receivable	(1,374,049)	(1,338,468)
Net increase in financial assets at fair value through profit or loss	(8,272,478)	(6,285,428)
Net decrease in derivative financial instruments	21,401	5,117
Net (increase)/decrease in financial assets held under resale agreements	(1,043,136)	631,872
Net increase in refundable deposits	(65,235)	(40,998)
Net increase in cash held for brokerage clients	(1,640,870)	(2,296,901)
Net decrease in clearing settlement funds held for clients	117,375	298,044
Net increase in other assets	(1,010,136)	(118,257)
Net increase in accounts payable to brokerage customers	1,687,236	2,066,248
Net increase in financial assets sold under repurchase agreements	6,461,569	3,835,461
Net increase/(decrease) in due to other financial institutions	428,062	(200,285)
Net increase in other liabilities	1,106,350	62,018
Net decrease in financial liabilities at fair value through profit or loss	(112,696)	(251,833)
Cash used in operations	(3,124,904)	(3,106,882)
Income taxes paid, net	(108,111)	(101,203)
<b>Net cash used in operating activities</b>	<b>(3,233,015)</b>	(3,208,085)

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
<b>Investing activities</b>		
Dividends received from investments	7,467	4,636
Interest received from investments	28,807	–
Proceeds from disposal of an associate	4,250	–
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	3,230	2,210
Purchase of property and equipment, intangible assets and other long-term assets	(32,324)	(23,055)
Purchase of		
– financial instruments at fair value through profit or loss	(624,022)	(1,218,065)
– debt instruments at fair value through other comprehensive income	(2,217,094)	–
– equity instruments at fair value through other comprehensive income	(1,943,625)	–
Proceeds from disposal of		
– financial instruments at fair value through profit or loss	894,007	701,460
– debt instruments at fair value through other comprehensive income	493,066	–
<b>Net cash used in investing activities</b>	<b>(3,386,238)</b>	<b>(532,814)</b>
<b>Financing activities</b>		
Cash received from additional bonds in issue	8,348,961	8,242,778
Repayments of leases liabilities	(39,096)	(40,669)
Cash paid for repayment of bonds in issue	(4,834,200)	(5,564,108)
Interest paid for bonds in issue	(246,706)	(165,787)
Dividends paid	(285,374)	–
<b>Net cash from financing activities</b>	<b>2,943,585</b>	<b>2,472,214</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,675,668)</b>	<b>(1,268,685)</b>
Cash and cash equivalents at the beginning of the period	6,398,847	3,962,648
Effect of exchange rate changes on the balance of cash held in foreign currencies	(303)	5,637
Cash and cash equivalents at the end of the period	2,722,876	2,699,600
<b>Net cash from/(used in) operating activities including:</b>		
Interest received	651,783	416,594
Interest paid	(161,314)	(80,603)
Dividend received	7,940	–

The notes on pages 53 to 102 form an integral part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

*(All amounts in RMB'000 unless otherwise stated)*

## 1. General information

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

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

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

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

As at 30 June 2021, the registered capital of the Company is RMB2,378,119 thousand. The Company holds the securities institution license and business license No.91320200135914870B. The registered address of the Company is No. 8 Jinrong One Street Wuxi, Jiangsu Province, the PRC.

As at 30 June 2021, the Company has established 98 branches, including 13 branch offices and 85 securities branches, which are mainly located in Jiangsu province.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in the following principal activities: securities brokerage, investment consultancy, financial advisory related to securities trading and securities investment, proprietary trading, asset management, agency sale of financial products, margin financing and securities lending, introducing broker for futures companies, investment management, proprietary investment in venture capital, industrial investment, equity investment, securities underwriting and sponsorship of stocks (including RMB ordinary shares and foreign shares) and bonds (including government bonds and corporate bonds) and other businesses approved by the China Securities Regulatory Commission (projects in accordance with the law and approved by relevant departments).

These condensed consolidated financial statements were authorized for issue by the Board of Directors (the “Board”) of the Company on 24 August 2021.

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 2. Basis of preparation and principal accounting policies

### (a) Basis of preparation

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

### (b) Principal accounting policies

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

### Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

# Notes to the Condensed Consolidated Financial Statements

*(All amounts in RMB'000 unless otherwise stated)*

## 3. Segment analysis

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

- (a) Brokerage and wealth management: securities trading and brokering services, wealth management services integrating product sales, investment consulting, and asset allocation;
- (b) Credit transactions: providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;
- (c) Investment banking: corporate finance and financial advisory services to institutional clients and market maker business;
- (d) Proprietary trading: trading in financial products;
- (e) Asset management and investment: direct investments and funds related business, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Other businesses: including the headquarter's operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the period ended 30 June 2021.

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

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

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



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 3. Segment analysis (continued)

	Six months ended 30 June 2021							Total
	Brokerage and wealth management	Credit transactions	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
<b>Total revenue and other income</b>								
Commission and fee income								
– External	402,557	12,587	177,097	–	49,492	–	–	641,733
– Internal	–	–	9,289	–	–	–	(9,289)	–
Interest income								
– External	82,735	328,301	7,227	62,307	9,615	26,579	–	516,764
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	14,970	405,565	48,288	38,342	–	507,165
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	5	–	–	–	–	1,256	–	1,261
– Internal	–	–	–	–	–	–	–	–
<b>Total expenses (including reversal of impairment losses)</b>	<b>(350,108)</b>	<b>(208,162)</b>	<b>(170,821)</b>	<b>(251,572)</b>	<b>(36,836)</b>	<b>(153,394)</b>	<b>259</b>	<b>(1,170,634)</b>
<b>Segment operating profit/(loss)</b>	<b>135,189</b>	<b>132,726</b>	<b>37,762</b>	<b>216,300</b>	<b>70,559</b>	<b>(87,217)</b>	<b>(9,030)</b>	<b>496,289</b>
Other gains, net								
– External	4,380	–	487	192	3	4,109	–	9,171
– Internal	–	–	–	–	–	–	–	–
Share of results of associates	–	–	–	–	–	3,184	–	3,184
<b>Profit/(loss) before income tax</b>	<b>139,569</b>	<b>132,726</b>	<b>38,249</b>	<b>216,492</b>	<b>70,562</b>	<b>(79,924)</b>	<b>(9,030)</b>	<b>508,644</b>

