



# 国联证券股份有限公司

GUOLIAN SECURITIES CO., LTD.

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

Stock code: 1456

## INTERIM REPORT 2022





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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. Ge Xiaobo

### DIRECTORS

#### Executive Director

Mr. Ge Xiaobo (Chairman of the Board, President)

#### Non-executive Directors

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. Ge Xiaobo (Chairman)  
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. Ge Xiaobo (Chairman)  
Mr. Hua Weirong  
Mr. Zhou Weiping  
Mr. Liu Hailin  
Mr. Wu Xingyu

### SECRETARY OF THE BOARD

Mr. Wang Jie

### COMPANY SECRETARY

Ms. Lin Fanyu

### AUTHORIZED REPRESENTATIVES

Mr. Ge Xiaobo  
Ms. Lin Fanyu

### 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  
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 2022	Six months ended 30 June 2021	Variance in comparison with the corresponding period of last year (%)
<b>Operating results (RMB'000)</b>			
Total revenue, gains and other income	1,945,197	1,666,923	16.69
Profit before income tax	545,652	508,644	7.28
Interim profit – attributable to the Company's Shareholders	437,237	378,997	15.37
Net cash used in operating activities	-1,761,497	-3,233,015	N/A
<b>Earnings per share (RMB/share)</b>			
Basic earnings per share	0.15	0.16	-6.25
Diluted earnings per share	0.15	0.16	-6.25
<b>Profitability index</b>			
– Returns on net assets <sup>(note 1)</sup> (%)	2.63	3.52	Decreased by 0.89 percentage point

Items	As of 30 June 2022	As of 31 December 2021	Variance in comparison with the end of last year (%)
<b>Scale indicators (RMB'000)</b>			
Total assets	78,681,770	65,939,239	19.32
Total liabilities	62,121,893	49,558,170	25.35
Accounts payable to brokerage clients	12,539,002	11,182,579	12.13
Equity attributable to the Company's Shareholders	16,559,877	16,381,069	1.09
Share capital ('000 shares)	2,831,773	2,831,773	0.00
Net asset value per share attributable to the Company's Shareholders (RMB/share)	5.85	5.78	1.21
Gearing ratio <sup>(note 2)</sup> (%)	74.96	70.08	Increased by 4.88 percentage points

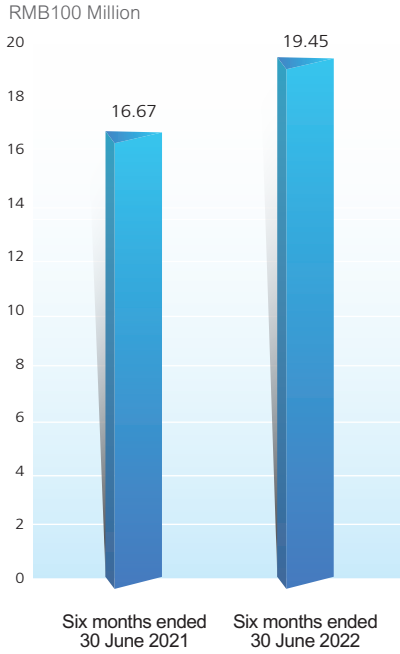
Notes:

- 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.
- Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients).

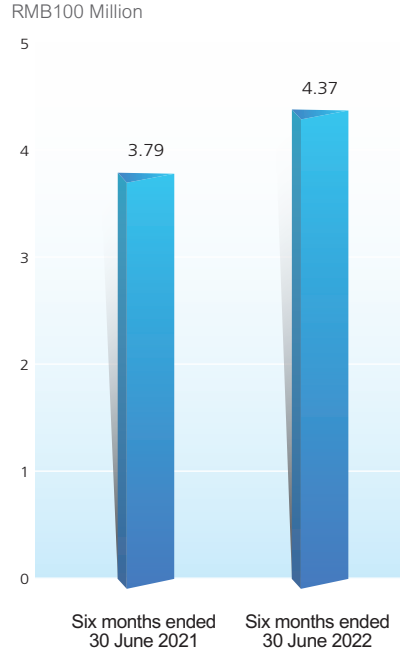


# Financial Highlights

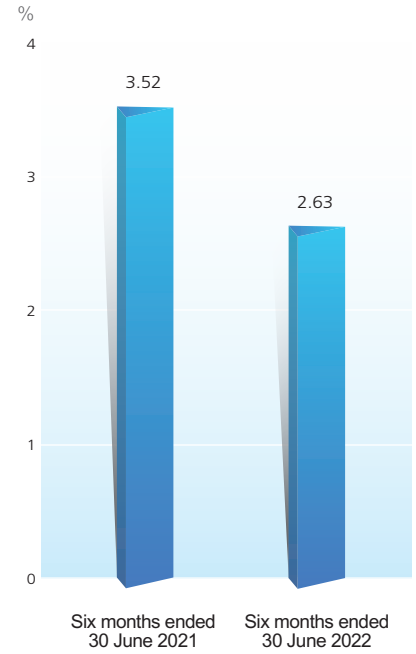
### Revenue, gains and other income



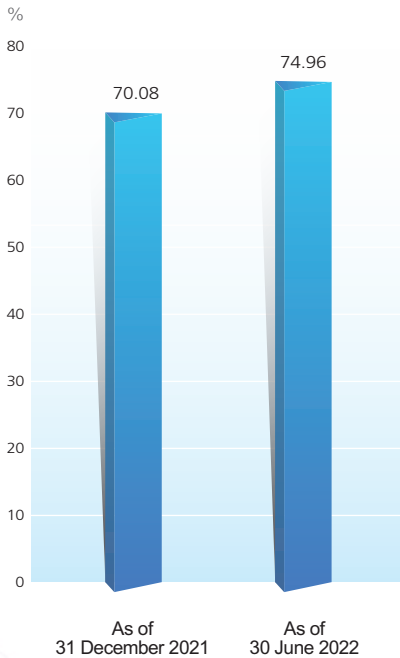
### Interim profit – attributable to the Company's Shareholders



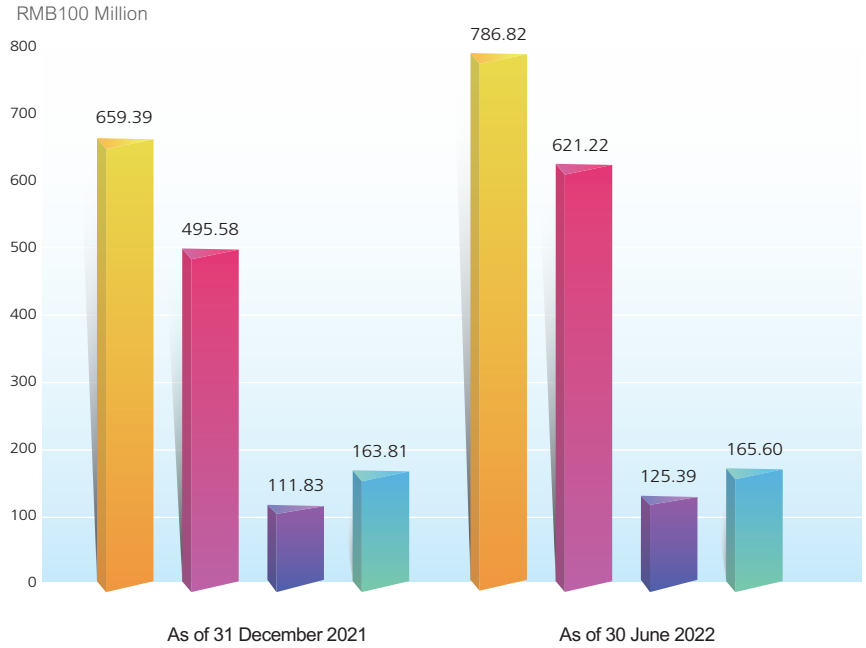
### Returns on net assets



### Gearing ratio



### Scale indicators



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



# Management Discussion and Analysis

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

In the first half of 2022, the conflict between Russia and Ukraine dragged down global economic recovery, while the impact of the epidemic and global supply chain on the global economy has not completely subsided. Currently, with the inflation rate in many countries hitting a new high over many years, the risks to the overall economic has risen significantly. According to the latest World Economic Outlook report released by the IMF in April 2022, the global economic growth in 2022 is expected to be 3.6%, down by 0.8 percentage point as compared to the forecast in January. Indeed, the medium-term outlook was downgraded for almost all country groups, except for commodity exporters that benefited from soaring energy and food prices. Under the circumstances, it will take longer time for advanced economies to return to their pre-epidemic levels in total output; while greater challenges will be brought to the growth in emerging market and developing economies. In addition, with inflation rising in 2022, many central banks have tightened monetary policy. The pace of Federal Reserve's rate hike and balance-sheet reduction has been further clear. The rapid rate hike by the Federal Reserve may have a greater impact on global risk preference, monetary policies of various countries and global asset pricing.

China's economy experienced a relatively stable start in the first quarter of 2022. However, in March, especially since the second quarter, owing to multiple factors such as the unexpected spread of the epidemic in Shenzhen, Shanghai and other places, China's economic growth once saw significant decline. At the end of April, "It's necessary to intensify the adjustment of macro policies" and "Efforts shall be made to achieve the targets set for economic and social development for the year" was announced at the meeting of the Political Bureau. Thereafter, a number of macroeconomic policies, including interest rate cuts, continued to introduce to stabilize the economic performance. In addition, with the epidemic gradually under control, a number of macroeconomic indicators have improved recently. Looking forward into the second half year, although China's economy still has a certain momentum of recovery, the slowdown in global economic growth, the Federal Reserve's rate hike, the possible resurgence of the epidemic and other factors may mean that achieving the policy goal of "steady growth" in the second half year remains challenging.

High-quality development is the main theme of the economic development of China in future. The Fifth Plenary Session of the 19th Central Committee of the Party proposed to "persistently focus on the development of the economy on the real economy, unswervingly build China into a strong manufacturing powerhouse, a quality powerhouse, a cyber powerhouse and a digital China, promote the level of its industrial foundation and the modernization of the industrial chain and enhance the economic quality and efficiency and core competitiveness". Under this background, high-end manufacturing industries, led by semiconductor chips, bio-pharmaceuticals, artificial intelligence and other industries, will become the main driving forces for future 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

With the new economic concepts of China's economy replacing the old and the transformation of its development model, equity assets are expected to usher in a golden age. Residents' wealth deployment will be more targeted to the capital market, and the development trend of Pan-wealth management has been established. Against this background, the securities industry has also seen a new development momentum. The main licensed businesses of securities companies have basically formed a consensus on transformation: from channel-type investment banking to industrial-type investment banking, using industrial thinking to promote corporate capital operations; from brokerage business to wealth management, to meet the growing needs of customers for investment and wealth inheritance; from channel asset management to active management, giving play to the function of value discovery; and from self-operating mode to transaction intermediary, to become a supplier of market liquidity and solutions.

From the perspective of the competitive layout of the securities industry, affected by the homogeneity of business models, the concentration of securities industry in China is currently relatively fragmented as compare to the more developed markets. In 2021, the total realized profits of the top 3 companies accounted for 23% of the entire industry, but industry concentration is gradually increasing. As the leading securities companies have strong capital strength, solid customer base, and professional manpower team, their relative competitive advantages are becoming more and more obvious. The entire industry layout has shown an oligarchic situation in which leading companies are becoming stronger and stronger, and competitive pressure for small and medium-sized securities brokers may be further increased.

However, the reform of the registration system is expected to bring more business opportunities. Under the registration system, the IPO review speed is accelerated, the expansion of capital market scale is boosted, and the investment banking business shows an overall growth trend, which also brings more direct investment and follow-up investment business opportunities for securities companies. As a regional securities broker, we expect to benefit more from the registration system reform. Since the implementation of the registration system, a large proportion of incremental projects have come from small and medium-sized technology companies, and such projects are usually undertaken by small and medium-sized securities brokers with regional characteristics. At the same time, the integration of the Yangtze River Delta has been escalated to a top national strategy, local securities brokers are expected to gain more business opportunities in participating in and serving the integration construction of the Yangtze River Delta.



## Management Discussion and Analysis

### II. GENERAL OPERATING SITUATION

As of 30 June 2022, total assets of the Group were RMB78.682 billion, representing an increase of 19.32% as compared to 31 December 2021; and equity attributable to Shareholders of the Company was RMB16.56 billion, representing an increase of 1.09% as compared to 31 December 2021. During the Reporting Period, the Group achieved total revenue, gains and other income amounting to RMB1.945 billion, representing a year-on-year increase of 16.69%; and net profit attributable to Shareholders of the Company was RMB437 million, representing a year-on-year increase of 15.37%.

The revenue generated from the brokerage and wealth management business was RMB525 million, representing a year-on-year increase of 8.12%; the revenue generated from the investment banking business was RMB272 million, representing a year-on-year increase of 30.29%; the revenue generated from the asset management and investment business was RMB101 million, representing a year-on-year decrease of 6.06%; the revenue generated from the credit transaction business was RMB368 million, representing a year-on-year increase of 7.99%; and the revenue generated from the proprietary trading business was RMB561 million, representing a year-on-year increase of 19.88%.

### 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 transaction business and proprietary trading business.

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

##### Market Environment

In the first half of 2022, according to the information of the Shanghai and Shenzhen Stock Exchanges, the trading volume of stocks and funds in the Shanghai and Shenzhen markets was RMB124.56 trillion, and the average daily turnover of stocks and funds was RMB1,064.6 billion, representing a year-on-year increase of 8.55%. During the Reporting Period, the SSE Composite Index fell by 6.63% and the SZSE Component Index dropped 13.20%.





# 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: continuously expanding the fund investment advisory team, improving investment advisory service capabilities and increasing the scale of fund investment advisory both internally and externally by consolidating the foundation internally and expanding cooperation channels externally; continuously improving product system to meet the multi-level wealth management needs of the clients; developing a high-net-worth client service system to meet the deployment needs of high-net-worth clients through high-end customized series products; sorting out and integrating corporate resources and enhancing comprehensive service capabilities for private equity fund business of the Company; making greater efforts to explore and serve the enterprises, governments and equity investment funds in the region, further exploring customer needs, and strengthening the interaction and coordination between wealth management business and various business lines of the Company.

In the first half of 2022, the net income from agency sales of securities business of the Company was RMB215 million, representing a year-on-year increase of 7.24%. During the Reporting Period, the transaction volume from the agency sales of securities of the Company (stocks and funds) was RMB1,262.258 billion, representing an increase of 19.52% as compared to the same period of last year, with a market share of 0.51%, representing a year-on-year increase of 10.87%. As at the end of the Reporting Period, our total number of customers was 1,485,900, representing a year-on-year increase of 10.79%.

