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

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

(Stock Code: 01456)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the “**Board**”) of Guolian Securities Co., Ltd. (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2018. This announcement, containing the full text of the 2018 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The printed version of the Company’s 2018 annual report will be dispatched to the shareholders of the Company and available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.glsc.com.cn.

By order of the Board
Guolian Securities Co., Ltd.
Yao Zhiyong
Chairman

Wuxi, Jiangsu Province, the PRC
27 March 2019

As of the date of this announcement, the executive director of the Company is Mr. Peng Yanbao; the non-executive directors of the Company are Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang; and the independent non-executive directors of the Company are Mr. Lee Pak Hay, Mr. Lu Yuanzhu and Mr. Wu Xingyu.

Table of Contents

Important Notice	2
Chairman's Statement	3
Section 1 Definitions	4
Section 2 Major Risks Warnings	11
Section 3 Company Profile	12
Section 4 Summary of Accounting and Business Data	25
Section 5 Report of the Directors	30
Section 6 Other Significant Events	96
Section 7 Information of Changes of Equity (Capital) and Substantial Shareholders	109
Section 8 Information of Directors, Supervisors, Senior Management and Staff	112
Section 9 Corporate Governance Report	128
Section 10 Environmental, Social and Governance Report	157
Independent Auditor's Report	174



Important Notice

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

This report has been approved at the 25th meeting of the 3rd session of the Board of the Company and the 11th meeting of the 3rd session of the Supervisory Committee. All Directors had presented at the Board meeting. The Supervisory Committee meeting shall have 5 supervisors, but actually 4 of whom attended the meeting. Mr. Zhou Weixing, a Shareholder Representative Supervisor, was absent from the meeting due to his business engagement and has entrusted Mr. Jiang Zhiqiang, the Chairman of Supervisory Committee, in writing to exercise the voting rights on his behalf. No Directors, Supervisors or senior management had any objections on the authenticity, accuracy or completeness of the content of this annual report or not able to guarantee thereon.

The 2018 financial report of the Company was prepared in accordance with IFRS and Accounting Standards for Business Enterprises of the PRC, and was audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP respectively, and they have issued auditors' reports with unqualified opinions. Unless otherwise stated, the figures stated in this report are presented in RMB.

The chairman of the Board, namely Mr. Yao Zhiyong, the President and the Officer in charge of accounting, namely Mr. Peng Yanbao, and the chief financial officer, namely Ms. Chen Zhiying, have declared that the financial report in this annual report is authentic, accurate and complete.

The Company's proposed annual profit distribution proposal for the year 2018 approved by the Board is a cash dividend of RMB0.5 (including tax) for every 10 shares. This proposal is still subject to the approval of the General Meeting of the Company.

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

Chairman's Statement

Dear Shareholders,

In 2018, the domestic economy operated smoothly overall with a slight slowdown in growth. Affected by both internal and external factors such as financial deleveraging and Sino-US trade frictions, the A Share market witnessed a unilateral significant decline. In face of the sluggish market environment, coupled with the stringent regulatory guidance and fierce competition, the profit margins of domestic securities industry continued to shrink, and small-to-medium sized securities firms were under severe challenges.

In 2018, the Company actively responded to market challenges and constantly sought for self-development under the business philosophy of steady development. For capital operation, the Company constantly advanced the equity and debt financing development and optimized its capital structure. For business strategy, the Company adhered to the guidelines of “comprehensively improving the overall competence and expanding our business base”, promoted the implementation of regional development strategy, financial technology strategy and talent thriving enterprise strategy. For customer service, the Company kept on improving product research and development capability and financial service capability to provide customers with professional integrated financial solutions. For compliance risk control, the Company continued to improve the comprehensive risk management system that was in line with the Company's own operation and management strategy, upheld its compliance baseline and complied with various regulatory requirements. The Company achieved compliant operation and controllable risks for various businesses throughout the whole year.

In 2019, the Party Central Committee conducted important deployment to promote the high-quality development of the financial industry, and the securities industry ushered in new development opportunities. The Company will keep abreast of industry tendency, accelerate capital replenishment, actively implement market-oriented mechanism reform, strive to build its own business characteristics and competitive advantages, try its best to serve the real economy and prevent and resolve financial risks, and achieve comprehensive development and breakthrough for the Company, so as to proactively repay all shareholders for their trust and support to the Company.