	30 June 2021							Total
	Brokerage and wealth management	Credit transactions	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
<b>Total assets</b>	<b>10,061,693</b>	<b>13,083,774</b>	<b>1,687,474</b>	<b>26,631,723</b>	<b>1,056,735</b>	<b>8,439,071</b>	<b>(1,361,431)</b>	<b>59,599,039</b>
<b>Total liabilities</b>	<b>9,405,396</b>	<b>12,847,335</b>	<b>144,669</b>	<b>24,789,462</b>	<b>538,543</b>	<b>1,230,664</b>	<b>9,030</b>	<b>48,965,099</b>

	Six months ended 30 June 2021							Total
	Brokerage and wealth management	Credit transactions	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
<b>Supplemental information</b>								
Depreciation and amortization	36,745	546	12,539	2,220	2,288	31,205	–	85,543
Impairment losses under expected credit loss model, net of reversal	–	(295)	29	20,905	(815)	6	–	19,830
Capital expenditure	45,495	10	13,039	933	921	27,827	–	88,225

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 3. Segment analysis (continued)

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

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

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

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 4. Commission and fee income

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Securities brokerage	364,677	332,804
Underwriting and sponsorship	140,348	86,311
Investment consultancy and financial advisory	74,629	25,061
Asset management	49,492	35,882
Others	12,587	1,548
	641,733	481,606

### 5. Interest income

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Interest income from margin financing	275,810	181,018
Interest income from bank deposits and clearing settlement funds	120,165	132,706
Interest income from financial assets held under resale agreements	71,080	102,205
Interest income from debt instruments at fair value through other comprehensive income	49,709	–
	516,764	415,929

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 6. Net investment gains/(losses)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Net realized gains from disposal of an associate	13	–
Realized gains from disposal of financial assets at fair value through profit or loss	35,350	161,107
Realized losses from disposal of financial assets at fair value through other comprehensive income	(2,798)	–
Dividend income from equity instruments at fair value through other comprehensive income	81,115	–
Dividends and interests to interest holders of financial liabilities at fair value through profit or loss	(17,225)	(48,552)
Dividends and interest income from financial assets at fair value through profit or loss	257,389	137,591
Net realized gains/(losses) from derivative financial instruments	42,133	(11,509)
Unrealized fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(821)	16,492
– Derivative financial instruments	99,213	(5,187)
– Financial liabilities at fair value through profit or loss	12,796	16,548
	507,165	266,490

### 7. Other income

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Rental income	704	421
Others	557	859
	1,261	1,280

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 8. Commission and fee expenses

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Securities brokerage	116,211	96,612
Underwriting and sponsorship	7,786	94
Asset management	702	495
Others	5,763	2,512
	130,462	99,713

### 9. Interest expenses

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Interest expenses of bonds in issue	252,098	173,766
Interest expenses of financial assets sold under repurchase agreements	136,880	60,246
Interest expenses of accounts payable to brokerage clients	16,442	17,907
Interest expenses of due to other financial institutions	8,117	4,108
Interest expense of lease obligation	4,108	3,859
	417,645	259,886

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 10. Staff costs

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Salaries and bonus	318,144	187,390
Pension	43,263	16,908
Other social security	28,986	19,366
Labor union funds and employee education funds	2,335	3,299
Other welfare	9,324	6,823
	402,052	233,786

### 11. Other operating expenses

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Tax and surcharges	7,737	6,716
Rentals	1,089	1,557
Marketing and distribution expenses	17,728	6,178
Office expenses	17,339	10,380
Travelling expenses	15,512	5,695
Securities investors protection fund	5,074	4,168
Professional service expenses	8,345	6,295
Consulting expenses	7,665	4,788
Others	34,613	31,742
	115,102	77,519

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 12. Impairment losses under expected credit loss model, net of reversal

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Financial assets held under resale agreements	(9,450)	(6,649)
Accounts receivable and other receivables	7	1,222
Debt instruments at fair value through other comprehensive income	20,914	–
Margin accounts receivable	8,359	319
	<b>19,830</b>	<b>(5,108)</b>

### 13. Other gains, net

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Foreign exchange gains	53	5,637
Government grants	8,600	10,167
Others	518	(4,687)
	<b>9,171</b>	<b>11,117</b>

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 14. Income tax expense

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Current income tax expense		
– Mainland China	100,170	110,449
– Hong Kong	–	6
(Over)/under provision in prior years		
– Mainland China	(2,366)	1,985
	<b>97,804</b>	112,440
Deferred taxation		
– Mainland China (Note 20)	30,396	3,883
– Hong Kong (Note 20)	1,447	218
	<b>31,843</b>	4,101
Income tax expense	<b>129,647</b>	116,541

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

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD 2 million of profits of the Company will be taxed at 8.25%, and profits above HKD 2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

The Group has estimated unutilized tax losses of certain subsidiaries amounting to approximately RMB20,289 thousand as at 30 June 2021 (31 December 2020: Nil), available for offset against future profits. No deferred tax assets has been recognized in respect of estimated tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward for five years or indefinitely.



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 15. Earnings per share

### 15.1 Basic earnings per share

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to shareholders of the Company (in RMB'000)	378,997	321,243
Weighted average number of ordinary shares in issue (in thousand)	2,378,119	1,902,400
Basic earnings per share (in RMB)	0.16	0.17

### 15.2 Diluted earnings per share

For the six months ended 30 June 2021 and 2020, there were no potential diluted ordinary shares, so no diluted earnings per share was presented.

## 16. Profit distribution

For the six months ended 30 June 2021, RMB285,374 thousand dividends were paid. (For the year ended 31 December 2020: no dividend was paid).

## 17. Property and equipment, and right-of-use assets

During the six months ended 30 June 2021, the Group acquired property and equipment with a cost of RMB16,289 thousand (unaudited) (six months ended 30 June 2020: RMB12,565 thousand (unaudited)).

During the six months ended 30 June 2021, the Group entered into several new lease agreements with lease terms ranged from 1 to 6.5 years. The Group is required to make fixed payments. On lease commencement, the Group recognized right-of-use assets of RMB55,975 thousand (unaudited) and lease liabilities of RMB55,975 thousand (unaudited) (six months ended 30 June 2020: RMB19,435 thousand (unaudited) and lease liabilities of RMB19,435 thousand (unaudited)).