During the Reporting Period, sales volume of financial products of the Company amounted to RMB21.626 billion, representing a year-on-year increase of 2.50%. Among which, sales volume of self-developed asset management products amounted to RMB6.102 billion, representing a year-on-year decrease of 44.23%. Sales volume of securities investment fund products amounted to RMB10.852 billion, representing a year-on-year increase of 67.86%. Sales volume of third-party trust products amounted to RMB969 million, representing a year-on-year decrease of 53.59%. Sales volume of other financial products amounted to RMB3.706 billion, representing a year-on-year increase of 130.62%.

During the Reporting Period, despite affected by market fluctuations, 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 of the end of the Reporting Period, the total number of contracted accounts for fund investment advisory business of the Company was 201.7 thousand, and the asset scale of authorized accounts was RMB7.413 billion.



# Management Discussion and Analysis

## Outlook in the Second Half of 2022

In the second half of 2022, 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 try to promote the distributed investment advisory service model to solve the problems of customer stickiness and investor education. With the “General Direction 50” and high-end customization as the starting point, the Company will guide the clients to deploy equity products and expand the sales scale of equity products. The Company will vigorously explore institutional clients of private equity by making full use of existing resources. The Company will strengthen the interaction with the Company’s various business lines, aiming to make the wealth line become the central link of business chain and play the role of actively introducing full-cycle service opportunities for enterprises.

## (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 2022, the overall pace of issuance in the Shanghai and Shenzhen A-share markets fell back. A total of 368 equity financing projects were completed, representing a decrease of 204 as compared with the same period of last year, with total financing amount of RMB675.330 billion, representing a year-on-year decrease of 7.50%. Among which, the number of IPO and private placement projects declined significantly. In the first half year, 176 IPO projects were completed, representing a decrease of 90 as compared with the same period of last year, with the financing amount of RMB260.186 billion, representing an increase of 19.02% as compared with the same period of last year; 115 private placement projects were completed, significantly decreased by 110 year-on-year, with the financing amount of RMB224.251 billion, representing a year-on-year decrease of 32.25%.

#### *Actions and Achievements*

In the first half of 2022, Hua Ying Securities completed 1 IPO project with an underwriting amount of RMB1.038 billion, ranking 29th in the industry in terms of underwriting amount of IPO. Under the market situation where the number of IPO and refinancing issuances both declined sharply, the Company made every effort to promote the equity business and continued to increase the reserve of equity projects. As of the end of the Reporting Period, 1 IPO project already obtained approvals and was pending issuance, 8 equity projects with applications under review (including 5 IPO projects and 3 refinancing projects) and 12 tutoring projects, and the equity business had achieved a healthy synergy. In addition, the Company seized the historical opportunity of the Beijing Stock Exchange and the reform of comprehensive registration system, and strived to promote the equity business to a new level.



## Management Discussion and Analysis

The table below shows the details of equity underwriting and sponsorship business in the first half of 2022:

Items	First half of 2022		First half of 2021	
	Underwriting amount	Number of issuances	Underwriting amount	Number of issuances
	(In RMB100 million)		(In RMB100 million)	
Initial public offering	10.38	1	0	0
Refinancing issuance	0	0	28.37	2
Others	0	0	0	0
Total	10.38	1	28.37	2

Note: The above equity projects include lead underwriting and joint lead underwriting.

### *Outlook in the Second Half of 2022*

In the second half of 2022, Hua Ying Securities will vigorously promote the issuance and listing of equity projects that have obtained approvals and several declared equity projects to ensure the revenue of key projects is realized as scheduled. It will develop high-quality IPO clients with “investment banking + investment” as the starting point, and continue to expand the scale of equity business, especially the reserve of IPO business in Wuxi region. It will provide better services for listed companies and their shareholders, and strengthen the business of listed companies. It will strengthen comprehensive financial services for existing customers, and deeply explore business opportunities. It will seize the historical opportunity of the Beijing Stock Exchange and the reform of comprehensive registration system, and give play to the important role of finance in serving the real economy.

## 2. Bond Financing Business

### *Market Environment*

In the first half of 2022, the growth rate of bond issuance slowed down as compared with previous years. There was 24,746 bond projects in total, representing a decrease of 1,366 as compared with the same period of last year, with a total size of bond issuance of RMB31.51 trillion, representing a year-on-year increase of 6.55%. Among which, 280 enterprise bonds were issued, representing an increase of 50 as compared with the same period of last year, with an issuance size of RMB216.677 billion, basically the same as the same period of last year. 1,734 corporate bonds were issued, representing a decrease of 200 as compared with the same period of last year, with an issuance size of RMB1,514.434 billion, representing a decrease of 9.13% as compared with the same period of last year.



## Management Discussion and Analysis

### *Actions and Achievements*

In the first half of 2022, the bond market was still in a state of fierce competition. The bond business of Hua Ying Securities was striving for progress and proactively innovating. It completed a total of 45 bond lead underwriting (including joint lead underwriting) projects and 17 government bond sub-underwriting projects, with a total underwriting amount of RMB20.718 billion. In terms of project reserves, as of the end of the Reporting Period, Hua Ying Securities had 42 projects which had already obtained approvals and were pending issuance, and 30 projects with applications under review. In addition, Hua Ying Securities actively developed high-quality clients such as central enterprises and large local state-owned enterprises by intensifying the in-depth exploration of the financing needs of core clients, and focused on special services such as green bonds and rural revitalization bonds, so as to strive to break through the intensively competitive bond market.

The table below showed the details of bonds underwriting business in the first half of 2022:

Items	First half of 2022		First half of 2021	
	Amount of underwriting (In RMB100 million)	Number of issuances	Amount of underwriting (In RMB100 million)	Number of issuances
Enterprise bonds	10.00	1	0	0
Corporate bonds	187.08	43	141.11	30
Financial bonds	2.00	1	55.00	6
Local government bonds	8.10	17	12.02	32
Others	0	0	2.50	1
Total	207.18	62	210.63	69

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

### *Outlook in the Second Half of 2022*

In the second half of 2022, Hua Ying Securities will continue to increase the reserve of bond projects and improve the professional capabilities of bond services. It will focus on expanding the bond sales networks and enhance bond sales capabilities. It will increase bond innovation projects, focus on national strategic varieties and strengthen service characteristics.



## Management Discussion and Analysis

### 3. Financial Advisory Business

#### *Market Environment*

In the first half of 2022, the number of announced transactions in China's mergers and acquisitions and restructuring market (excluding overseas mergers and acquisitions) was 4,183, with a transaction value of RMB963.452 billion, representing a decrease of 27.40% as compared with the same period of last year. The number of completed transactions was 1,904, with a transaction value of RMB215.831 billion, representing a decrease of 58.90% as compared with the same period of last year.

#### *Actions and Achievements*

With the full promotion of the registration system and other factors, the activity of mergers and acquisitions market has declined. Hua Ying Securities provided high-quality comprehensive services to clients by strengthening business synergy. In the first half of 2022, a total of 21 financial advisory projects (excluding NEEQ) were completed.

#### *Outlook in the Second Half of 2022*

In the second half of 2022, Hua Ying Securities will adhere to customer-focused measures and do a good job in core customer service. It will make active deployment, promote the development of mergers and acquisitions and restructuring business by expanding the scale of the refinancing business to further improve the comprehensive service capabilities of mergers and acquisitions.

### 4. NEEQ Business

#### *Market Environment*

As at the end of the first half of 2022, the number of enterprises listed on NEEQ was 6,720, with a total market capitalization of RMB1,834.547 billion. The total trading volume on the NEEQ market amounted to RMB29.019 billion, and total funds raised from the issuance of shares amounted to RMB12.664 billion. As at the end of the Reporting Period, the NEEQ component index decreased by 11.87% as compared with that of the end of 2021. The NEEQ market making component index decreased by 15.07% as compared with that of the end of 2021.



## Management Discussion and Analysis

### *Actions and Achievements*

In the first half of 2022, Hua Ying Securities completed 1 NEEQ listing business, 3 NEEQ private placements business, 1 NEEQ mergers and acquisitions and restructuring business, and continued to supervise 95 companies.

### *Outlook in the Second Half of 2022*

In the second half of 2022, Hua Ying Securities will operate on the basis of expanding client coverage, continue to improve the business management system and market development system of NEEQ with value identification and actualization as the core, to promote the listing business, complete daily supervision, and 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 Business

#### *Market Environment*

In 2022, the new asset management regulations officially and comprehensively touched down. The asset management industry further returned to the origin of active management, broke rigid payment and fully opened the era of net worth and standardization. At the same time, the transformation of asset management business of securities brokers 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 layout of the public offering track, so as to seek differentiated development and boost high-quality development.

#### *Actions and Achievements*

In the first half of 2022, for asset management business, the Company based on strengthening its active management capabilities and focused on customer needs, improved the professional investment and research system, optimized product creation capabilities, channel marketing capabilities and compliance risk control efficiency. The Company continuously strengthened development of institutional customer, effectively promoted channel agency sales and institutional customization, and provided clients full life cycle and full business chain comprehensive financial service solutions through professional asset deployment and underlying asset evaluation services. The operation of public offering products achieved initial results, and product performance and market influence were significantly improved.



## Management Discussion and Analysis

As of the end of the Reporting Period, the entrusted funds of the asset management business of the Company amounted to RMB103.972 billion, representing a year-on-year increase of 35.11%. Operating income amounted to RMB73.186 million, representing a year-on-year increase of 34.31%.

Among which, 4 were public offered funds (including large-scale fund collections), with an asset size of RMB5.884 billion; 71 were Collective Asset Management Schemes, with an asset size of RMB13.130 billion; 145 were Single Asset Management Schemes, with an asset size of RMB48.785 billion; 34 were Specialized Asset Management Schemes, with an asset size of RMB36.172 billion.

Category	Size of asset management (In RMB100 million)		Operating income <sup>1</sup> (In RMB ten thousand)	
	End of the first half of 2022	End of the first half of 2021	First half of 2022	First half of 2021
Public Offered Funds	58.84	–	752.01	–
Collective Asset Management Scheme	131.30	95.76	2,728.96	1,894.63
Single Asset Management Scheme	487.85	517.04	2,390.68	2,366.78
Specialized Asset Management Scheme	361.72	156.76	1,446.95	1,187.61
Total	1,039.72	769.56	7,318.60	5,449.02

Note 1: According to the standards of SAC.

### *Outlook in the Second Half of 2022*

In the second half of 2022, the Company will continue to focus on the interests of investors, and improve the three core capabilities of the asset management business, namely asset deployment capabilities, product coverage and evaluation and risk control of products. Centering on the “General Direction 50” system, the Company will build a multi-strategy product pool integrating public and private placements, and promote dual-wheel driver of flexible asset deployment + “general direction” product deployment to fully meet the changing needs of customers with differentiated product deployment. The Company will actively promote the establishment of asset management subsidiaries, continue to optimize product structure, solidly build investment and research strength, steadily improve operational standards and build a financial technology platform, and effectively improve the ability to serve the real economy and manage residents’ wealth.



# Management Discussion and Analysis

## 2. Private Equity Investment Business

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

### *Market Environment*

In the first half of 2022, the domestic private equity investment market continued its recovery trend, and the scale of government-guided funds was further increased with obvious effect of policy guidance. In terms of industries, popular sectors such as IT and informatization, manufacturing, medical treatment and health still maintain a favourable sentiment towards investments, and the favourable sentiment towards energy, consumption and other topics was increasingly enhanced.

### *Actions and Achievements*

In the first half of 2022, by focusing on the capacity development of “fundraising, investment, management and withdrawal”, Guolian Capital further explored key industries, and made greater efforts to the exploration of high-quality projects. It also strengthened its business synergy through continuous strengthening of internal compliance management. As at the end of the Reporting Period, Guolian Capital had 10 subsisting filing funds, with a subsisting management scale of RMB3.266 billion.

### *Outlook in the Second Half of 2022*

In the second half of 2022, by taking national policies as the direction, Guolian Capital will continue to serve the real economy, practice national strategies, and focus on sectors encouraged by national policies. In addition, it will give full play to the aggregate functionality of financial resources, and adhere to the development concept of paying equal attention to management scale and investment benefits to enlarge and strengthen fund management size. It will continue to accomplish the investment management service works for established funds, improve post-investment management and risk control, strengthen system support and internal team building, and improve team members allocation. It will also strengthen forward-looking layout, and promote QDLP and QFLP qualifications applications and fund establishment according to policy guidance as well as window guidance.





# Management Discussion and Analysis

## (IV) Credit Transaction Business

### 1. Margin Financing and Securities Lending Business

#### *Market Environment*

In the first half of 2022, 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 RMB1,603.331 billion, of which the balance of margin financing was RMB1,509.769 billion and the balance of securities lending was RMB93.562 billion, representing a decrease of 12.49% as compared with the balance of margin financing and securities lending of RMB1,832.191 billion at the end of December 2021.

#### *Actions and Achievements*

During the Reporting Period, the Company strengthened the business training and service support for branches through a combination of offline and online models, and promoted the development of its proprietary securities pool through enhancing internal coordination to meet the securities lending needs of high-net-worth clients. It also emphasized the risk control management through accelerating the construction of intelligent risk models for guaranteed securities and underlying securities, strengthened pre-warning risk alert and measures, and conducted stress tests to avoid the occurrence of risk events.

As at the end of the Reporting Period, the total number of credit accounts of clients was 24,645, representing a year-on-year increase of 4.67%. The total credit amount of margin financing and securities lending of clients was RMB67.520 billion, representing a year-on-year increase of 9.01%. The closing balance of margin financing and securities lending was RMB9.438 billion, representing a year-on-year decrease of 6.85%. Interest income from margin financing and securities lending business was RMB286 million, representing a year-on-year increase of 0.70%.



# Management Discussion and Analysis

## *Outlook in the Second Half of 2022*

In the second half of 2022, by centering on its wealth management transformation and development philosophy, the Company will strengthen the analysis of the diversified needs of the market customers base with the objective of improving the business scale of margin financing and securities lending, so as to provide customers with more targeted business services and support. Through actively boosting the development of high-net-worth clients such as private placement, enterprises and institutions, the Company will meet their business needs under the condition of controllable risk. It will also strengthen the interaction and cooperation within the Company, and jointly promote the scale of margin financing and securities lending through multi-dimensional services.

## **2. Stock Pledged Repurchase Business**

### *Market Environment*

Currently, the stock pledged repurchase business of Shanghai Stock Exchange and Shenzhen Stock Exchange are running smoothly. The overall business scale of the market maintains a gradual declining trend, and the default risk faced has been marginally improved. Currently, the polarisation is more obvious, and the new businesses mainly concentrate on high-quality companies with better profitability. However, the formation of stock pledged business risks is affected by a variety of factors and the prevention and resolution of stock pledged risks will take a long period of time and is complicated. A cautious attitude still needs to be maintained and credit risk management still needs to be further strengthened for self-funded stock pledged 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 the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB3.744 billion, representing a decrease of 1.86% as compared with RMB3.815 billion as at the end of 2021. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB2.014 billion, representing a decrease of 12.01% as compared with RMB2.289 billion as at the end of 2021, with an average performance guarantee ratio of 318.86%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB1.730 billion, representing an increase of 13.37% as compared with RMB1.526 billion as at the end of 2021, with an average performance guarantee ratio of 363.43%. In addition, as of the end of the Reporting Period, the Company raised RMB443 million from the business of financing-oriented option exercise.

### *Outlook in the Second Half of 2022*

In the second half of 2022, the Company will continue to do a good job in the credit risk control of stock pledged repurchase business and carefully select high-quality projects to prudently carry out incremental business; enhance the market analysis, project research and system development of financing-oriented option exercise business; diversify the development of stock pledged business, and give full play to the role of stock pledged comprehensive financial instruments. 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 actual needs of customers such as the substantial shareholders and senior management of listed companies.

## (V) Proprietary Trading Business

### Market Environment

In the first half of 2022, the stock market encountered three more apparent adjustments in January, March and April, and the SSE Composite Index hit a new low since July 2020 due to various factors such as the further impact of domestic epidemic, the outbreak of the Russian-Ukrainian war, the rise in commodity prices pushed up prices, and the progress of the rate hikes imposed by the FED. Since then, stimulated by the domestic policy of stabilizing growth, the market has shown a recovery in sentiment and valuation in the second quarter. The sharp rise in industries represented by photovoltaics and new energy vehicles has led to a significant rebound in the index.



## Management Discussion and Analysis

Under the resurging disturbance of the epidemic, the economic trend in the first half of 2022 was weak, and the policy of stabilizing growth continued to exert force, monetary policy continued to be loosened, the policy interest rate was lowered by 10BP in mid-January, the aggregate 5-year LPR interest rate was lowered by 20BP in January and May, the deposit reserve ratio was lowered by 0.25 percentage point in April, and the repo rate was stable at a low level. For fiscal policy, the tax rebate was incrementally expanded, and the issuance of local special bonds was ahead of schedule. For industrial policy, many cities continued to relax their housing policies to meet housing demand under the keynotes of “houses are for accommodation and not for speculation” and “region-specific regulatory policies”. Against the above-mentioned economic and policy background, the trend of bond yields in the first half of 2022 was differentiated, interest rate bond yields fluctuated within a narrow range under the influence of the epidemic and repeated economic expectations, and low and stable capital prices drove credit bond yields downward.

### Actions and Achievements

For equity proprietary trading business, the Company has all along been taking absolute return as its target and adhering to its principle of value investment, adopted fundamental research as starting point, focused on undervalued industries and companies or those had good growth potential, and developed the business steadily while taking risks and returns into consideration. In the first half of 2022, the equity proprietary trading business has effectively responded to the three rounds of adjustment since the first quarter and resisted the adverse impact of the market through beforehand layout planning and timely adjustment of position types. At the same time, it seized the rebound opportunities of some industries and individual stocks since the second quarter, and achieved overall turnaround from loss to profit. The yield rate outperformed the CSI 300 index significantly.

For fixed income business, the Company has always adhered to the business philosophy of prudent investment and customer demand as the core. Investment transactions achieved stable returns through flexible position adjustment and duration control under the premise of strictly controlling credit risks. At the same time, the scale of spot bond and repurchase transactions continued to increase, and market influence was enhanced. Capital intermediary business expanded customer coverage, strengthened customer service capabilities, and promoted in-depth business development in various segments of business operation. In addition, the Company actively promoted the business application of exchanges and inter-bank market makers, improved the management methods of credit risk mitigation tools, broadened the scope of business, and enhanced profitability.

For equity derivatives business, the Company is committed to meeting the individual investment needs of customers, and the linked targets and income structures are increasingly enriched. Among which, the over-the-counter derivatives business is running smoothly and has established a certain industry reputation. According to the operating income ranking information of securities companies that based on counter-party transactions between counters and institutional clients in 2021 released by SAC, the Company's income ranking entered top 10 in the industry. At the same time, the Company actively explored diversified strategies and steadily promoted the quantitative investment business.



## Management Discussion and Analysis

### Outlook in the Second Half of 2022

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. Challenges and opportunities coexist in the domestic A-share market in the second half year, and macroeconomic policies continue to be loosened to provide better liquidity for the market. However, the sharp rebound in the index in May and June has fully reflected the restoration of expectations and valuations, which pose more challenges for continuing rise in the short-run. In the second half year, it is necessary to further verify the recovery of fundamentals and the control of inflation. In the second half of 2022, the equity investment business of the Company will focus on the layout of medium and long-term opportunities and further select growing individual stocks, supplemented with strategic investment models such as private placement and convertible bonds, 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 domestic and foreign macro environment is still complex and volatile in the second half year. The Company will strengthen the depth of investment and research, enhance the market research and judgment win rate, reinforce credit risk screening, enrich the types of strategies, actively grasp the market trend to ensure steady growth in profitability through strictly implementing investment and trading discipline and control of the risk of profit withdrawal. At the same time, the Company will further deepen the fixed income feature of “seller”, actively promote the application for new business qualifications, seek business opportunities in segmented markets, and improve the comprehensive capabilities of product creation and design and customer service.

For equity derivatives business, the Company will continue to carry out business innovation, increase investment and research investment, expand transaction scale, continuously improve the institutional transaction service capabilities and product design capabilities of the Company, and improve the service ecosystem.

## 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 continue to advance the achievement of the annual operating targets and consolidate the foundation for sustainable development. Firstly, for the wealth management business, the Company will explore a new model of public fund investment advisory business, and strive to improve investment advisory service capabilities and digital operation capabilities to consolidate business leadership. Secondly, for the asset management business, the Company will further give full play to the advantages of active management capabilities, and continue to develop active management brands focusing on key products to improve the scale of active management. Thirdly, for the investment banking business, the Company will strengthen the development of IPO projects, make efforts to enhance the influence of the IPO business focusing on key industries and key regions, and maintain the steady growth of the bonds underwriting business. Fourthly, for the financial market business, the Company will accelerate the application for new business segment licenses, and, on such basis, further enrich the product and strategy system to improve the customer service efficiency of financial institutions. Fifthly, the Company will strengthen the compliance and risk vertical management covering all domestic and overseas subsidiaries, and maintain compliance and stable operation.

## V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2022, the equity attributable to the Company's Shareholders was RMB16.56 billion, representing an increase of 1.09% as compared with RMB16.381 billion at the end of 2021.

During the Reporting Period, the securities market became more volatile. The Group actively promoted business transformation, enriched trading varieties and the total assets size increased by 19.32% 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 18.60% 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 59.35% of total assets; financing assets (including margin accounts receivable and financial assets held under resale agreements) accounted for 18.54% of total assets; and other property and equipment, intangible assets, right-of-use assets and other operational assets accounted for 3.51% of total assets. The Group's total self-owned assets (total assets less accounts payable to brokerage clients) was RMB66.143 billion, representing an increase of RMB11.386 billion, or 20.79%, as compared with the end of 2021.



## Management Discussion and Analysis

The gearing ratio of the Company increased slightly. As at the end of the Reporting Period, the self-owned gearing ratio of the Group (both total assets and total liabilities less accounts payable to brokerage clients) was 74.96%, representing an increase of 4.88 percentage points as compared with 70.08% at the end of 2021. The Group's operating leverage (total assets less accounts payable to brokerage clients divided by equity attributable to the Company's Shareholders) was 3.99 times, representing an increase as compared to the 3.34 times at the end of 2021. 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 15 branch offices and 87 securities branches. During the Reporting Period, the Company newly established Hainan Branch Office, Zhejiang Branch Office, Suzhou Nantiancheng Road Securities Branch (蘇州南天成路證券營業部) and Suzhou Zhongshan South Road Securities Branch (蘇州中山南路證券營業部), and de-registered Yixing Guangming West Road Securities Branch (宜興光明西路證券營業部), Yixing Heqiao Town Xiheng Street Securities Branch (宜興和橋鎮西橫街證券營業部) and Wuxi Mashan Meiliang Road Securities Branch (無錫馬山梅梁路證券營業部).

## VII. MAJOR INVESTMENT AND FINANCING EVENTS

### (I) Major Investment Events

During the Reporting Period, the Company had no major external investment matters.

### (II) Major Financing Events

#### 1. Equity Financing

During the Reporting Period, the Company had no major equity financing matters.



## Management Discussion and Analysis

### 2. Debt Financing

In the first half of 2022, the cumulative additional debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB6.759 billion, and the cumulative principal repayment of debt financing matured amounted to RMB5.650 billion. The remaining amount of outstanding debt financing of the Company as at 30 June 2022 was RMB19.449 billion. There was an outstanding borrowing of US\$6 million in respect of a wholly-owned subsidiary in Hong Kong. The remaining amount of various indebtedness was as follows:

- (1). The new public issuance of corporate bonds to professional investors was RMB3.1 billion, with the principal of RMB1.5 billion repaid during the Reporting Period. The outstanding public issuance of corporate bonds as at 30 June 2022 to professional investors was RMB9.1 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of	100,000	2021/3/15	2024/3/15	1,096
corporate bonds to	150,000	2021/5/12	2024/5/12	1,096
professional investors	150,000	2021/6/7	2023/6/7	730
	100,000	2021/6/28	2024/6/28	1,096
	100,000	2021/8/30	2024/8/30	1,096
	100,000	2022/3/23	2027/3/23	1,826
	100,000	2022/4/28	2027/4/28	1,826
	110,000	2022/6/7	2025/6/7	1,096

- (2). The new issuing amount of privately issued corporate bonds was RMB1.0 billion during the Reporting Period. The outstanding private issuance of corporate bonds as at 30 June 2022 was RMB6.8 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Private issuance of	80,000	2020/1/16	2023/1/16	1,096
corporate bonds	150,000	2020/3/11	2023/3/11	1,095
	100,000	2020/10/15	2022/10/15	730
	100,000	2021/9/22	2023/9/22	730
	150,000	2021/11/22	2024/11/22	1,096
	100,000	2022/1/24	2025/1/24	1,096





## Management Discussion and Analysis

- (3). The private issuance of subordinated bonds, with the principal of RMB800 million repaid during the Reporting Period. The outstanding privately issued subordinated bonds as at 30 June 2022 was RMB1.7 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Private issuance of subordinated bonds	70,000	2020/3/5	2023/3/5	1,095
	100,000	2020/11/26	2022/11/26	730

- (4). The new issuing amount of public issuance of subordinated bonds was RMB1.0 billion during the Reporting Period. The outstanding public issuance of subordinated bonds as at 30 June 2022 was RMB1.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of subordinated bonds	100,000	2022/2/24	2025/2/24	1,096

- (5). The public issuance of short-term corporate bonds, with the principal of RMB2.0 billion repaid during the Reporting Period, there was no outstanding public issuance of short-term corporate bonds as at 30 June 2022;



## Management Discussion and Analysis

- (6). The new issuing amounts of fixed-income type income certificates were RMB759 million, with the principal of RMB450 million repaid during the Reporting Period. The remaining amount of the outstanding fixed-income type income certificates as at 30 June 2022 was RMB399 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Fixed-income type income certificates	7,000.00	2022/1/11	2022/7/27	198
	514.00	2022/5/31	2022/8/29	91
	95.10	2022/6/2	2022/8/31	91
	381.50	2022/6/2	2022/7/6	35
	170.00	2022/6/7	2022/9/7	93
	13,595.90	2022/6/10	2022/9/8	91
	1,600.00	2022/6/10	2022/9/9	92
	500.00	2022/6/10	2022/9/9	92
	235.00	2022/6/10	2022/9/9	92
	264.50	2022/6/10	2022/9/9	92
	224.60	2022/6/10	2022/7/14	35
	1,016.60	2022/6/15	2022/9/13	91
	381.40	2022/6/17	2022/9/14	90
	370.50	2022/6/21	2022/9/18	90
	1,766.00	2022/6/22	2022/9/20	91
	204.60	2022/6/24	2022/9/13	82
11,549.40	2022/6/30	2022/9/28	91	

- (7). The additional refinancing facilities were RMB900 million, with the principal of RMB900 million repaid during the Reporting Period. The remaining amount of the outstanding refinancing facilities as at 30 June 2022 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)
Refinancing	15,000	2022/6/28	2022/9/27	91
	30,000	2022/6/28	2022/9/27	91

## VIII. MATERIAL ACQUISITION OR DISPOSAL OF 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 combination 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 the end of the Reporting Period, the Company had not issued shares and had no outstanding proceeds.

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

As of 30 June 2022, the number of staff was 2,614 (including 201 brokers), of which the number of staff of parent company was 2,171 (including 201 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 improvement of the measures in relation to performance appraisal management, rank and compensation 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 2021 employee appraisal, further implemented the rank compensation mechanism with clear rewards and punishments, and strengthened the correlation between compensation and performance. In the second half year, the Company will closely follow regulatory requirements to establish a sound and stable salary system according to the Company's actual situation, so as to further improve the salary incentive and restraint mechanism, and promote the Company's sound operation.

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 continued to organize various training activities based on the needs of business development and the requirements for improvement of staff quality, including business lecture hall seminars covering all staffs, new staffs training and morning star (啟明星) training for newly recruited staffs, fund matching talent training camp for front-line marketers, special training on business etiquette for customer service personnel, as well as self-organized training and expatriate training for various business lines. 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 management capacities and leadership training, and further explore the needs to carry out trainings for improvement of various professional skills, and continue to cultivate valuable talents for the Company.