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 18. Interests in associates

Set out below are the associates of the Group as at 30 June 2021 and 31 December 2020, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business/ country of incorporation	% of ownership interest as at 30 June 2021	% of ownership interest as at 31 December 2020	Measurement Method
Zhonghai Fund Management Co., Ltd. <sup>(1)</sup>	PRC	33.41%	33.41%	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.) <sup>(2)</sup>	PRC	35.82%	35.82%	Equity

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

(2) Wuxi Guolian Lingxiang SME Investment Company (L.P.) is a limited partnership, held by Guolian Tongbao Capital Investment Co., Ltd. which mainly operates in investment in small and medium enterprises. The partnership has completed liquidation and the liquidation report was issued on 25 January, 2021. As of 30 June, 2021, the cancellation of industrial and commercial registration has not been completed.

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

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance at beginning of the period/year	104,903	104,201
Share of profit	3,184	702
Proceeds of liquidation	(4,237)	–
Balance at end of the period/year	103,850	104,903

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 19. Other non-current assets

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Long-term deferred expenses	29,628	31,710
Margin deposits of derivative contracts	122,880	294,769
	<b>152,508</b>	<b>326,479</b>

### 20. Deferred tax assets and liabilities

- (1) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Deferred income tax assets	27,182	36,960
Deferred income tax liabilities	(5,070)	-
	<b>22,112</b>	<b>36,960</b>

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 20. Deferred tax assets and liabilities (continued)

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

	Impairment losses	Changes in fair value of financial assets/liabilities at fair value through profit or loss	Changes in fair value of derivatives	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Others	Total
As at 1 January 2020	45,199	(31,380)	-	-	-	23,167	36,986
Credit/(charge) to profit or loss	1,761	(33,088)	10,782	1,280	-	20,362	1,097
Charge to other comprehensive income	-	-	-	(1,123)	-	-	(1,123)
As at 31 December 2020	46,960	(64,468)	10,782	157	-	43,529	36,960
(Charge)/credit to profit or loss	(272)	(7,207)	(24,740)	5,228	-	(4,852)	(31,843)
(Charge)/credit to other comprehensive income	-	-	-	(4,280)	21,275	-	16,995
As at 30 June 2021	46,688	(71,675)	(13,958)	1,105	21,275	38,677	22,112

### 21. Refundable deposits

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Deposits with Stock Exchanges		
- Shanghai Stock Exchange	125,984	114,645
- Shenzhen Stock Exchange	39,078	40,372
- China Beijing Equity Exchange	964	1,348
Deposits with futures brokers		
- Guolian Futures Co., Ltd. ("Guolian Futures")	135,846	80,272
	<b>301,872</b>	<b>236,637</b>

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 22. Other current assets

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Accounts receivable <sup>(a)</sup>	456,511	65,508
Dividends receivable	81,115	–
Prepaid expenses	18,869	14,132
Other receivables <sup>(a)</sup>	43,808	12,124
Margin deposits of derivative contracts	942,019	599,269
Others	8,767	9,784
Less: Impairment allowance	(4,657)	(4,650)
	<b>1,546,432</b>	<b>696,167</b>

(a) Accounts receivable

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

	30 June 2021		31 December 2020	
	Amount (Unaudited)	Impairment allowance (Unaudited)	Amount (Audited)	Impairment allowance (Audited)
Up to 1 year	450,735	117	59,870	104
1 to 2 years	547	–	5,638	–
Over 2 years	5,229	–	–	–
	<b>456,511</b>	<b>117</b>	<b>65,508</b>	<b>104</b>

In accordance with the requirements of IFRS 9, the Group adopts a simplified method to measure the expected credit loss for accounts receivable, that is, the Group always recognizes lifetime ECL for accounts receivable. As at 30 June 2021, accounts receivable of the Group were not credit-impaired (31 December 2020: the same). As at 30 June 2021, the credit risk exposure of accounts receivable amounted to RMB456,511 thousand (31 December 2020: RMB65,508 thousand).

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 22. Other current assets (continued)

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

	2021/6/30			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	34,020	7,621	2,167	43,808
Less: Impairment allowance	(1,001)	(1,372)	(2,167)	(4,540)
	33,019	6,249	-	39,268

	2020/12/31			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	2,031	7,235	2,858	12,124
Less: Impairment allowance	(241)	(1,447)	(2,858)	(4,546)
	1,790	5,788	-	7,578

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 23. Margin accounts receivable

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Margin accounts receivable	9,794,828	8,420,779
Less: Impairment allowance	(16,073)	(7,713)
	<b>9,778,755</b>	<b>8,413,066</b>

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 30 June 2021, impairment allowance amounting to RMB16,073 thousand (31 December 2020: RMB7,713 thousand) was provided.

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

	2021/6/30			Total RMB'000
	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	
Margin accounts receivable	9,396,553	398,275	-	9,794,828
Less: Impairment allowance	(9,562)	(6,511)	-	(16,073)
	<b>9,386,991</b>	<b>391,764</b>	<b>-</b>	<b>9,778,755</b>

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 23. Margin accounts receivable (continued)

	2020/12/31			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Margin accounts receivable	7,888,888	531,891	-	8,420,779
Less: Impairment allowance	(5,412)	(2,301)	-	(7,713)
	7,883,476	529,590	-	8,413,066

### 24. Financial assets held under resale agreements

#### Non-current assets

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Analyzed by asset type:		
– Equity securities	305,564	25,050
Less: Impairment allowance	(565)	(212)
	304,999	24,838
Analyzed by market:		
– Shanghai Stock Exchange	304,999	24,838
	304,999	24,838



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 24. Financial assets held under resale agreements (continued)

#### Current assets

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Analyzed by asset type:		
– Equity securities	1,603,688	1,855,460
– Debt securities	1,230,841	2,422,598
Less: Impairment allowance	(165,574)	(175,377)
	<b>2,668,955</b>	4,102,681
Analyzed by market:		
– Interbank market	1,075,072	152,902
– Shanghai Stock Exchange	338,036	2,466,228
– Shenzhen Stock Exchange	1,255,847	1,483,551
	<b>2,668,955</b>	4,102,681

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

	2021/6/30			Total RMB'000
	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	
Financial assets held under resale agreements	2,576,378	410,938	152,777	3,140,093
Less: Impairment allowance	(1,785)	(11,577)	(152,777)	(166,139)
	<b>2,574,593</b>	<b>399,361</b>	–	<b>2,973,954</b>