# Management Discussion and Analysis

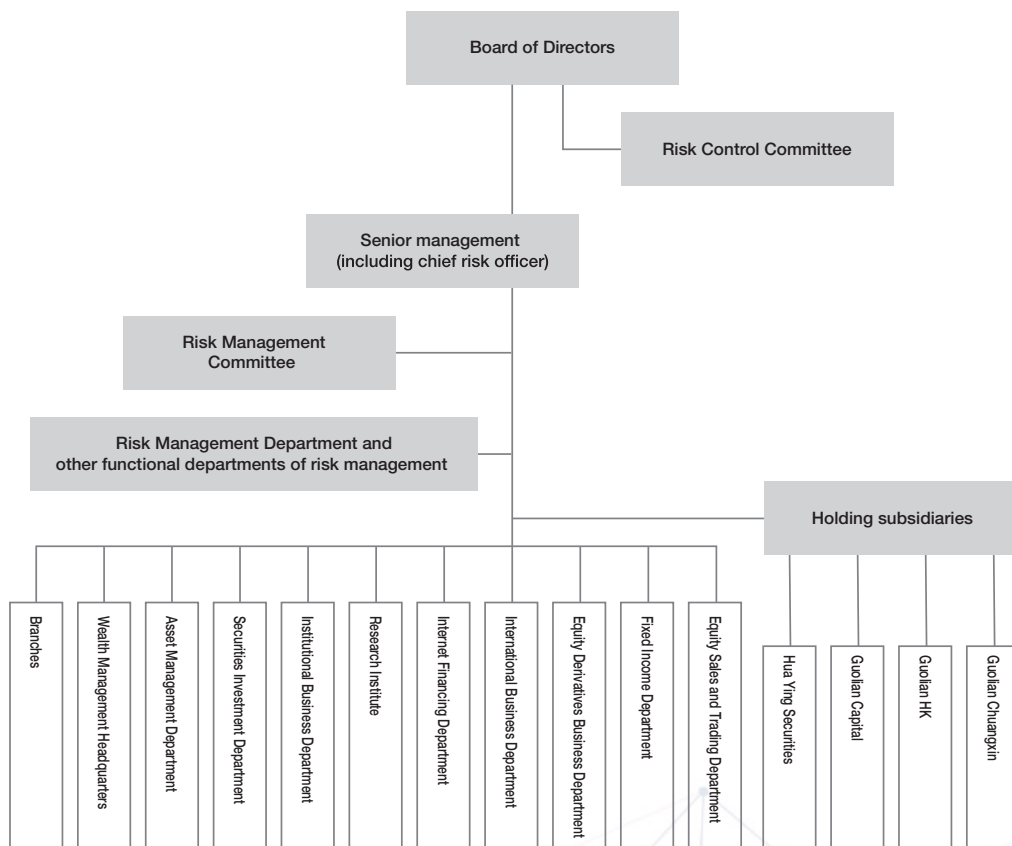
## XI. Risk Management Overview

### (I) General Description

Guided by development strategy, the Company has established a comprehensive risk management system covering various businesses, various risks and the entire process and applied a variety of risk management tools based on quantitative indicators 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 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 the following duties: advancing the construction of risk culture; considering and approving the basic system of the comprehensive risk management of the Company, and 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 the Risk Control Committee set up under it 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, and mainly performs the following duties:

- (1) establish a risk management system and make timely adjustment;
- (2) establish and perfect the operation management structure for the Company's comprehensive risk management, clarify 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 extent and significant risk limit approved by the Board and ensure the effective implementation of the plans; monitor the implementation, analyze reasons in a timely manner and handle them 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, approving 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 member 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 work of the Company;
- (2) review and approve the Company's risk management plan and risk measurement methods, models and indicators, and ensure that the risks undertaken do not exceed the established limits;
- (3) organize the formulation of the Company's internal risk management system and policies, and evaluate major market, credit, liquidity and other risks;
- (4) organize investigation and inquiry for hidden risks existing in business operation and management activities; report major hidden risks 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 and 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 developed by the Company, 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 undertake direct responsibility for risk management. The person-in-charge of the business departments, branches and subsidiaries shall fully understand and give due consideration to various risks related to business when making decisions, and timely identify, assess, respond to and report related risks. Each department shall appoint special personnel to assist in risk management works.



# Management Discussion and Analysis

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

### 1. Market Risk

Market risk refers to the risk that may cause losses to the financial assets held by the Company resulting from the adverse changes in market prices. The categories mainly include equity price risk, interest rate risk, commodity price risk and exchange rate risk. The market risk of the Company mainly comes from domestic and overseas investment businesses such as equity investment business, fixed income business and equity derivatives business.

The Company has established a top-down market risk limit management system, which allocates the overall risk limit of the Company to different business departments and business lines. Business departments, with direct responsibility for market risks and as the frontline management personnel, dynamically manage the business exposure and limit indicators. The Risk Management Department independently conducts a comprehensive assessment, monitoring and management of the overall market risk of the Company, and reports the results to the management of the Company.

The Company conducts comprehensive monitoring on market risks by calculating profit and losses, exposure, basis points, duration, Greek letters and other indicators on a daily basis, and continuously improves the VAR and stress test measurement mechanisms, so as to monitor and analyze the potential losses of the Company.

### 2. Credit Risk

Credit risk refers to the risk that may cause losses due to the default of financiers, counter-parties 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, enterprise 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 has assessed the credit ratings of counterparties or issuers through its internal credit rating system, measured its risk with methods such as stress test and sensitivity analysis, and managed credit risks by means of access and concentration. Meanwhile, the Company has established a credit risk management system to conduct monitoring and analysis in a timely manner, keep track of the changes in the credit risk qualifications of various businesses and transaction counterparties, carry out pre-warning and reporting, 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 various businesses of the Company exert 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 plan, 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, reasonably determine the scale limit of each business; (3) conduct stress test when the utilization of funds has reached the limit, and take appropriate measures to ensure that the scale exposure for each business line falls within the safety range; (4) set up adequate liquidity reserve to ensure additional fund source will be provided in emergency circumstances.

### 4. Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or problematic internal procedures, personnel and information technology systems, as well as external events. The Company continuously optimizes the internal control mechanism, carries out targeted identification and effectiveness assessment on operational risk, and standardizes business processes through new business assessment, business process rationalizing and system review to prevent risks from occurring. It also continuously collects and sorts out internal and external risk events to supplement 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 control culture. It also improves emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the operational risk caused by information system failure.



## Management Discussion and Analysis

### 5. Compliance Risk

Compliance risk refers to the risk that the Company or its staff will be investigated for legal responsibility, taken regulatory measures, taken disciplinary actions and suffered 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. At the same time, 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 negative comments on the Company by investors, issuers, regulatory bodies, self-regulatory organizations, the public and the media due to the Company's operations or external events and its employees' violation of integrity regulations, professional ethics, business norms, industrial standards and regulations and other related behaviors, thereby damaging corporate brand value which is detrimental to its normal operation and even affect market stability and social stability. The Company strengthens the concept of "preventing and controlling reputation risk is the responsibility of every staff", forms an effective segregation of duties, establishes and improves the internal restraint mechanism, public opinion monitoring mechanism, emergency response mechanism, and external information release mechanism, reinforces daily public opinion analysis, and improves the risk prevention and control prospectively and pertinently, and takes multiple measures to enhance the prevention awareness and management standard of reputation risk.



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

Name of Shareholders	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)	48.60%	57.61%
Guolian Trust	A shares	Beneficial owner	390,137,552 (L)	13.78%	16.33%
Guolian Industrial (Note 3)	A shares	Interest in controlled corporation	266,899,445 (L)	9.43%	11.17%
Wuxi Electric	A shares	Beneficial owner	266,899,445 (L)	9.43%	11.17%
Shanghai Wealspring Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	H shares	Investment manager	23,987,500 (L)	0.85%	5.42%

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 2,389,133,168 A shares and 442,640,000 H shares, a total of 2,831,773,168 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 executives of the Company) who had 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 the CG Code, complied with other applicable code provisions other than code provision C.2.1 and B.2.2 and satisfied with most of the requirements of the CG Code for the recommended best practices specified in the CG Code.

Pursuant to code provision C.2.1, the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual. For the vesting of the roles of chairman and chief executive officer of the Company in Mr. Ge Xiaobo, despite deviating from code provision C.2.1, under the supervision of the Board which comprises of one executive Director, four non-executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its Shareholders.

Pursuant to code provision B.2.2, every Director should be subject to retirement by rotation at least once every three years. The terms of the fourth session of the Board expired on 12 June 2022. As the preparation for re-election of the Board is underway, in order to maintain the continuity of the relevant work, the re-election of the Board will be postponed, and the terms of members of each special committee under the Board and the senior management will also be correspondingly extended. Before the completion of the re-election and appointment, all the members of the fourth session of the Board, members of each special committee under the Board and the senior management will continue to perform their respective duties in accordance with relevant laws and regulations as well as the Articles of Association. The postponement of the re-election of the Board will not affect the normal operation of the Company. The Company will proactively proceed with the re-election of the Board and fulfill its corresponding obligations of information disclosure.



## 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 eight Directors, including one executive Director, namely Mr. Ge Xiaobo (Chairman of the Board, President), four non-executive Directors, namely 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 1 general meeting for its Shareholders to consider and approve 18 resolutions, and convened 3 Board meetings and considered and approved 37 resolutions.



## Other Information

### (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:

Special Committees	Chairman	Members
Strategy Committee	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	Ge Xiaobo	Hua Weirong, Zhou Weiping, Liu Hailin, Wu Xingyu

During the Reporting Period, the Strategy Committee convened a total of 2 meetings, which considered and approved 6 resolutions. The Audit Committee convened a total of 2 meetings, which considered and approved 11 resolutions. The Remuneration and Nomination Committee convened a total of 3 meetings, which considered and approved 3 resolutions. The Risk Control Committee convened a total of 1 meeting, which considered and approved 5 resolutions.

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 2 meetings and considered 15 resolutions. 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

#### **Dispute over corporate bonds between the Company and Yihua Enterprise (Group) Co., Ltd.**

Since the Company holds the “Corporate Bonds (First Tranche) of Yihua Enterprise (Group) Co., Ltd. to Qualified Investors by way of Public Issuance in 2016” publicly issued by Yihua Enterprise (Group) Co., Ltd. (“Yihua Enterprise”), and Yihua Enterprise failed to fully perform the agreed payment obligation, it constituted a breach of contract, the Company applied to Shantou Intermediate People’s Court for enforcement, requiring Yihua Enterprise to compensate the principal of RMB22,110,364.14 and the corresponding interest, and to pay the lawyer’s fee. In June 2022, Shantou Intermediate People’s Court officially accepted the Company’s application for enforcement. As of the end of the Reporting Period, the case was in process.





## Other Information

### **Hua Ying Securities-involved disputes over the liability for misrepresentation of securities of Shandong Longlive Bio-Technology Co., Ltd.**

The subsequent progress of Hua Ying Securities-involved disputes over the liability for misrepresentation of securities of Shandong Longlive Bio-Technology Co., Ltd. is as follows: in August 2022, Hua Ying Securities received the Court Summons (《開庭傳票》), the Notice of Produce Evidence (《舉證通知書》) and the Notice of Informing the Members of Tribunal (《告知審判庭組成人員通知書》) served by Jinan Intermediate People's Court, 1,628 investors including Li Liquan (李立群) requested Shandong Longlive Bio-Technology Co., Ltd. to compensate all the plaintiffs for the losses of the difference in investments, the losses of commission and stamp duty, etc., and requested 12 natural persons including Cheng Shaobo (程少博), Hua Ying Securities, BDO China Shu Lun Pan Certified Public Accountants LLP to be jointly and severally liable for the compensation. As of the disclosure date of this report, the case has been accepted, and the first instance has not yet been heard. For details, please refer to the announcement in relation to a major litigation involving a subsidiary disclosed by the Company on 5 August 2022.

## **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, 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.



## Other Information

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 6 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, low bargaining power resulting in less potential for future benefits and immature technology, which do not meet the investment projects review standards of Guolian Capital.

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

On 1 June 2022, the twenty-sixth meeting of the fourth session of the Board of the Company considered and approved the Resolution on the Election of the Chairman of the Company (《關於選舉公司董事長的議案》) and the Resolution on the Appointment of the Vice President and Financial Officer of the Company (《關於聘任公司副總裁兼財務負責人的議案》), which approved to elect Mr. Ge Xiaobo as the chairman of the Company, approved to appoint Mr. Yin Lei (尹磊) as the vice president and financial officer of the Company, and Mr. Ge Xiaobo ceased to serve as the financial officer, for a term commencing from the date of consideration and approval by the Board to the date upon expiry of the term of the fourth session of the Board of the Company. Since March 2022, Mr. Li Qin has ceased to be a director of Guolian Chuangxin.



## Other Information

### XII. INFORMATION ABOUT THE COMPANY'S SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

In order to establish and improve the benefit sharing mechanism between employees and the Company, enhance the cohesion among employees and competitiveness of the Company, and attract and retain talents, so as to promote the long-term, sustainable and healthy development of the Company and maximize the benefits of the Company, its Shareholders and employees as a whole, the Company has implemented the employee stock ownership plan for the year 2022.

The Company convened the twenty-fifth meeting of the fourth session of the Board and the 2021 annual general meeting on 29 April 2022 and 10 June 2022, respectively, which considered and approved the Resolution on the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (Draft) and its Summary (《關於〈國聯證券股份有限公司2022年度員工持股計劃(草案)〉及其摘要的議案》) and the Resolution on Proposing at the General Meeting to Authorize the Board of Directors with Full Discretion to Handle the Matters related to the Employee Stock Ownership Plan of the Company for the Year 2022 (《關於提請股東大會授權董事會全權辦理公司2022年度員工持股計劃相關事宜的議案》).

The actual number of participants in the Employee Stock Ownership Plan of the Company for the year 2022 is 342, with a total subscription amount of RMB68.11 million, of which the total subscription amount of the Company's Directors, Supervisors and senior management accounted for 22.29%.

On 12 July 2022, the Company convened the first meeting of holders of the Employee Stock Ownership Plan for the year 2022, which considered and approved the Resolution on Review of the Rules for the Meeting of Holders of the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (《關於審議國聯證券股份有限公司2022年度員工持股計劃持有人會議規則的議案》), Resolution on Election of Members of the Management Committee for the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (《關於選舉國聯證券股份有限公司2022年度員工持股計劃管理委員會委員的議案》) and Resolution on Authorization of the Management Committee of the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. to Deal with Matters in Relation to this Employee Stock Ownership Plan (《關於授權國聯證券股份有限公司員工持股計劃管理委員會辦理本次員工持股計劃相關事宜的議案》).

As of the disclosure date of this report, the securities account for the Employee Stock Ownership Plan of the Company for the year 2022 has been opened, and has not yet begun to buy the Company's H shares in the secondary market. The Company will continue to pay attention to the implementation progress of the Employee Stock Ownership Plan for the year 2022, and perform the information disclosure obligations in accordance with the requirements of relevant laws and regulations.

“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
“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 2022



## Definitions

“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 Chuangxin”	Wuxi Guolian Chuangxin Capital Company Limited (無錫國聯創新投資有限公司), a wholly-owned subsidiary of the 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 HK”	Guolian Securities (Hong Kong) Limited (國聯證券(香港)有限公司)
“Guolian Industrial”	Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司)
“Guolian Trust”	Guolian Trust Co., Ltd. (國聯信託股份有限公司)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaguang 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
“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



## Definitions

“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 2.60% 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
“QFLP”	qualified foreign limited partner
“Reporting Period”	the period for the six months ended 30 June 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SAC”	the Securities Association of China
“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 9.43% 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), renamed from 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 48 to 112, which comprise the condensed consolidated statement of financial position as of 30 June 2022 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

26 August 2022





# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
<b>Revenue</b>			
– Commission and fee income	4	761,026	641,733
– Interest income under effective interest method	5	611,845	516,764
<b>Total revenue</b>		<b>1,372,871</b>	1,158,497
Net investment gains	6	571,011	507,165
Other income	7	1,315	1,261
<b>Total revenue, gains and other income</b>		<b>1,945,197</b>	1,666,923
Commission and fee expenses	8	(142,141)	(130,462)
Interest expenses	9	(541,694)	(417,645)
Staff costs	10	(500,485)	(402,052)
Depreciation and amortization		(92,508)	(85,543)
Other operating expenses	11	(144,606)	(115,102)
Impairment losses under expected credit loss model, net of reversal	12	7,644	(19,830)
<b>Total expenses</b>		<b>(1,413,790)</b>	(1,170,634)
Share of results of associates	18	5,309	3,184
Other gains, net	13	8,936	9,171
<b>Profit before income tax</b>		<b>545,652</b>	508,644
Income tax expense	14	(108,415)	(129,647)
<b>Profit for the period</b>		<b>437,237</b>	378,997
Attributable to:			
Shareholders of the Company		437,237	378,997
<b>Earnings per share</b>			
(Expressed in RMB per share)			
– Basic	15	0.15	0.16



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

For the six months ended 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
<b>Profit for the period</b>		<b>437,237</b>	378,997
<b>Other comprehensive income/(expense):</b>			
Items that will not be reclassified to profit or loss:			
Fair value gain/(loss) on:			
– investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)		<b>56,553</b>	(85,099)
Income tax relating to items that will not be reclassified to profit or loss		<b>(14,138)</b>	21,275
Subtotal		<b>42,415</b>	(63,824)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<b>9,857</b>	(2,870)
Fair value loss on:			
– debt instruments measured at FVTOCI		<b>(35,018)</b>	(3,792)
(Provision)/reversal of impairment losses for debt instruments at FVTOCI included in profit or loss		<b>(1,681)</b>	20,913
Income tax relating to items that may be reclassified subsequently to profit or loss		<b>9,175</b>	(4,280)
Subtotal		<b>(17,667)</b>	9,971
<b>Other comprehensive income/(expense) for the period, net of tax</b>		<b>24,748</b>	(53,853)
<b>Total comprehensive income for the period</b>		<b>461,985</b>	325,144
Attributable to:			
Shareholders of the Company		<b>461,985</b>	325,144



# Condensed Consolidated Statement of Financial Position

As at 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	17	86,126	95,843
Right-of-use assets	17	144,135	165,629
Intangible assets		46,806	57,762
Interests in associates	18	108,230	102,921
Other non-current assets	19	87,209	36,645
Financial assets held under resale agreements	24	–	280,344
Derivative financial assets	35	262,643	71,591
Financial assets at fair value through profit or loss	25	601,167	703,887
Equity instruments at fair value through other comprehensive income	26	2,467,859	2,579,203
Debt instruments at fair value through other comprehensive income	27	3,835,236	6,240,445
Deferred tax assets	20	20,408	24,551
Refundable deposits	21	605,371	327,299
<b>Total non-current assets</b>		<b>8,265,190</b>	<b>10,686,120</b>
<b>Current assets</b>			
Other current assets	22	2,381,256	522,672
Margin accounts receivable	23	9,917,162	10,791,339
Financial assets held under resale agreements	24	4,667,212	2,677,790
Derivative financial assets	35	404,950	413,450
Financial assets at fair value through profit or loss	25	39,017,816	27,006,204
Clearing settlement funds	28	2,852,089	3,268,118
Cash held for brokerage clients	29	9,526,349	8,572,113
Cash and bank balances	30	1,649,746	2,001,433
<b>Total current assets</b>		<b>70,416,580</b>	<b>55,253,119</b>
<b>Total assets</b>		<b>78,681,770</b>	<b>65,939,239</b>
<b>Current liabilities</b>			
Other current liabilities	31	2,684,978	2,841,233
Income tax liabilities		6,209	62,003
Short-term borrowings	32	40,411	38,268
Bonds in issue	33	7,150,430	6,735,631
Lease liabilities		69,873	71,090
Contract liabilities		10,477	11,867
Due to other financial institutions		450,105	850,315
Financial liabilities at fair value through profit or loss	34	1,139,656	892,689
Derivative financial liabilities	35	295,051	381,509
Financial assets sold under repurchase agreements	36	22,093,108	12,796,010
Accounts payable to brokerage clients		12,539,002	11,182,579
<b>Total current liabilities</b>		<b>46,479,300</b>	<b>35,863,194</b>



# Condensed Consolidated Statement of Financial Position

As at 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Net current assets</b>		<b>23,937,279</b>	19,389,925
<b>Total assets less current liabilities</b>		<b>32,202,469</b>	30,076,045
<b>Equity</b>			
Share capital	37	2,831,773	2,831,773
Share premium		8,189,045	8,189,045
Reserves		2,400,550	2,476,720
Retained earnings		3,138,509	2,883,531
<b>Equity attributable to shareholders of the Company</b>		<b>16,559,877</b>	16,381,069
<b>Total equity</b>		<b>16,559,877</b>	16,381,069
<b>Non-current liabilities</b>			
Other non-current liabilities	38	2,669,769	1,425,330
Deferred tax liabilities	20	236,971	90,876
Derivative financial liabilities	35	65,530	49,263
Lease liabilities		75,156	95,704
Financial liabilities at fair value through profit or loss	34	497,680	537,017
Bonds in issue	33	12,097,487	11,496,786
<b>Total non-current liabilities</b>		<b>15,642,593</b>	13,694,976
<b>Total equity and non-current liabilities</b>		<b>32,202,470</b>	30,076,045

The notes on pages 55 to 112 form an integral part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 48 to 112 were approved and authorized for issue by the Board of Directors on 26 August 2022 and signed on behalf by:

**Ge Xiaobo**

Chairman of the Board, Executive Director, President

**Yin Lei**

Vice President, Financial Officer



# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

	Note	Attributable to shareholders of the Company								Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Reserves			Retained earnings RMB'000	
						Revaluation reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000		
<b>Balance at 1 January 2022 (audited)</b>		2,831,773	8,189,045	676,925	1,631,946	210,920	(28,254)	(14,817)	2,883,531	16,381,069
Profit for the period		-	-	-	-	-	-	-	437,237	437,237
Other comprehensive income for the period		-	-	-	-	14,891	9,857	-	-	24,748
<b>Total comprehensive income for the period</b>		-	-	-	-	14,891	9,857	-	437,237	461,985
Dividends recognized as distribution	16	-	-	-	-	-	-	-	(283,177)	(283,177)
Appropriation to general reserve		-	-	-	4,311	-	-	-	(4,311)	-
Disposal of investments in equity instruments at FVTOCI		-	-	-	-	(105,229)	-	-	105,229	-
<b>Balance at 30 June 2022 (unaudited)</b>		2,831,773	8,189,045	676,925	1,636,257	120,582	(18,397)	(14,817)	3,138,509	16,559,877
<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



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
<b>Profit before income tax</b>	<b>545,652</b>	508,644
Adjustments for:		
Depreciation and amortization	92,508	85,543
Impairment losses under expected credit loss model, net of reversal	(7,644)	19,830
Net gains on disposal of property and equipment and other intangible assets	(304)	(2,849)
Unrealised fair value change of financial instruments at fair value through profit or loss	(597,193)	(111,188)
Foreign exchange gains	(814)	(53)
Share of results of associates	(5,309)	(3,184)
Interest income from debt instruments at fair value through other comprehensive income	(95,991)	(49,709)
Net (gains)/loss arising from debt instruments at fair value through other comprehensive income	(45,558)	2,798
Dividends from equity instruments at fair value through other comprehensive income	(145,372)	(81,115)
Interest expense of bonds in issue	334,467	252,098
Interest expense of lease liabilities	3,327	4,108
Net realised gains from disposal of financial instruments at fair value through profit or loss	(62,679)	(45,740)
Realised gains from disposal of an associate	-	(13)
Dividends and interest income from financial instruments at fair value through profit or loss	(8,144)	(7,467)
<b>Operating cash flows before movements in working capital</b>	<b>6,946</b>	571,703
Net decrease/(increase) in margin accounts receivable	875,567	(1,374,049)
Net increase in financial assets at fair value through profit or loss	(11,860,206)	(8,251,077)
Net decrease/(increase) in financial assets held under resale agreements	274,664	(1,043,136)
Net increase in refundable deposits	(278,072)	(65,235)
Net increase in cash held for brokerage clients	(954,236)	(1,640,870)
Net decrease in clearing settlement funds held for clients	417,553	117,375
Net increase in other assets	(974,145)	(1,010,136)
Net increase in accounts payable to brokerage customers	1,356,423	1,687,236
Net increase in financial assets sold under repurchase agreements	9,297,098	6,461,569
Net (decrease)/increase in due to other financial institutions	(400,210)	428,062
Net increase in other liabilities	695,936	1,106,350
Net decrease in financial liabilities at fair value through profit or loss	(137,069)	(112,696)
Cash used in operations	(1,679,751)	(3,124,904)
Income taxes paid	(81,746)	(108,111)
<b>Net cash used in operating activities</b>	<b>(1,761,497)</b>	(3,233,015)



## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
<b>Investing activities</b>		
Dividends received from investments	153,516	7,467
Interest received from investments	112,798	28,807
Proceeds from disposal of an associate	–	4,250
Proceeds on disposal of property and equipment, intangible assets and other non-current assets	693	3,230
Purchase of property and equipment, intangible assets and other non-current assets	(29,643)	(32,324)
Purchase of		
– financial instruments at fair value through profit or loss	(289,557)	(624,022)
– debt instruments at fair value through other comprehensive income	(1,651,617)	(2,217,094)
– equity instruments at fair value through other comprehensive income	(378,533)	(1,943,625)
Proceeds from disposal of		
– financial instruments at fair value through profit or loss	636,050	894,007
– debt instruments at fair value through other comprehensive income	4,050,558	–
– equity instruments at fair value through other comprehensive income	511,057	493,066
<b>Net cash from/(used in) investing activities</b>	<b>3,115,322</b>	<b>(3,386,238)</b>
<b>Financing activities</b>		
New bank loans raised	2,143	–
Cash received from additional bonds in issue	7,424,125	8,348,961
Repayments of leases liabilities	(44,798)	(39,096)
Cash paid for repayment of bonds in issue	(5,936,085)	(4,834,200)
Interest paid for bonds in issue	(427,658)	(246,706)
Dividends paid	–	(285,374)
<b>Net cash from financing activities</b>	<b>1,017,727</b>	<b>2,943,585</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,371,552</b>	<b>(3,675,668)</b>
Cash and cash equivalents at the beginning of the period	2,395,089	6,398,847
Effect of exchange rate changes on the balance of cash held in foreign currencies	3,990	(303)
Cash and cash equivalents at the end of the period	4,770,631	2,722,876
<b>Net cash from/(used in) operating activities including:</b>		
Interest received	802,935	651,783
Interest paid	(206,233)	(161,314)
Dividend received	13,848	7,940



# 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 the offering, the Company issued a total of 402,400 thousand shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB1,902,400 thousand.

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.

On July 27, 2021, the Company received the approval for the non-public offering issued by the CSRC, according to which the Company could issue 453,654 thousand ordinary shares (A-shares) to 23 specific investors. On October 15, 2021, the newly issued shares have been registered in China Securities Depository & Clearing Co., LTD. Shanghai Branch (the “CDB Shanghai Branch”). After the non-public offering, total share capital of the Company increased to RMB2,831,773 thousand.

As at 30 June 2022, the registered capital of the Company is RMB2,831,773 thousand. The Company holds the securities institution licence and business license No.91320200135914870B. The registered address of the Company is No.8 Jinrong One Street, Wuxi, Jiangsu Province, PRC.

The Company’s ultimate holding company is Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as “Guolian Group” together with its subsidiaries). Guolian Group is a PRC enterprise regulated and directly managed by Wuxi State-Owned Assets Supervision and Administration Committee (“Wuxi SASAC”). Wuxi SASAC is the ultimate controller of the company.





# Notes to the Condensed Consolidated Financial Statements

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

## 1. General information (continued)

As at 30 June 2022, the Company has established 102 branches, including 15 branch offices and 87 securities branches, which are mainly located in Jiangsu province.

The Company and its subsidiaries (the “Group”) are engaged in the following principal activities: securities brokerage, investment consultancy and financial advisory services 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 CSRC (projects in accordance with the law and approved by relevant departments).

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as functional currency of the Company. All financial statements and notes to the condensed consolidated financial statements are presented in RMB and has been rounded to the nearest thousands, except when otherwise indicates.

These condensed consolidated financial statements were authorized for issue by the Board of Directors (the “Board”) of the Company on 26 August 2022.

## 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 (“IAS 34”) “Interim Financial Reporting” 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.



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

### (b) Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at revalued amounts or 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 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

#### 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 Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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 transaction: providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;
- (c) Investment banking: corporate finance and financial advisory services to institutional clients and market maker business;
- (d) Proprietary trading: trading in financial products;
- (e) Asset management and investment: direct investments and funds related business, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the period ended 30 June 2022.

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.