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 24. Financial assets held under resale agreements (continued)

#### Current assets (continued)

	2020/12/31			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	
Financial assets held under resale agreements	3,594,280	555,932	152,896	4,303,108
Less: Impairment allowance	(4,859)	(17,834)	(152,896)	(175,589)
	3,589,421	538,098	-	4,127,519

### 25. Financial assets at fair value through profit or loss

#### Non-current assets

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
- Investments in unlisted companies	281,445	140,675
- Trust schemes	125,215	125,215
- Collective asset management schemes and others	110,589	56,938
Total non-current assets	517,249	322,828
Analyzed as		
- Unlisted	517,249	322,828

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

#### Current assets

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
– Debt securities	14,776,373	10,963,616
– Equity securities	731,245	896,987
– Investment funds	1,349,855	1,600,094
– Asset backed securities	356,204	388,815
– Trust schemes	38,268	37,249
– Collective asset management schemes	242,981	369,905
– Private equity funds	3,472,268	2,080,354
– Commercial papers	3,387,932	–
– Wealth management products	130,128	295,243
<b>Total current assets</b>	<b>24,485,254</b>	<b>16,632,263</b>
<b>Analyzed as</b>		
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
– Listed in Hong Kong	114,456	76,153
– Listed outside Hong Kong	6,066,391	5,765,095
– Unlisted	18,304,407	10,791,015
	<b>24,485,254</b>	<b>16,632,263</b>
<b>Total</b>	<b>25,002,503</b>	<b>16,955,091</b>

As at 30 June 2021, the fair value of securities of the Group which have been placed as collateral was RMB15,302,154 thousand (31 December 2020: RMB11,125,278 thousand).

As at 30 June 2021, the fair value of interests in structured entities, of which the redemption was restricted due to the Group's participation in the schemes which were managed by the Group, was RMB110,589 thousand (31 December 2020: RMB56,938 thousand).

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 26. Equity instruments at fair value through other comprehensive income

#### Non-current assets

	30 June 2021 (Unaudited)
<b>Analyzed by type of issuers:</b>	
Equity securities (Note)	1,858,526
	1,858,526
<b>Analyzed as:</b>	
Listed in Hong Kong	1,759,826
Listed outside Hong Kong	98,700
	1,858,526

Note: The above equity investments include common stocks of entities listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. These investments are not held for trading, but for long-term strategic purposes. The Group has chosen to designate these investments as equity instruments measured at fair value with changes included in other comprehensive income because they believe that the short-term fluctuations in the fair value of such investments recognized in profit or loss will be different from the Group's strategy of holding such investments for long-term purposes, so their performance potential will be recognized from a long-term perspective (31 December 2020: Nil).

As of 30 June 2021, equity instruments at fair value through other comprehensive income investments held by the Group have no realization restriction and there was no disposal for the period end 30 June 2021.

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 27. Debt instruments at fair value through other comprehensive income

#### Non-current assets

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Analyzed by type of issuers:</b>		
Government	923,086	304,383
Financial institutions	664,011	354,061
Corporate entities	1,829,280	1,019,593
	<b>3,416,377</b>	<b>1,678,037</b>

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Analyzed as:</b>		
Listed outside Hong Kong	551,829	520,811
Unlisted	2,864,548	1,157,226
	<b>3,416,377</b>	<b>1,678,037</b>
Expected credit losses	<b>26,039</b>	5,126

As at 30 June 2021, the fair value of securities of the Group which have been placed as collateral was RMB3,043,621 thousand (31 December 2020: RMB882,042 thousand).

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 27. Debt instruments at fair value through other comprehensive income (continued)

#### Non-current assets (continued)

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

	2021/6/30			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Debt instruments at fair value through other comprehensive income	3,417,313	–	25,103	3,442,416
Less: Impairment allowance	(8,255)	–	(17,784)	(26,039)
	3,409,058	–	7,319	3,416,377

	2020/12/31			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Debt instruments at fair value through other comprehensive income	1,683,163	–	–	1,683,163
Less: Impairment allowance	(5,126)	–	–	(5,126)
	1,678,037	–	–	1,678,037

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 28. Clearing settlement funds

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Clearing settlement funds held for clients	1,695,663	1,813,038
Proprietary clearing settlement funds	562,412	698,568
	<b>2,258,075</b>	<b>2,511,606</b>

### 29. Cash held for brokerage clients

The Group maintains separate accounts with banks and authorized institutions for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognizes them as due to clients given that they are held liable for any loss or appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC regulations.

### 30. Cash and bank balances

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash	13	15
Bank balances	2,358,044	3,281,351
	<b>2,358,057</b>	<b>3,281,366</b>

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 31. Other current liabilities

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Salaries, bonus, allowances and benefits payable	178,172	338,242
Accounts payable	345,716	378,890
Other taxes payable	28,555	22,387
Securities investor protection fund	5,326	5,324
Provisions	1,869	1,869
Margin deposits of derivative contracts	1,451,961	1,139,607
Deferred income	40,909	–
Others	101,319	42,528
	<b>2,153,827</b>	<b>1,928,847</b>



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 32. Bonds in issue

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Current</b>		
Corporate bonds with fixed rate – 2022 <sup>(a)</sup>	1,500,000	–
Subordinated bonds with fixed rate – 2021 <sup>(b)</sup>	1,500,000	1,500,000
Subordinated bonds with fixed rate – 2022 <sup>(c)</sup>	800,000	–
Income certificates <sup>(d)</sup>	900,000	1,760,000
Short term corporate bond – 2021 <sup>(e)</sup>	1,000,000	1,000,000
Short term corporate bond – 2022 <sup>(f)</sup>	1,000,000	–
Short term financing bond – 2021 <sup>(g)</sup>	–	2,000,000
Interest payable	225,151	219,759
	<b>6,925,151</b>	<b>6,479,759</b>
<b>Non-Current</b>		
Corporate bonds with fixed rate – 2023 <sup>(h)</sup>	800,000	800,000
Corporate bonds with fixed rate – 2023 <sup>(i)</sup>	1,500,000	1,500,000
Corporate bonds with fixed rate – 2022 <sup>(a)</sup>	–	1,500,000
Corporate bonds with fixed rate – 2022 <sup>(j)</sup>	1,000,000	1,000,000
Corporate bonds with fixed rate – 2024 <sup>(k)</sup>	1,000,000	–
Corporate bonds with fixed rate – 2024 <sup>(l)</sup>	1,500,000	–
Corporate bonds with fixed rate – 2023 <sup>(m)</sup>	1,500,000	–
Corporate bonds with fixed rate – 2024 <sup>(n)</sup>	1,000,000	–
Subordinated bonds with fixed rate – 2022 <sup>(c)</sup>	–	800,000
Subordinated bonds with fixed rate – 2023 <sup>(o)</sup>	700,000	700,000
Subordinated bonds with fixed rate – 2022 <sup>(p)</sup>	1,000,000	1,000,000
	<b>10,000,000</b>	<b>7,300,000</b>
	<b>16,925,151</b>	<b>13,779,759</b>