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 3. Segment analysis (continued)

	Six months ended 30 June 2022							Total
	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
<b>Total revenue and other income</b>								
Commission and fee income								
– External	427,405	6,908	251,092	–	75,621	–	–	761,026
– Internal	–	–	8,585	–	2,239	–	(10,824)	–
Interest income								
– External	97,322	361,202	7,023	82,484	6,690	57,124	–	611,845
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	5,067	478,399	16,334	71,211	–	571,011
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	–	–	–	–	–	1,315	–	1,315
– Internal	–	–	–	–	–	100	(100)	–
<b>Total expenses (including impairment losses, net of reversal)</b>	<b>(395,278)</b>	<b>(213,160)</b>	<b>(217,649)</b>	<b>(305,391)</b>	<b>(58,454)</b>	<b>(224,675)</b>	<b>817</b>	<b>(1,413,790)</b>
<b>Segment operating profit/(loss)</b>	<b>129,449</b>	<b>154,950</b>	<b>54,118</b>	<b>255,492</b>	<b>42,430</b>	<b>(94,925)</b>	<b>(10,107)</b>	<b>531,407</b>
Other gains, net								
– External	3,202	–	857	927	20	3,930	–	8,936
– Internal	–	–	–	–	–	–	–	–
Share of results of associates	–	–	–	–	–	5,309	–	5,309
<b>Profit/(loss) before income tax</b>	<b>132,651</b>	<b>154,950</b>	<b>54,975</b>	<b>256,419</b>	<b>42,450</b>	<b>(85,686)</b>	<b>(10,107)</b>	<b>545,652</b>

	30 June 2022							Total
	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
<b>Total assets</b>	<b>11,791,830</b>	<b>13,608,717</b>	<b>584,561</b>	<b>39,723,671</b>	<b>601,076</b>	<b>13,333,346</b>	<b>(961,431)</b>	<b>78,681,770</b>
<b>Total liabilities</b>	<b>11,061,028</b>	<b>12,475,275</b>	<b>239,377</b>	<b>33,375,068</b>	<b>50,914</b>	<b>4,912,463</b>	<b>7,768</b>	<b>62,121,893</b>

	Six months ended 30 June 2022							Total
	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
<b>Supplemental information</b>								
Depreciation and amortization	51,072	631	10,253	2,846	3,695	24,011	–	92,508
Impairment losses under expected credit loss model, net of reversal	–	(4,340)	125	(1,821)	(1,378)	(230)	–	(7,644)
Capital expenditure	24,589	338	3,958	1,328	350	17,614	–	48,177



## 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 transaction	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 impairment losses, net of reversal)</b>	(350,108)	(208,162)	(170,821)	(251,572)	(36,836)	(153,394)	259	(1,170,634)
<b>Segment operating profit/(loss)</b>	135,189	132,726	37,762	216,300	70,559	(87,217)	(9,030)	496,289
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>	139,569	132,726	38,249	216,492	70,562	(79,924)	(9,030)	508,644

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

	Six months ended 30 June 2021							Total
	Brokerage and wealth management	Credit transaction	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)

### 4. Commission and fee income

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Securities brokerage	394,738	364,677
Underwriting and sponsorship	225,635	140,348
Investment consultancy and financial advisory	58,251	74,629
Asset management	75,493	49,492
Others	6,909	12,587
	761,026	641,733

### 5. Interest income under effective interest method

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Interest income from margin financing	280,650	275,810
Interest income from bank deposits and clearing settlement funds	153,728	120,165
Interest income from financial assets held under resale agreements	81,476	71,080
Interest income from debt instruments at fair value through other comprehensive income	95,991	49,709
	611,845	516,764



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 6. Net investment gains

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Realised gains from disposal of an associate	–	13
Realised gains from disposal of financial assets at fair value through profit or loss	237,101	35,350
Realised gains/(losses) from disposal of debt instruments at fair value through other comprehensive income	45,558	(2,798)
Realised losses from disposal of financial liability at fair value through profit or loss	(11,970)	–
Net realised (losses)/gains from derivative financial instruments	(723,808)	42,133
Dividends income from equity instruments at fair value through other comprehensive income	145,372	81,115
Dividends and interest income from financial assets at fair value through profit or loss	284,757	257,389
Dividends to interest holders of financial liabilities at fair value through profit or loss	(3,192)	(17,225)
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	113,808	(821)
– Derivative financial instruments	448,735	99,213
– Financial liabilities at fair value through profit or loss	34,650	12,796
	<b>571,011</b>	<b>507,165</b>

### 7. Other income

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Rental income	1,270	704
Others	45	557
	<b>1,315</b>	<b>1,261</b>



## 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	
	2022	2021
	(Unaudited)	(Unaudited)
Securities brokerage	130,339	116,211
Underwriting and sponsorship	6,478	7,786
Asset management	750	702
Others	4,574	5,763
	142,141	130,462

### 9. Interest expenses

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Interest expense of bonds in issue	334,467	252,098
Interest expense of financial assets sold under repurchase agreements	171,547	136,880
Interest expense of accounts payable to brokerage clients	20,821	16,442
Interest expense of due to other financial institutions	11,532	8,117
Interest expense of lease liabilities	3,327	4,108
	541,694	417,645





## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 10. Staff costs

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Salaries and bonus	386,609	318,144
Pensions	62,383	43,263
Other social security	36,379	28,986
Labor union funds and employee education funds	2,303	2,335
Other welfare	12,811	9,324
	500,485	402,052

The Group has provided a pension plan for full-time employees in Mainland China as required by the government, including basic pension insurance and corporate annuity plan. Namely, the Group pays endowment insurance premiums to the social insurance institution designated by the government on a monthly basis, which account for a certain percentage of the total salaries of the staff. After the retirement of the employees, the government is obliged to pay the pensions to them. According to the aforesaid defined contribution plan, the Group shall not be liable for the post-retirement benefits beyond the above contributions. Contributions to the plan will be included in the cost at the time of occurrence.

In addition, the Group provides relevant defined contribution plan for its qualified employees outside of Mainland China in accordance with local labour laws.

The Group did not forfeit any retirement benefit plan contributions, and there are no forfeited contributions under the Group's retirement benefit plans that can be used to deduct the contributions payable in future years.



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 11. Other operating expenses

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Tax and surcharges	9,049	7,737
Rentals	1,367	1,089
Marketing and distribution expenses	19,512	17,728
Office expenses	20,691	17,339
Travelling expenses	11,475	15,512
Securities investors protection fund	22,677	5,074
Professional service expenses	6,999	8,345
Consulting expenses	11,881	7,665
Others	40,955	34,613
	144,606	115,102

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Financial assets held under resale agreements	(4,366)	(9,450)
Accounts receivable and other receivables	(207)	7
Debt instruments at fair value through other comprehensive income	(1,681)	20,914
Margin accounts receivable	(1,390)	8,359
	(7,644)	19,830



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 13. Other gains, net

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Foreign exchange gains	814	53
Government grants	7,025	8,600
Others	1,097	518
	<b>8,936</b>	<b>9,171</b>

### 14. Income tax expense

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Current income tax expense		
– Mainland China	(72,389)	100,170
– Hong Kong	–	–
Under/(over) provision in prior years		
– Mainland China	454	(2,366)
	<b>(71,935)</b>	<b>97,804</b>
Deferred taxation		
– Mainland China (note 20)	180,350	30,396
– Hong Kong (note 20)	–	1,447
	<b>180,350</b>	<b>31,843</b>
Income tax expense	<b>108,415</b>	<b>129,647</b>



## Notes to the Condensed Consolidated Financial Statements

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

### 14. Income tax expense (continued)

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.

As at June 30, 2022, the Group had estimated tax losses and deductible temporary differences which was not recognized of approximately RMB34,513 thousand for Guolian Securities (H.K.) Co., Ltd and Wuxi Guolian Chuangxin Capital Company Limited. These tax losses and temporary difference has no expiry date and can be carried forward indefinitely subject to the approval of the Inland Revenue Department (31 December 2021: RMB21,375 thousand).



# 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	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to shareholders of the Company (in RMB'000)	437,237	378,997
Weighted average number of ordinary shares in issue (in thousand)	2,831,773	2,378,119
Basic earnings per share (in RMB)	0.15	0.16

### 15.2 Diluted earnings per share

For the six months ended 30 June 2022 and 2021, 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 2022, RMB283,177 thousand dividends had been declared but not been paid. (For the six months ended 30 June 2021: RMB285,374 thousand dividends were paid).

	30 June	30 June
	2022 (Unaudited)	2021 (Unaudited)
Dividends recognised as distribution	283,177	285,374
	283,177	285,374



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

During the six months ended 30 June 2022, the Group acquired property and equipment with a cost of RMB7,182 thousand (unaudited) (six months ended 30 June 2021: RMB16,289 thousand (unaudited)).

During the six months ended 30 June 2022, gains from disposal of property and equipment amounted to RMB 22 thousand (unaudited) (six months ended 30 June 2021: RMB 1,309 thousand (unaudited)).

During the six months ended 30 June 2022, the Group entered into several new lease agreements with lease terms ranged from 6 months to 6 years. The Group is required to make fixed payments. On lease commencement, the Group recognized right-of-use assets of RMB20,455 thousand (unaudited) and lease liabilities of RMB20,455 thousand (unaudited) (six months ended 30 June 2021: RMB55,975 thousand (unaudited) and lease liabilities of RMB55,975 thousand (unaudited)).

## 18. Interests in associates

Set out below are the associates of the Group as at 30 June 2022 and 31 December 2021, 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 2022	% of ownership interest as at 31 December 2021	Measurement Method
Zhonghai Fund Management Co., Ltd. <sup>(1)</sup>	PRC	33.41%	33.41%	Equity

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

The entity is private company and there is no quoted market prices available for its shares.

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Balance at beginning of the period/year	102,921	104,903
Share of profit	5,309	2,255
Proceeds of liquidation	-	(4,237)
Balance at end of the period/year	108,230	102,921



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 19. Other non-current assets

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Long-term deferred expenses	35,156	36,645
Margin deposits of derivative contracts	52,053	–
	<b>87,209</b>	36,645

### 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 2022 (Unaudited)	31 December 2021 (Audited)
Deferred tax assets	20,408	24,551
Deferred tax liabilities	(236,971)	(90,876)
	<b>(216,563)</b>	(66,325)



## 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 2021	46,960	(64,468)	10,782	157	-	43,529	36,960
(Charge)/credit to profit or loss	(916)	(28,653)	(17,586)	8,175	-	4,877	(34,103)
Charge to other comprehensive income	-	-	-	(19,954)	(49,228)	-	(69,182)
As at 31 December 2021	46,044	(93,121)	(6,804)	(11,622)	(49,228)	48,406	(66,325)
Charge to profit or loss	(1,537)	(54,279)	(112,152)	(420)	-	(11,962)	(180,350)
Credit to other comprehensive income	-	-	-	9,175	20,937	-	30,112
As at 30 June 2022	44,507	(147,400)	(118,956)	(2,867)	(28,291)	36,444	(216,563)

### 21. Refundable deposits

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Deposits with Stock Exchanges		
– Shanghai Stock Exchange	148,200	85,600
– Shenzhen Stock Exchange	52,406	49,079
– China Beijing Equity Exchange	1,351	1,294
Deposits with futures brokers	403,414	191,326
	<b>605,371</b>	<b>327,299</b>





## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 22. Other current assets

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Accounts receivable <sup>(a)</sup>	1,419,996	92,699
Dividends receivable	120,243	–
Prepaid expenses	23,837	16,024
Other receivables <sup>(b)</sup>	19,830	27,654
Margin deposits of derivative contracts	690,088	364,866
Others	111,674	26,048
Less: Impairment allowance	4,412	4,619
	<b>2,381,256</b>	<b>522,672</b>

(a) Accounts receivable

The aging analysis of accounts receivable is as follows:

	30 June 2022		31 December 2021	
	Amount (Unaudited)	Impairment allowance (Unaudited)	Amount (Audited)	Impairment allowance (Audited)
Up to 1 year	1,414,935	221	88,088	38
1 to 2 years	862	–	1,050	638
Over 2 years	4,199	638	3,561	–
	<b>1,419,996</b>	<b>859</b>	<b>92,699</b>	<b>676</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 31 December 2021 and 30 June 2022, accounts receivable of the Group were credit-impaired amount to RMB 638 thousand, and the credit impairment allowance was RMB 638 thousand. As at 30 June 2022, the credit risk exposure of accounts receivable amounted to RMB1,419,996 thousand (31 December 2021: RMB92,699 thousand).



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 22. Other current assets (continued)

(b) Other receivables

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

	30 June 2022			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Other receivables	15,388	2,114	2,328	19,830
Less: Impairment allowance	802	423	2,328	3,553
	14,586	1,691	–	16,277

	31 December 2021			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Other receivables	19,708	6,102	1,844	27,654
Less: Impairment allowance	879	1,220	1,844	3,943
	18,829	4,882	–	23,711



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 23. Margin accounts receivable

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Margin accounts receivable	9,928,744	10,804,311
Less: Impairment allowance	11,582	12,972
	<b>9,917,162</b>	10,791,339

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 30 June 2022, impairment allowance amounting to RMB11,582 thousand (31 December 2021: RMB12,972 thousand) was provided.

Margin accounts receivable as at 30 June 2022 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB28,449,979 thousand (31 December 2021: RMB34,261,645 thousand).

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

	30 June 2022			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	9,582,111	346,633	-	9,928,744
Less: Impairment allowance	8,889	2,693	-	11,582
	<b>9,573,222</b>	<b>343,940</b>	<b>-</b>	<b>9,917,162</b>



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 23. Margin accounts receivable (continued)

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

	31 December 2021			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	10,546,270	258,041	–	10,804,311
Less: Impairment allowance	10,747	2,225	–	12,972
	10,535,523	255,816	–	10,791,339

### 24. Financial assets held under resale agreements

#### Non-current assets

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Analyzed by asset type:		
– Equity securities	–	280,570
Less: Impairment allowance	–	226
	–	280,344
Analyzed by market:		
– Shanghai Stock Exchange	–	280,344
	–	280,344



## 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 2022 (Unaudited)	31 December 2021 (Audited)
Analyzed by asset type:		
– Equity securities	2,252,478	2,246,319
– Debt securities	2,577,628	598,505
Less: Impairment allowance	162,894	167,034
	<b>4,667,212</b>	<b>2,677,790</b>
Analyzed by market:		
– Interbank market	2,177,518	198,022
– Shanghai Stock Exchange	857,669	525,000
– Shenzhen Stock Exchange	1,632,025	1,954,768
	<b>4,667,212</b>	<b>2,677,790</b>

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

	30 June 2022			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	4,463,258	215,313	151,535	4,830,106
Less: Impairment allowance	7,430	3,929	151,535	162,894
	<b>4,455,828</b>	<b>211,384</b>	–	<b>4,667,212</b>



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

	31 December 2021			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets held under resale agreements	2,702,219	271,566	151,609	3,125,394
Less: Impairment allowance	8,485	7,166	151,609	167,260
	2,693,734	264,400	-	2,958,134

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

#### Non-current assets

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
- Investments in unlisted companies	360,254	340,491
- Trust schemes	73,041	228,306
- Collective asset management schemes and others	167,872	135,090
Total non-current assets	601,167	703,887
Analyzed as		
- Unlisted	601,167	703,887



## 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 2022 (Unaudited)	31 December 2021 (Audited)
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
– Debt securities	22,172,411	16,755,143
– Equity securities	936,358	798,107
– Investment funds	1,911,295	2,251,115
– Asset backed securities	162,331	311,655
– Trust schemes	44,800	36,501
– Collective asset management schemes	2,046,906	108,425
– Private equity funds	6,267,664	6,015,966
– Commercial papers	5,336,843	463,607
– Wealth management products	139,208	265,685
<b>Total current assets</b>	<b>39,017,816</b>	27,006,204
<b>Analyzed as</b>		
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
– Listed in Hong Kong	26,232	89,681
– Listed outside Hong Kong	7,991,649	4,778,287
– Unlisted	30,999,935	22,138,236
	<b>39,017,816</b>	27,006,204
<b>Total</b>	<b>39,618,983</b>	27,710,091

As at 30 June 2022, financial assets at fair value through profit or loss collateralized for repurchase arrangements, securities lending, and margin and securities refinancing business amounted to RMB20,570,974 thousand (31 December 2021: RMB13,041,443 thousand), RMB1,030,877 thousand (31 December 2021: RMB482,814 thousand) and RMB76,860 thousand (31 December 2021: RMB223,061 thousand), respectively.

As at 30 June 2022, 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 RMB339,491 thousand (31 December 2021: RMB302,826 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 2022 (Unaudited)	31 December 2021 (audited)
<b>Analyzed by type of issuers:</b>		
Equity securities (note)	2,467,859	2,579,203
	<b>2,467,859</b>	<b>2,579,203</b>
	30 June 2022 (Unaudited)	31 December 2021 (audited)
<b>Analyzed as:</b>		
Listed in Hong Kong	2,133,030	2,372,148
Listed outside Hong Kong	334,829	207,055
	<b>2,467,859</b>	<b>2,579,203</b>

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.

As of 30 June 2022, equity instruments at fair value through other comprehensive income investments held by the Group have no realization restriction. The Group disposed some stocks with a fair value of RMB554,849 thousand for the period end 30 June 2022, based on the forecast of a lower dividend yield of those stocks in the future.





## 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 2022 (Unaudited)	31 December 2021 (Audited)
<b>Analyzed by type of issuers:</b>		
Governments	113,991	770,717
Financial institutions	448,197	2,221,443
Corporate entities	3,273,048	3,248,285
	<b>3,835,236</b>	<b>6,240,445</b>
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Analyzed as:</b>		
Listed outside Hong Kong	1,288,459	1,374,348
Unlisted	2,546,777	4,866,097
	<b>3,835,236</b>	<b>6,240,445</b>
Expected credit losses	36,143	37,824



## 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)

As of 30 June 2022, the fair value of securities of the Group which have been placed as collateral for financial assets sold under repurchase agreements was RMB2,569,552 thousand (31 December 2021: 4,236,165 thousand), and for bond lending was RMB1,049,377 thousand (31 December 2021: 266,348 thousand). The fair value and ECL allowance of debt instruments at fair value through other comprehensive income according to the stage of ECL are as follows:

	30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	
RMB'000	RMB'000	RMB'000		
Debt instruments at fair value through other comprehensive income	3,829,893	–	5,343	3,835,236
Impairment allowance	18,359	–	17,784	36,143

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	
RMB'000	RMB'000	RMB'000		
Debt instruments at fair value through other comprehensive income	6,233,126	–	7,319	6,240,445
Impairment allowance	20,040	–	17,784	37,824



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 28. Clearing settlement funds

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Clearing settlement funds held for clients	1,940,729	2,358,282
Proprietary clearing settlement funds	911,360	909,836
	<b>2,852,089</b>	<b>3,268,118</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 2022 (Unaudited)	31 December 2021 (Audited)
Cash	34	2
Bank balances	1,649,712	2,001,431
	<b>1,649,746</b>	<b>2,001,433</b>



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 31. Other current liabilities

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Salaries, bonus, allowances and benefits payable	301,173	584,244
Accounts payable	252,527	474,256
Other taxes payable	52,848	54,591
Dividends payable (note 1)	283,177	–
Securities investor protection fund	23,726	29,511
Provisions	1,869	1,869
Margin deposits of derivative contracts	1,565,227	1,529,209
Deferred income	29,009	6,314
Advance collection for Employee stock ownership plan (note 2)	68,110	–
Others	107,312	161,239
	<b>2,684,978</b>	<b>2,841,233</b>

Note 1: On 10 June 2022, Guolian Securities Co., Ltd. 2021 Annual General Meeting of Shareholders Meeting Proposal 6 voted, based on the total share capital of 2,831,773,168 shares as at the end of 2021, a cash dividend of RMB1 (tax inclusive) per 10 shares will be distributed to all shareholders, with total cash dividends of RMB283,177,316.80 (tax inclusive), and the remaining undistributed profit will be carried forward for distribution in subsequent years. For details about distribution, please check Note 16. Profit distribution.

Note 2: This amount is received in advance from employees and intended to be used directly to purchase the company's shares in the secondary market and to carry out the employee stock ownership plan.

### 32. Short-term borrowings

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Unsecured bank borrowings (note)	40,411	38,268
	<b>40,411</b>	<b>38,268</b>

Note: The unsecured bank borrowing bear a floating rate of 3 month LIBOR plus 3.65% per annum and no less than 3.80% per annum and is repayable within one year. (Same as at 31 December 2021)



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 33. Bonds in issue

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<b>Current</b>		
Corporate bonds with fixed rate – 2022 <sup>(a)</sup>	–	1,500,000
Corporate bonds with fixed rate – 2022 <sup>(b)</sup>	1,000,000	1,000,000
Corporate bonds with fixed rate – 2023 <sup>(c)</sup>	800,000	–
Corporate bonds with fixed rate – 2023 <sup>(d)</sup>	1,500,000	–
Corporate bonds with fixed rate – 2023 <sup>(e)</sup>	1,500,000	–
Subordinated bonds with fixed rate – 2022 <sup>(f)</sup>	–	800,000
Subordinated bonds with fixed rate – 2022 <sup>(g)</sup>	1,000,000	1,000,000
Subordinated bonds with fixed rate – 2023 <sup>(h)</sup>	700,000	–
Income certificates <sup>(i)</sup>	398,691	90,000
Short term financing bond – 2021 <sup>(j)</sup>	–	2,000,000
Interest payable	251,739	345,631
	<b>7,150,430</b>	<b>6,735,631</b>
<b>Non-Current</b>		
Corporate bonds with fixed rate – 2023 <sup>(c)</sup>	–	800,000
Corporate bonds with fixed rate – 2023 <sup>(d)</sup>	–	1,500,000
Corporate bonds with fixed rate – 2023 <sup>(e)</sup>	–	1,500,000
Corporate bonds with fixed rate – 2024 <sup>(k)</sup>	998,375	997,907
Corporate bonds with fixed rate – 2024 <sup>(l)</sup>	1,499,112	1,498,879
Corporate bonds with fixed rate – 2024 <sup>(m)</sup>	1,000,000	1,000,000
Corporate bonds with fixed rate – 2024 <sup>(n)</sup>	1,000,000	1,000,000
Corporate bonds with fixed rate – 2023 <sup>(o)</sup>	1,000,000	1,000,000
Corporate bonds with fixed rate – 2024 <sup>(p)</sup>	1,500,000	1,500,000
Corporate bonds with fixed rate – 2025 <sup>(q)</sup>	1,000,000	–
Corporate bonds with fixed rate – 2025 <sup>(r)</sup>	1,100,000	–
Corporate bonds with fixed rate – 2027 <sup>(s)</sup>	1,000,000	–
Corporate bonds with fixed rate – 2027 <sup>(t)</sup>	1,000,000	–
Subordinated bonds with fixed rate – 2023 <sup>(h)</sup>	–	700,000
Subordinated bonds with fixed rate – 2025 <sup>(u)</sup>	1,000,000	–
	<b>12,097,487</b>	<b>11,496,786</b>
	<b>19,247,917</b>	<b>18,232,417</b>



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 33. 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 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.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) 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.
- (h) 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.
- (i) As at 30 June 2022, income certificates were with a maturity of 35 days to 198 days and bore interest rates ranging from 3.10% to 6.80% per annum paid at maturity. (As at 31 December 2021, income certificates were with a maturity of 62 days to 185 days and bore interest rates ranging from 2.70% to 3.00% per annum paid at maturity.)
- (j) As at 30 June 2022, there is no short term corporate bonds. (As at 31 December 2021, short term corporate bonds were with a maturity of 309 days to 339 days and bore interest rates from 2.75% to 3.10% per annum paid at maturity.)
- (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 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.
- (n) On 30 August 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 3.29% paid annually.
- (o) On 22 September 2021, 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 3.40% paid annually.
- (p) On 22 November 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 3.50% paid annually.



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 33. Bonds in issue (continued)

- (q) On 24 January 2022, 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 3.14% paid annually.
- (r) On 7 June 2022, the Company issued RMB1,100,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 2.99% paid annually.
- (s) On 23 March 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.80% paid annually.
- (t) On 28 April 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.60% paid annually.
- (u) On 24 February 2022, the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.45% paid annually.

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Interests of other holders of consolidated structured entities	47,235	458,145
Income certificates with variable interest yields	1,289,106	971,561
Bonds	300,995	–
	<b>1,637,336</b>	1,429,706
<b>Analysed for reporting purpose as:</b>		
Non-current liabilities	497,680	537,017
Current liabilities	1,139,656	892,689
	<b>1,637,336</b>	1,429,706



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 35. Derivative financial instruments

	30 June 2022		31 December 2021	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Futures contracts <sup>(a)</sup>	-	-	-	-
Stock options	6,286	(7,857)	17,961	(14,527)
Commodity options	1,165	(1,578)	682	(4,045)
OTC options	262,410	(10,358)	46,056	(83,683)
Interest rate swaps	-	(3,591)	-	(3,425)
Return swaps	397,732	(337,197)	420,342	(325,092)
	<b>667,593</b>	<b>(360,581)</b>	485,041	(430,772)

Analyzed for reporting purpose as:

	30 June 2022		31 December 2021	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Current	404,950	(295,051)	413,450	(381,509)
Non-current	262,643	(65,530)	71,591	(49,263)
	<b>667,593</b>	<b>(360,581)</b>	485,041	(430,772)





## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 35. Derivative financial instruments (continued)

(a) Futures contracts

	30 June 2022		31 December 2021	
	Nominal value (Unaudited)	Fair value (Unaudited)	Nominal value (Audited)	Fair value (Audited)
SIF	2,908,709	168,013	1,088,183	2,767
Treasury futures	397,050	647	3,332,234	(30,973)
Interest rate futures	33,042	(1,346)	31,550	(32)
Commodity futures	3,429	37	10,811	794
Less: cash received/(paid) as settlement		167,351		(27,444)
Net position of future contracts		-		-

The future contracts of the Group represent treasury future contracts, commodity futures contracts, interest rate 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 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)

### 36. Financial assets sold under repurchase agreements

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Analyzed by asset type:		
– Debt securities	14,823,529	11,328,535
– Funds	1,998,182	1,238,109
– Commercial papers	5,271,397	229,366
	<b>22,093,108</b>	12,796,010
Analyzed by market:		
– Interbank market	11,644,909	8,450,183
– Stock Exchange	5,039,252	3,975,515
– Others	5,408,947	370,312
	<b>22,093,108</b>	12,796,010
Analyzed by transaction type:		
– Pledged	20,979,119	12,655,065
– Outright	1,113,989	140,945
	<b>22,093,108</b>	12,796,010



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 37. 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:

	Domestic Shares		H Shares		Total	
	Number	Amount	Number	Amount	Number	Amount
	of shares RMB'000	RMB'000	of shares RMB'000	RMB'000	of shares RMB'000	RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
1 January 2021	1,935,479	1,935,479	442,640	442,640	2,378,119	2,378,119
Issuance of A shares	453,654	453,654	-	-	453,654	453,654
31 December 2021	2,389,133	2,389,133	442,640	442,640	2,831,773	2,831,773
30 June 2022	2,389,133	2,389,133	442,640	442,640	2,831,773	2,831,773

On 15 October 2021, the Company completed its non-public offering of 453,654 thousand A shares with RMB11.22 per share.

The excess of RMB4,636,346 thousand over the par value of RMB453,654 thousand for the 453,654 thousand ordinary shares issued, net of the relevant incremental costs of RMB107,012 thousand directly contributed to the newly issued shares of the Group, was credited to "share premium".



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

### 38. Other non-current liabilities

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Margin deposits of derivative contracts	2,669,769	1,425,330
	<b>2,669,769</b>	<b>1,425,330</b>

### 39. Cash and cash equivalents

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

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Cash	34	13
Bank balances	1,282,293	1,945,910
Proprietary clearing settlement funds	911,360	562,412
Cash equivalents		
– Financial assets held under resale agreements with original maturity at or less than 3 months	2,576,944	214,541
	<b>4,770,631</b>	<b>2,722,876</b>



# Notes to the Condensed Consolidated Financial Statements

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

## 40. Commitments and contingent liabilities

### (1) Commitments

As at 30 June 2022, the Group was not involved in any material commitments (31 December 2021: Nil).

### (2) Legal proceedings

- (1) 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 2022 (31 December 2021: RMB1,869 thousand).
- (2) In June 2021, 15 investors of Shandong Longli Biotechnology Co., Ltd. (hereinafter referred to as "Longli biotechnology") filed a lawsuit to the Intermediate People's Court of Jinan City, Shandong Province for compensation of the investment loss of RMB2,762 thousand caused by the misrepresentation. The case was heard on October 28, 2021, the intermediate people's Court of Jinan City, Shandong Province ruled that the case should come to trial in accordance with the ordinary representative litigation procedure, and the registration of the right holder began.

In August 2022, Huaying Securities, a wholly-owned subsidiary of the Group, received the Summons for Court Session, the Notice to Produce Evidence, and the Notice of Notification to the Members of the Trial Division issued by the Intermediate People's Court of Jinan City, Shandong Province on August 2, 2022, with 1,628 investors of Longli biotechnology claiming for compensation of plaintiff for the investment loss, commission, stamp duty, litigation costs and other fees, caused by the misrepresentation. As the sponsor and securities underwriter of the listing of Longli Bio, Huaying Securities co-underwent joint and several liability with 12 other natural persons and BDO China Shu Lun Pan Certified Public Accountants LLP. The above-mentioned case has not yet been heard, and the total amount claimed by the plaintiffs is still in the process of statistics. Due to this is still an early stage of the legal proceedings, according to the judgment of the management, the Group has not accrued any provisions for the potential claims.



# Notes to the Condensed Consolidated Financial Statements

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

## 41. Related party transactions

### 41.1 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 RMB8,391,110 thousand. As at 30 June 2022, Guolian Group directly held 19.21 % of the equity interest in the Company. In addition, Guolian Group also indirectly held 29.40% 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 2022, Guolian Trust held 13.78% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2022, Wuxi Electric held 9.43% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 30 June 2022, Yi Mian Textile held 2.57% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2022, Min Sheng Investment held 2.60% of the equity interest in the Company.



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Related party transactions (continued)

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

Wuxi Huaguang is the subsidiary of Guolian Group who directly held 72.15% of the equity interest. As at 30 June 2022, Wuxi Huaguang held 1.03% of the equity interest in the Company.

#### Transactions during the period

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Income from providing underwriting services	849	849

#### Balances at the end of the period/year

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	Cash held for brokerage clients	<1



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Related party transactions (continued)

### 41.2 Other related party transactions and balances

The below table lists the Group's other significant related entities as at 30 June 2022:

Significant related 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
Jiangsu Asset Management Co., Ltd.	Fellow subsidiary
Jiangsu Lianjia Asset Management Co., Ltd. ("Lianjia Asset Management")	Fellow subsidiary
Wuxi Union Financing Guarantee Co., Ltd. ("Union Financing Guarantee")	Fellow subsidiary
Wuxi Taigong Sanatorium Co., Ltd. ("Taigong Sanatorium")	Fellow subsidiary
Guolian Life Insurance Co., Ltd.	Associate invested by the controlling shareholder of the Company
Wuxi Micro Nano Industry Development Co., Ltd. ("Micro Nano")	Associate invested by the controlling shareholder of the Company
Wuxi Industry Development Group Co., Ltd. ("Industry Development")	The resigned chairman of the company acts as a chairman of Industry Development
Wuxi Public Utilities Industrial Group Co., Ltd. ("Public Utilities")	The controlling shareholder director of the Company acts as a director of Public Utilities
Wuxi Guofa Capital Operation Co., Ltd. ("Guofa Capital")	The director of the Company acted as a director of Guofa Capital
Wuxi Rural Commercial Bank ("WRCB")	The director of the Company acts as a director of WRCB
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Founder Securities Co., Ltd. ("Founder Securities") (note)	A senior executive of the Company acted as a senior executive of Founder Securities

Note: Mr. Yin Lei joined the company in June 2022 as the vice president and financial officer of the Company, and used to be a senior executive of Founder Securities Co., Ltd.. Since the Company is also listed on the Shanghai Stock Exchange and in accordance with the listing rules of Shanghai Stock Exchange, Founder Securities Co., Ltd. has become a related entity of the company since June 2022.





# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Related party transactions (continued)

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

#### Transactions during the period

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Income from providing securities brokerage services		
– Guolian Futures	51	332
– Guolian Trust	2,771	4,212
– Zhonghai Fund Management Co., Ltd.	534	1,122
– Others	716	873
Income from providing asset management services		
– Jiangsu Asset Management Co., Ltd.	457	923
– Guolian Life Insurance Co., Ltd.	111	500
– Lianjia Asset Management	404	–
– Others	61	321
Rental expense		
– Jiangsu Asset Management Co., Ltd.	589	354
Interest expense of lease obligation		
– Guolian Xincheng	441	691
– Guolian Life Insurance Co., Ltd.	24	151
– Micro Nano	3	–
Income from providing underwriting services		
– Jiangsu Asset Management Co., Ltd.	1,415	943
– Public Utilities	415	–
– Guolian Life Insurance Co., Ltd.	264	–
Income from providing financial advisory services		
– Jiangsu Asset Management Co., Ltd.	330	–
– Union Financing Guarantee	142	283
– Guolian Trust	47	566
– Industry Development	47	–
Expense for receiving services		
– Guolian Property Management	3,248	2,762
– Guolian Xincheng	613	–
– Micro Nano	22	–
– Taigong Sanatorium	141	1,027
– Others	124	70



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Related party transactions (continued)

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

#### Transactions during the period

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Income from providing investment advisory services		
– Guolian Trust	263	–
– Jiangsu Asset Management Co., Ltd.	189	–
– Others	491	–
Expense for receiving futures investment advisory services		
– Guolian Futures	157	104
Interest expense on financial assets sold under repurchase agreements		
– Guofa Capital	63	–
– Others	2	–
Interest expense on due to other financial institution		
– WRCB	320	–
Net realised losses from derivative financial instruments		
– Founder Securities	1,165	–
Others		
– Guolian Life Insurance Co., Ltd.	211	171



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Related party transactions (continued)

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

Balances at the end of the period/year

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Accounts payable		
– Guolian Futures	30	30
– Guolian Life Insurance Co., Ltd.	50	50
Lease obligation		
– Guolian Xincheng	16,368	21,500
– Guolian Life Insurance Co., Ltd.	1,448	1,849
– Micro Nano	429	–
Other receivables		
– Guolian Xincheng	–	479
– Guolian Property Management	180	180
– Micro Nano	111	271
Clearing settlement funds		
– Guolian Futures	23,223	43,666
Refundable deposits		
– Guolian Futures	15,956	18,351
Financial assets sold under repurchase agreements		
– Guofa Capital	7,912	7,349
Cash held for brokerage clients		
– Guolian Trust	16,095	80
– Zhonghai Fund Management Co., Ltd.	6	<1
– Others	236,744	76,727
Derivative financial assets		
– Founder Securities	1,343	–
Derivative financial liabilities		
– Founder Securities	220	–

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

As at 30 June 2022, the product managed by WRCB subscribed the subordinated bonds issued by the Group, amounted to RMB50,000 thousand. (Same as at 31 December 2021)



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

## 41. Related party transactions (continued)

### 41.3 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	
	2022	2021
	(Unaudited)	(Unaudited)
Short term employee benefits	4,470	4,371
Post-employment benefits	792	642
	5,262	5,013

## 42. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participations at the measurement date.

### 42.1 Financial instruments not measured at fair value

The Group's fair value of the bonds in issue as at 30 June 2022 was amounted to RMB19,160,259 thousand (31 December 2021: RMB18,043,652 thousand), and the carrying amount was RMB19,247,917 thousand (31 December, 2021: 18,232,417 thousand). The Group uses the discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity to evaluate the fair value of the bonds in issue.

Except above bonds in issue, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated statement of financial position approximate their fair values.



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

#### 42.2 Financial instruments measured at fair value

As at 30 June 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt instruments	4,246,433	23,056,634	368,518	27,671,585
– Equity instruments	975,268	8,130,739	2,841,391	11,947,398
Debt instruments at FVTOCI	–	3,835,236	–	3,835,236
Equity instruments at fair value through Other comprehensive income	2,467,859	–	–	2,467,859
Derivative financial assets	7,451	233,845	426,297	667,593
<b>Total</b>	<b>7,697,011</b>	<b>35,256,454</b>	<b>3,636,206</b>	<b>46,589,671</b>
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(47,235)	(47,235)
– Income certificates with variable interests	–	–	(1,289,106)	(1,289,106)
– Bonds	(300,995)	–	–	(300,995)
Derivative financial liabilities	(9,435)	(233,639)	(117,507)	(360,581)
<b>Total</b>	<b>(310,430)</b>	<b>(233,639)</b>	<b>(1,453,848)</b>	<b>(1,997,917)</b>



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

As at 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Financial assets at FVTPL				
– Debt instruments	2,752,962	14,494,906	282,537	17,530,405
– Equity instruments	1,759,488	7,183,394	1,236,804	10,179,686
Debt instruments at FVTOCI	–	6,240,445	–	6,240,445
Equity instruments at fair value through Other comprehensive income	2,579,203	–	–	2,579,203
Derivative financial assets	18,643	322,174	144,224	485,041
<b>Total</b>	<b>7,110,296</b>	<b>28,240,919</b>	<b>1,663,565</b>	<b>37,014,780</b>
<b>Liabilities</b>				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(458,145)	(458,145)
– Income certificates with variable interests	–	–	(971,561)	(971,561)
Derivative financial liabilities	(18,572)	(199,572)	(212,628)	(430,772)
<b>Total</b>	<b>(18,572)</b>	<b>(199,572)</b>	<b>(1,642,334)</b>	<b>(1,860,478)</b>



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

##### Financial instruments in Level 2

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level 2 in the fair value hierarchy into which the fair value measurement is categorised at 30 June 2022 and 31 December 2021.

Financial assets/liabilities	As at 30 June 2022	As at 31 December 2021	Valuation technique(s) and key input(s)
<b>Financial assets at FVTPL</b>			
– Bonds	<b>17,581,957</b>	13,750,955	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bonds.
– Asset backed securities	<b>137,833</b>	280,344	Discounted future cash flows estimated based on expected recoverable amounts at rates that reflect credit risk of securities.
– Equity securities listed on National Equities Exchange and Quotation	<b>10,251</b>	11,898	Recent transaction prices.
– Investment funds	<b>1,797,636</b>	1,200,313	Net asset value as published by the fund managers.
– Collective asset management schemes	<b>2,194,633</b>	195,311	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	<b>139,208</b>	265,685	Discounted future cash flows estimated based on expected return that reflect the credit risk of the products.
– Private equity funds	<b>3,871,171</b>	5,245,380	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Trust schemes	<b>117,841</b>	264,807	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)

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

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

##### Financial instruments in Level 2 (continued)

Financial assets/liabilities	As at 30 June 2022	As at 31 December 2021	Valuation technique(s) and key input(s)
- Commercial papers	5,336,843	463,607	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>			
- Bonds	3,835,236	6,240,445	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bond.
<b>Derivative financial assets</b>			
- Return swaps	233,845	322,174	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>			
- Interest rate swaps	(3,591)	(3,425)	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.
- Return swaps	(230,048)	(196,147)	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.





## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

##### Financial instruments in Level 3

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level 3 in the fair value hierarchy into which the fair value measurement is categorised at 30 June 2022 and 31 December 2021.

Financial assets/liabilities	As at 30 June 2022	As at 31 December 2021	Valuation technique(s) and key input(s)
<b>Financial assets at FVTPL</b>			
- Bonds	368,518	282,537	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.
- Collective asset management schemes	20,146	48,204	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.
- Private equity funds	2,396,493	770,586	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 investments	360,254	340,491	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.
- Restricted stocks	64,498	77,523	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

#### Financial instruments in Level 3 (continued)

Financial assets/liabilities	As at 30 June 2022	As at 31 December 2021	Valuation technique(s) and key input(s)
<b>Derivative financial assets</b>			
– OTC options	262,410	46,056	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.
– Return swaps	163,887	98,168	Calculated based on the difference between the equity return of underlying restricted stocks of which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability and the fixed income agreed in the swap agreements.
<b>Financial liabilities at FVTPL</b>			
– Interests of other holders of consolidated structured entities	(47,235)	(458,145)	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.
– Income certificates with variable interests	(1,289,106)	(971,561)	The fair value of the income certificate is the sum of the fair value of embedded option and the discounted future cash flows from the host contract of the debt instrument.  The fair value of option is calculated using option pricing model with major inputs including the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time and the risk-free interest rate, etc.  The fair value of host contract of debt instrument is calculated based on expected future cash flow discounted by the discount rate reflecting the Company's own credit risk.



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

##### Financial instruments in Level 3 (continued)

Financial assets/liabilities	As at 30 June 2022	As at 31 December 2021	Valuation technique(s) and key input(s)
<b>Derivative financial liabilities</b>			
– OTC options	(10,358)	(83,683)	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.
– Return swaps	(107,149)	(128,945)	Calculated based on the difference between the equity return of underlying restricted stocks of which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability and the fixed income agreed in the swap agreements.



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

#### Financial instruments in Level 3 (continued)

30 June 2022 and 31 December 2021

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
<b>Financial assets at FVTPL</b>			
- Bonds	Level 3	<ul style="list-style-type: none"> <li>The estimated future cash flows</li> <li>Discount rates reflecting the credit risk of the bond.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the estimated future cash flows, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
- Collective asset management schemes	Level 3	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.	The lower the discount rate, the higher the fair value.
- Private equity funds	Level 3	Discount rates that correspond to lack of marketability.	The lower the discount rate, the higher the fair value.
- Unlisted equity investments	Level 3	<ul style="list-style-type: none"> <li>Valuation multiples e.g. P/E, P/B or P/S</li> <li>Discount rates that correspond to lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the valuation multiples, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
- Restricted stocks	Level 3	An adjustment or discount for lack of marketability.	The lower the discount rate, the higher the fair value.



# Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

#### Financial instruments in Level 3 (continued)

30 June 2022 and 31 December 2021 (continued)

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
<b>Derivative financial instruments</b>			
- 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>
- Return swaps	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>
<b>Financial liabilities at FVTPL</b>			
- 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>
- 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)

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

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

##### Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2022 and 30 June 2021.

	Financial assets at FVTPL – Collective asset Management scheme	Financial assets at FVTPL Bonds	Financial assets at FVTPL Private equity funds	Financial assets at FVTPL – Unlisted equity investments	Financial assets at FVTPL – Restricted stocks	Derivative financial assets – OTC options	Derivative financial assets – return swaps	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	48,204	282,537	770,586	340,491	77,523	46,056	98,168	1,663,565
Fair value change	4,610	9,881	47,013	(19,211)	(28,436)	216,354	65,719	295,930
Transfers into level 1	-	-	-	-	(17,550)	-	-	(17,550)
Increase	15,000	81,614	1,578,894	38,974	41,501	-	-	1,755,983
Decrease	(47,668)	(5,514)	-	-	(8,540)	-	-	(61,722)
Balance at 30 June 2022	20,146	368,518	2,396,493	360,254	64,498	262,410	163,887	3,636,206

For the period from 1 January 2022 to 30 June 2022, the Group's restricted stocks was partially unblocked, and fair value hierarchy of these financial instruments transferred from level 3 to level 1. At 30 June 2022, the fair value of these stocks that the Group still owned is 17,550 thousands. There was no other transfer between levels (1 January 2021 to 30 June 2021: there was no transfer between levels).



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

##### Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2022 and 30 June 2021. (continued)

	Financial assets at FVTPL – Collective asset Management scheme RMB'000	Financial assets at FVTPL Bonds RMB'000	Financial assets at FVTPL Private equity funds RMB'000	Financial assets at FVTPL – Unlisted equity investments RMB'000	Financial assets at FVTPL – Restricted stocks RMB'000	Derivative financial assets – OTC options RMB'000	Derivative financial assets – return swaps RMB'000	Total RMB'000
Balance at 1 January 2021	2,695	169,075	–	140,675	7,999	24,419	–	344,863
Fair value change	18,409	(47,529)	27,421	24,615	(219)	46,542	–	69,239
Increase	269,388	486,960	948,407	116,155	1,486	–	–	1,822,396
Decrease	(3,114)	–	–	–	–	–	–	(3,114)
Balance at 30 June 2021	287,378	608,506	975,828	281,445	9,266	70,961	–	2,233,384



## Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

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

##### Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2022 and 30 June 2021. (continued)

	Financial liabilities at FVTPL – Interests of other holders of consolidated structured entities RMB'000	Financial liabilities at FVTPL – Income certificates with variable interests RMB'000	Derivative financial liabilities – OTC options RMB'000	Derivative financial liabilities Interest rate & return swaps RMB'000	Total RMB'000
Balance at 1 January 2022	458,145	971,561	83,683	128,945	1,642,334
(Gains)/losses recognised in profit or loss	27,124	(61,804)	(73,325)	(21,796)	(129,801)
Increase	–	880,294	–	–	880,294
Decrease	(438,034)	(500,945)	–	–	(938,979)
Balance at 30 June 2022	47,235	1,289,106	10,358	107,149	1,453,848

	Financial liabilities at FVTPL – Interests of other holders of consolidated structured entities RMB'000	Financial liabilities at FVTPL – Income certificates with variable interests RMB'000	Derivative financial liabilities – OTC options RMB'000	Derivative financial liabilities Interest rate & return swaps RMB'000	Total RMB'000
Balance at 1 January 2021	44,770	311,989	587,293	–	944,052
(Gains)/losses recognised 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	83,856	686,524	462,028	–	1,232,408





## Notes to the Condensed Consolidated Financial Statements

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

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

#### 43.1 Offering of corporate bonds

On 11 August 2022, the Company issued RMB1,500,000 thousand of long term financing bond with a term of 1,096 days and an interest rate of 3.10% per annum paid at maturity.

In addition to the above, there are no other significant events after the end of the reporting period.