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 32. Bonds in issue (continued)

- (a) On 15 April 2020, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 2.88% paid annually.
- (b) On 29 July 2016, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.89% paid annually.
- (c) On 27 March 2019, the Company issued RMB800,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.74% paid annually.
- (d) As at 30 June 2021, income certificates were with a maturity of 91 days to 365 days and bore interest rates ranging from 2.65% to 4.00% per annum paid at maturity. (As at 31 December 2020, income certificates were with a maturity of 90 days to 365 days and bore interest rates ranging from 3.60% to 4.00% per annum paid at maturity).
- (e) On 24 December 2020, the Company issued RMB1,000,000 thousand of short term corporate bond on Shanghai Stock Exchange with a term of 1 year and a fixed coupon rate of 3.35% paid annually.
- (f) On 13 April 2021, the Company issued RMB1,000,000 thousand of short term corporate bond on Shanghai Stock Exchange with a term of 309 days and a fixed coupon rate of 3.10% paid at maturity.
- (g) As at 31 December 2020, short term financing bonds were with a maturity of 66 days to 88 days and bore interest rates ranging from 3.15% to 3.20% per annum paid at maturity.
- (h) On 16 January 2020, the Company issued RMB800,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.13% paid annually.
- (i) On 11 March 2020, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.60% paid annually.
- (j) On 15 October 2020, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.07% paid annually.
- (k) On 15 March 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.70% paid annually.
- (l) On 12 May 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.59% paid annually.
- (m) On 7 June 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 3.27% paid annually.
- (n) On 28 June 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.65% paid annually.
- (o) On 5 March 2020 the Company issued RMB700,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.25% paid annually.
- (p) On 26 November 2020 the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.70% paid annually.

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 33. Financial liabilities at fair value through profit or loss

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Current</b>		
Interests of other holders of consolidated structured entities	462,028	587,293
Income certificates with variable interest yields	236,422	239,995
	<b>698,450</b>	<b>827,288</b>
<b>Non-Current</b>		
Income certificates with variable interest yields	450,102	71,994
	<b>450,102</b>	<b>71,994</b>
	<b>1,148,552</b>	<b>899,282</b>

### 34. Derivative financial instruments

	30 June 2021		31 December 2020	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Futures contracts <sup>(a)</sup>	-	-	-	-
Listed options	110	-	-	(243)
OTC options	70,961	(83,856)	24,419	(44,770)
Interest rate swaps	-	(298)	119	(523)
Return swaps	339,240	(287,282)	53,107	(71,048)
	<b>410,311</b>	<b>(371,436)</b>	<b>77,645</b>	<b>(116,584)</b>

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 34. Derivative financial instruments (continued)

Analyzed for reporting purpose as:

	30 June 2021		31 December 2020	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Current	335,037	(277,428)	59,220	(94,983)
Non-current	75,274	(94,008)	18,425	(21,601)
	<b>410,311</b>	<b>(371,436)</b>	<b>77,645</b>	<b>(116,584)</b>

(a) Futures contracts

	30 June 2021		31 December 2020	
	Nominal value (Unaudited)	Fair value (Unaudited)	Nominal value (Audited)	Fair value (Audited)
SIF	1,073,940	16,591	719,298	(3,383)
Treasury futures	166,909	698	1,359,598	(901)
Interest rate futures	353,429	152	-	-
Currency futures	51,936	166	-	-
Commodity futures	5,566	(347)	-	-
Less: cash received/(paid) as settlement		17,260		(4,284)
Net position of future contracts		-		-

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

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 35. Financial assets sold under repurchase agreements

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Analyzed by asset type:		
– Debt securities	10,443,774	7,223,751
– Funds	1,258,851	1,483,944
– Commercial papers	3,466,639	–
	<b>15,169,264</b>	8,707,695
Analyzed by market:		
– Interbank market	7,607,087	6,226,610
– Stock Exchange	4,045,793	2,481,085
– Others	3,516,384	–
	<b>15,169,264</b>	8,707,695
Analyzed by transaction type:		
– Pledged	14,129,606	8,707,695
– Outright	1,039,658	–
	<b>15,169,264</b>	8,707,695

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 36. Share capital

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Registered, issued and fully paid share capital (in thousand)		
Domestic shares	1,935,479	1,935,479
H shares	442,640	442,640
	<b>2,378,119</b>	<b>2,378,119</b>

### 37. Other non-current liabilities

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Margin deposits of derivative contracts	1,199,604	352,892
	<b>1,199,604</b>	<b>352,892</b>

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 38. Cash and cash equivalents

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

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Cash	13	15
Bank balances	1,945,910	3,279,575
Proprietary clearing settlement funds	562,412	698,566
Cash equivalents		
— Financial assets held under resale agreements with original maturity less than 3 months	214,541	2,420,691
	<b>2,722,876</b>	<b>6,398,847</b>

### 39. Commitments and contingent liabilities

#### (1) Commitments

As at 30 June 2021, the Group was not involved in any material commitments (31 December 2021: Nil).

#### (2) Legal proceedings

On 20 September 2019, the Company received a notice of response to a lawsuit filed by a client in Wuxi Intermediate People's Court of Jiangsu Province against the Company over the dispute over securities pledged repurchase transaction, claiming that the Company should refund the overcharged amount and should reimburse losses totaling RMB55,517 thousand to a third-party. On 15 April 2020, Wuxi Intermediate People's Court issued a civil ruling which rejected this lawsuit. The client filed an appeal on 29 May 2020, and the case is currently under trial. The Company has recognized provisions of RMB1,869 thousand in respect of the above case as at 30 June 2021 (31 December 2020: RMB1,869 thousand).

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 40. Related party transactions

### 40.1 Transactions and balances with the Company's controlling shareholder

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as "Guolian Group" together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,000,000 thousand. As at 30 June 2021, Guolian Group directly held 22.87 % of the equity interest in the Company. In addition, Guolian Group also indirectly held 35.00% equity interest in Company through its subsidiaries of Guolian Trust Co., Ltd. ("Guolian Trust"), Wuxi Guolian Municipal Electric Power Company ("Wuxi Electric"), Wuxi Yi Mian Textile Group Co., Ltd. ("Yi Mian Textile"), Wuxi Min Sheng Investment Co., Ltd. ("Min Sheng Investment") and Wuxi Huaguang Environment&Energy Group Co., Ltd. ("Wuxi Huaguang").

Guolian Trust is the subsidiary of Guolian Group who directly or indirectly held 91.87% of the equity interest. As at 30 June 2021, Guolian Trust held 16.41% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2021, Wuxi Electric held 11.22% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 30 June 2021, Yi Mian Textile held 3.06% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2021, Min Sheng Investment held 3.09% of the equity interest in the Company.

Wuxi Huaguang is the subsidiary of Guolian Group who directly held 72.11% of the equity interest. As at 30 June 2021, Wuxi Huaguang held 1.22% of the equity interest in the Company.

#### Transactions during the period

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Income from providing asset management services	–	10
Income from providing underwriting services	849	3,962



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 40. Related party transactions (continued)

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

Balances at the end of the period/year

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash held for brokerage clients	-	5

### 40.2 Other related party transactions and balances

The below table lists the Group's other significant related legal entities as at 30 June 2021:

Significant related legal entities	The relationship with the Group
Guolian Futures	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Fellow subsidiary
Wuxi Guolian Industrial Investment Group Co., Ltd. ("Guolian Industrial Investment")	Fellow subsidiary
Jiangsu Asset Management Co., Ltd.	Fellow subsidiary
Guolian Life Insurance Co., Ltd.	Associate invested by the controlling shareholder of the Company
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Wuxi Rural Commercial Bank ("WRCB")	The director of the Company acts as a director of WRCB
China Asset Management Co., Ltd ("China AMC")(Note)	The director of the Company acted as a director of China AMC

Note: Mr Ge Xiaobo has been appointed as the director of the Company since 13 June 2019. Mr Ge acted as director of China AMC and resigned on 28 June 2020, therefore China AMC was deemed as the related party of the Company from 13 June 2019 to 27 June 2020.

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 40. Related party transactions (continued)

#### 40.2 Other related party transactions and balances (continued)

##### Transactions during the period

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Income from providing securities brokerage services		
– Guolian Futures	332	312
– Guolian Trust	4,212	17
– Zhonghai Fund Management Co., Ltd.	1,122	2,232
– Others	873	3,511
Income from providing asset management services		
– Jiangsu Asset Management Co., Ltd.	923	446
– Guolian Life Insurance Company Limited	500	156
– Others	321	129
Rental income		
– Guolian Futures	–	201
Rental expense		
– Jiangsu Asset Management Co., Ltd.	354	631
Interest expense of lease obligation		
– Guolian Xincheng	691	923
– Guolian Life Insurance Company Limited	151	287
Income from providing underwriting services		
– Jiangsu Asset Management Co., Ltd.	943	7,925
Income from providing financial advisory services		
– Wuxi Huaguang Environment&Energy	–	278
– Guolian Trust	566	2,128
– Others	283	–
Expense for receiving services		
– Guolian Property Management	2,762	2,027
– Guolian Futures	104	67
– Others	70	145
Others		
– Guolian Life Insurance Company Limited	171	138

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 40. Related party transactions (continued)

#### 40.2 Other related party transactions and balances (continued)

Balances at the end of the period/year

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Accounts payable		
– Guolian Futures	30	80
– Guolian Life Insurance Company Limited	50	50
Lease obligation		
– Guolian Xincheng	27,165	31,375
– Guolian Life Insurance Co., Ltd.	2,031	9,813
Other receivables		
– Guolian Xincheng	479	479
– Guolian Property Management	180	180
Clearing settlement funds		
– Guolian Futures	35,438	66,797
Refundable deposits		
– Guolian Futures	33,286	4,878
Cash held for brokerage clients		
– Guolian Trust	50	66
– Zhonghai Fund Management Co., Ltd.	<1	<1
– Wuxi Guolian Industry Investment (Group) Co., Ltd.	4	11
– Others	12,036	17,252
Contractual liabilities		
– Jiangsu Asset Management Co., Ltd.	–	1,009

Other than disclosed in above table, the Group's other related party transactions and balances are as follows:

As at 30 June 2021, the Group did not hold any share issued by related parties or any wealth management products issued by related parties. (As at 31 December 2020: Nil).

During the period from January 1 to 30 June, 2021, the Group did not trade securities to related parties. (2020: the Group's bond transactions with China AMC amounted to RMB138,889 thousand).

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 40. Related party transactions (continued)

### 40.2 Other related party transactions and balances (continued)

As at 30 June 2021, the Group's repurchase agreements with related parties amounted to RMB2,709 thousand (2020: Nil).

As at 31 December 2020, the product managed by WRCB subscribed the subordinated bonds issued by the Group, amounted to RMB50,000 thousand and no such subscription as at 30 June 2021.

### 40.3 Key management personnel

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Audited)
Short term employee benefits	4,371	4,736
Post-employment benefits	642	307
	<b>5,013</b>	<b>5,043</b>

## 41. Fair value of financial assets and liabilities

### 41.1 Financial instruments measured at fair value

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

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

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 41. Fair value of financial assets and liabilities (continued)

#### 41.1 Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2021 and 31 December 2020.

Financial assets/liabilities	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
<b>Financial assets at fair value through profit or loss</b>				
– Bonds	14,167,867	10,794,541	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bonds.
– Bonds	608,506	169,075	Level 3	Discounted cash flow method. The future cash flows are estimated based on the expected recoverable amount and discounted at the interest rate reflecting the credit risk of the bond.
– Asset backed securities	356,204	388,815	Level 2	Discounted future cash flows estimated based on expected recoverable amounts at rates that reflect credit risk of securities.
– Equity securities traded on stock exchanges	712,331	866,351	Level 1	Quoted bid prices in an active market.
– Equity securities listed on National Equities Exchange and Quotation	9,648	22,637	Level 2	Recent transaction prices.
– Restricted stocks	9,266	7,999	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Exchange Traded Fund	108,162	95,101	Level 1	Quoted bid prices in an active market.
– Other Investment funds	1,241,693	1,504,993	Level 2	Net asset value as published by the fund managers.

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 41. Fair value of financial assets and liabilities (continued)

#### 41.1 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
<b>Financial assets at fair value through profit or loss (continued)</b>				
– Collective asset management schemes	287,378	2,695	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Collective asset management schemes	66,192	424,148	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Wealth management products	130,128	295,243	Level 2	Discounted future cash flows estimated based on expected return that reflect the credit risk of the products.
– Private equity funds	2,496,440	2,080,354	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Private equity funds	975,828	–	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Unlisted equity investment	281,445	140,675	Level 3	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability. The key inputs are the value of the assets and liabilities or main financial indicators of target companies, indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.
– Trust schemes	163,483	162,464	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Fair value of financial assets and liabilities (continued)

### 41.1 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
<b>Financial assets at fair value through profit or loss (continued)</b>				
– Commercial papers	3,387,932	–	Level 2	Discounted future cash flows estimated based on contractual amounts and interest rates that reflect the credit risk of the commercial papers.
<b>Financial assets at FVTOCI</b>				
– Debt instruments	3,416,377	1,678,037	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bond.
– Equity	1,858,526	–	Level 1	Quoted bid prices in an active market.
<b>Derivative financial assets</b>				
– Listed options	110	–	Level 1	Quoted bid prices in an active market.
– OTC options	70,961	24,419	Level 3	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Interest rate & return swaps	339,240	53,226	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.
<b>Derivative financial liabilities</b>				
– Listed options	–	(243)	Level 1	Quoted bid prices in an active market.
– OTC options	(83,856)	(44,770)	Level 3	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Fair value of financial assets and liabilities (continued)

### 41.1 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
<b>Derivative financial liabilities (continued)</b>				
- Interest rate & return swaps	(287,580)	(71,571)	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.
<b>Financial liabilities at fair value through profit or loss</b>				
- Interests of other holders of consolidated structured entities	(462,028)	(587,293)	Level 3	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.
- Income certificates with variable interest yields	(686,524)	(311,989)	Level 3	<p>The fair value of the income certificate is the sum of the fair value of embedded option and the discounted future cash flows from the host contract of the debt instrument.</p> <p>The fair value of option is calculated using option pricing model with major inputs including the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time and the risk-free interest rate, etc.</p> <p>The fair value of host contract of debt instrument is calculated based on expected future cash flow discounted by the discount rate reflecting the Company's own credit risk.</p>



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 41. Fair value of financial assets and liabilities (continued)

#### 41.1 Financial instruments measured at fair value (continued)

As at 30 June 2021 (Unaudited)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	712,331	9,648	9,266	731,245
– Investment in unlisted companies	–	–	281,445	281,445
– Debt securities	–	14,167,867	608,506	14,776,373
– Investment funds	108,162	1,241,693	–	1,349,855
– Collective asset management schemes	–	66,192	287,378	353,570
– Wealth management products	–	130,128	–	130,128
– Asset backed securities	–	356,204	–	356,204
– Trust schemes	–	163,483	–	163,483
– Private equity funds	–	2,496,440	975,828	3,472,268
– Commercial paper	–	3,387,932	–	3,387,932
Financial assets at FVTOCI				
– Equity instruments	–	3,416,377	–	3,416,377
– Debt instruments	1,858,526	–	–	1,858,526
Derivative financial assets	110	339,240	70,961	410,311
<b>Total</b>	<b>2,679,129</b>	<b>25,775,204</b>	<b>2,233,384</b>	<b>30,687,717</b>
Liabilities				
Financial liabilities at fair value through profit or loss				
– Interests of other holders of consolidated structured entities	–	–	(462,028)	(462,028)
– Income certificates with variable interest yields	–	–	(686,524)	(686,524)
Derivative financial liabilities	–	(287,580)	(83,856)	(371,436)
<b>Total</b>	<b>–</b>	<b>(287,580)</b>	<b>(1,232,408)</b>	<b>(1,519,988)</b>

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 41. Fair value of financial assets and liabilities (continued)

#### 41.1 Financial instruments measured at fair value (continued)

As at 31 December 2020 (Audited)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities	866,351	22,637	7,999	896,987
– Investment in unlisted companies	–	–	140,675	140,675
– Debt securities	–	10,794,541	169,075	10,963,616
– Investment funds	95,101	1,504,993	–	1,600,094
– Collective asset management schemes	–	424,148	2,695	426,843
– Wealth management products	–	295,243	–	295,243
– Asset backed securities	–	388,815	–	388,815
– Trust schemes	–	162,464	–	162,464
– Private equity funds	–	2,080,354	–	2,080,354
Debt instruments at FVTOCI	–	1,678,037	–	1,678,037
Derivative financial assets	–	53,226	24,419	77,645
<b>Total</b>	<b>961,452</b>	<b>17,404,458</b>	<b>344,863</b>	<b>18,710,773</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Interests of other holders of consolidated structured entities	–	–	(587,293)	(587,293)
– Income certificates with variable interest yields	–	–	(311,989)	(311,989)
Derivative financial liabilities	(243)	(71,571)	(44,770)	(116,584)
<b>Total</b>	<b>(243)</b>	<b>(71,571)</b>	<b>(944,052)</b>	<b>(1,015,866)</b>

For the six months ended 30 June 2021 and year ended 31 December 2020, there were no transfers of fair value for financial instruments from level 1 and level 2 to level 3, nor were transfers between level 1 and level 2 of the fair value hierarchy of the Group.

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 41. Fair value of financial assets and liabilities (continued)

#### 41.1 Financial instruments measured at fair value (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2021 and 30 June 2020.

	Financial assets at FVTPL – Collective asset Management scheme	Financial assets at FVTPL – Private equity funds	Financial assets at FVTPL Bonds	Financial assets at FVTPL – Unlisted equity investments	Financial assets at FVTPL – Restricted stocks	Derivative financial assets – OTC options	Total
Balance at 1 January 2021	2,695	–	169,075	140,675	7,999	24,419	344,863
Fair value change	18,409	27,421	(47,529)	24,615	(219)	46,542	69,239
Increase	269,388	948,407	486,960	116,155	1,486	–	1,822,396
Decrease	(3,114)	–	–	–	–	–	(3,114)
Balance at 30 June 2021	287,378	975,828	608,506	281,445	9,266	70,961	2,233,384

	Financial assets at FVTPL – Unlisted equity investments	Derivative financial assets – OTC options	Total
Balance at 1 January 2020	99,742	–	99,742
Fair value change	783	1,785	2,568
Increase	–	264	264
Decrease	(1,507)	–	(1,507)
Balance at 30 June 2020	99,018	2,049	101,067

## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 41. Fair value of financial assets and liabilities (continued)

#### 41.1 Financial instruments measured at fair value (continued)

	Financial liabilities at fair value through profit or loss – Interests of other holders of consolidated structured entities	Financial liabilities at fair value through profit or loss – Income certificates with variable interests	Derivative financial liabilities – OTC options	Total
Balance at 1 January 2021 (Audited)	44,770	311,989	587,293	944,052
Losses recognized in profit or loss	39,086	(226)	(12,569)	26,291
Increase	–	683,961	69,256	753,217
Decrease	–	(309,200)	(181,952)	(491,152)
Balance at 30 June 2021 (Unaudited)	83,856	686,524	462,028	1,232,408

	Financial liabilities at fair value through profit or loss – Interests of other holders of consolidated structured entities	Financial liabilities at fair value through profit or loss – Income certificates with variable interests	Derivative financial liabilities – OTC options	Total
Balance at 1 January 2020 (Audited)	1,080,462	–	–	1,080,462
Losses recognized in profit or loss	31,416	588	4,222	36,226
Increase	–	78,670	–	78,670
Decrease	(300,385)	–	–	(300,385)
Balance at 30 June 2020 (Unaudited)	811,493	79,258	4,222	894,973

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Fair value of financial assets and liabilities (continued)

### 41.1 Financial instruments measured at fair value (continued)

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Unlisted equity investments	Level 3	<ul style="list-style-type: none"> <li>Discount rates that correspond to lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Financial assets at fair value through profit or loss – Restricted stocks	Level 3	<ul style="list-style-type: none"> <li>An adjustment or discount for lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Financial assets at fair value through profit or loss – Bonds	Level 3	<ul style="list-style-type: none"> <li>Discount rates reflecting the credit risk of the bond.</li> <li>The volatility of the underlying equity instrument for option</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> <li>The higher the volatility of the underlying equity instrument, the higher the fair value.</li> </ul>
Financial assets at fair value through profit or loss – Collective asset management schemes	Level 3	<ul style="list-style-type: none"> <li>The portfolio contains restricted stocks, whose fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Derivative financial instruments– OTC options	Level 3	<ul style="list-style-type: none"> <li>The volatility of the underlying equity instrument for option</li> </ul>	<ul style="list-style-type: none"> <li>The higher the volatility of the underlying equity instrument, the higher the fair value</li> </ul>
Financial liabilities at fair value through profit or loss – Interests of other holders of consolidated structured entities	Level 3	<ul style="list-style-type: none"> <li>Other adjustments based on the fair value of underlying assets</li> </ul>	<ul style="list-style-type: none"> <li>The higher the adjusted value, the lower the fair value.</li> </ul>
Financial liabilities at fair value through profit or loss – Income certificates with variable interests	Level 3	<ul style="list-style-type: none"> <li>The volatility of the underlying equity instrument for option</li> </ul>	<ul style="list-style-type: none"> <li>The higher the volatility of the underlying equity instrument, the higher the fair value</li> </ul>

# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Fair value of financial assets and liabilities (continued)

### 41.2 Financial instruments not measured at fair value

As at 30 June 2021, the fair value of the bonds in issue of the Group was RMB17,110,814 thousand (31 December 2020: RMB13,534,170 thousand), and the carrying amount was RMB16,925,151 thousand (31 December 2020: RMB13,779,759 thousand). The Group adopts the discounted cash flow method by discounting future cash flow with yield rate of the bonds for fair value assessment. The fair value of other financial assets and financial liabilities which are not measured at fair value approximates the carrying amount of these assets and liabilities.

## 42. Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

## 43. Events after the end of the reporting period

### Offering of corporate bonds

On 26 July 2021, the Company issued RMB1,000,000 thousand of short term financing bond with a term of 339 days and an interest rate of 2.75% per annum paid at maturity.

### Non-public issuance of A shares

The Board Meeting of the Company held on 5 February 2021 and the extraordinary general meeting held on 1 March 2021 approved a proposal, which intends to offer A-shares in a non-public offering and related matters. On 13 May 2021, the Company received the acceptance of administrative license from the CSRC. On 4 June 2021, the Company completed the application documents feedback. On 27 July 2021, the Company received the "Approval in Relation to the non-public issuance of Shares by Guolian Securities Co., Ltd. (Zheng Jian Xu Ke [2021] No. 2486)" from the CSRC, which approved the Company's Non-public Issuance of not more than 475,623,800 new shares. Up to the date of approval of these consolidated financial statements, the Company has been actively preparing for the non-public issuance of A-shares.

### Capital increase of a subsidiary

The Board Meeting of the Company held on 24 August 2021 approved the proposal on increasing the registered capital of Guolian Tongbao Capital Investment Co., Ltd. in cash by RMB400 million.

### Capital reduction of a subsidiary

The Board Meeting of the Company held on 24 August 2021 approved the proposal on reducing the registered capital of Huaying Securities Co., Ltd. from RMB800 million to RMB200 million in order to improve the Group's overall use efficiency of capital.

## Notes to the Condensed Consolidated Financial Statements

*(All amounts in RMB'000 unless otherwise stated)*

### 43. Events after the end of the reporting period (continued)

#### Guarantee for overseas subsidiaries

The Board Meeting of the Company held on 24 August 2021 approved the proposal on providing guarantee for Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries with a total amount of no more than US \$100 million, which will be effective within 24 months from the date of approval by the Board of Directors.

The Group had no other material events for disclosure subsequent to 30 June 2021 and up to the date of approval of these consolidated financial statements.