Chairman: Yao Zhiyong

27 March 2019

Section 1 Definitions

General Terms

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

Section 1 Definitions

Guolian Futures	Guolian Futures Co., Ltd.* (國聯期貨股份有限公司), 54.72% of the shares of which is held by Guolian Group
Cotton Textile	Wuxi Cotton Textile Group Co., Ltd.* (無錫一棉紡織集團有限公司), a wholly-owned subsidiary of Guolian Group, which holds 3.83% of the shares of the Company, formerly known as "Wuxi Guolian Textile Group Co., Ltd.* (無錫國聯紡織集團有限公司)"
Huaguang Boiler	Wuxi Huaguang Boiler Co., Ltd.* (無錫華光鍋爐股份有限公司), 72.11% of the equity interest of which is held by Guolian Group, which holds 1.53% of the shares of the Company
Wuxi Electric	Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯地方電力有限公司) a wholly-owned subsidiary of Guolian Industrial, which holds 14.03% of the shares of the Company, previously known as "Wuxi Municipal Electric Power Company* (無錫市地方電力公司)"
Minsheng Investment	Wuxi Minsheng Investment Co., Ltd.* (無錫民生投資有限公司), a wholly-owned subsidiary of Guolian Financial Investment, which holds 3.86% of the shares of the Company
Jiangsu Xinfang	Jiangsu Xinfang Industrial Co., Ltd.* (江蘇新紡實業股份有限公司), which holds 1.18% of the shares of the Company
Guolian Investment Management	Wuxi Guolian Investment Management Consultancy Co., Ltd.* (無錫市國聯投資管理諮詢有限公司), a directly and indirectly wholly-owned subsidiary of Guolian Group
Guolian Financial Investment	Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司), a wholly-owned subsidiary of Guolian Group
Guolian Industrial Investment	Wuxi Guolian Industrial Investment Co., Ltd.* (無錫國聯產業投資有限公司), a directly and indirectly wholly-owned subsidiary of Guolian Group
Guolian Capital	Guolian Capital Co., Ltd.* (國聯通寶資本投資有限責任公司), a wholly-owned subsidiary of the Company
Hua Ying Securities	Hua Ying Securities Co., Ltd.* (華英證券有限責任公司), 100% of the equity interest of which is held by the Company

Section 1 Definitions

Zhonghai Fund	Zhonghai Fund Management Co., Ltd.* (中海基金管理有限公司), 33.409% of the equity interest of which is held by the Company
Surrich International	Surrich International Company Limited (錫洲國際有限公司), a wholly-owned subsidiary of Guolian Group
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
CG Code	the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuer in Appendix 10 of the Listing Rules
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Articles of Association	the articles of association of the Company
Connected Transactions	has the meaning ascribed to it under the Listing Rules
Continuing Connected Transaction(s)	has the meaning ascribed to it under the Listing Rules
Connected Persons	has the meaning ascribed to it under the Listing Rules
Associates	has the meaning ascribed to it under the Listing Rules
Substantial Shareholder(s)	has the meaning ascribed to it under the Listing Rules
Controlling Shareholder(s)	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Guolian Group, Guolian Trust, Wuxi Electric, Minsheng Investment, Cotton Textile, Huaguang Boiler, Guolian Industrial and Guolian Financial Investment

Section 1 Definitions

H Shares	the overseas listed foreign shares issued by the Company of RMB1.00 each, which are listed and traded on the HK Stock Exchange (stock code: 01456)
Domestic Shares	ordinary shares issued by the Company of RMB1.00 each, which are subscribed or credited in full in Renminbi
A Shares	domestic listed domestic shares, which are issued domestically and conducted listed trading in domestic stock exchanges, and are ordinary shares that are denominated, subscribed and traded in Renminbi
IFRS	include the standards, amendments and interpretations promulgated by International Accounting Standards Board and the International Accounting Standards and Interpretation issued by International Accounting Standards Committee
Wind	Wind, an internet big data financial terminal which is intended for use by various institutional users including all kinds of financial investment institutions, research institutions and academic institutions
Choice	An internet big data financial terminal which is intended for use by various institutional users including all kinds of financial investment institutions, research institutions and academic institutions
Reporting Period	the period from 1 January 2018 to 31 December 2018
SAT	State Administration of Taxation of the PRC
GDP	Gross Domestic Products
SAC	the Securities Association of China
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
SME	small and medium-sized enterprise(s)
Shanghai Stock Exchange	the Shanghai Stock Exchange
PRC or China	the People's Republic of China

Section 1 Definitions

Technical Terms

margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
NEEQ	National Equities Exchange and Quotations
Stock Pledged Repurchase Transaction	a transaction in which eligible funds receivers obtain financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and discharge the pledge some day in the future
Securities Repurchase	a transaction pursuant to the securities repurchase agreement in which a qualified investor sells its securities to a securities firm and agrees to repurchase such securities at an agreed price on a future date
Futures IB	the business activities in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions for the futures companies and provide other related services
Xiaorongbao (小融寶)	the small securities-backed financing service provided to the customers by the Company
Margin and Securities Refinancing	an operating activity in which China Securities Finance Corporation Limited provide their own or legally raised funds and securities for securities firms to handle margin financing and securities lending. Margin financing includes capital refinancing and securities refinancing
Direct Investment Business	a business in which the subsidiary for private equity business set up by the securities firm leverages on its own professional advantage to search for and find quality investment projects and make equity or debt investment with their own or raised funds, so as to obtain income from equity interest or debts
Shanghai-Hong Kong Stock Connect	a mechanism of inter-connection and inter-working between transactions of Shanghai and Hong Kong stock markets under which the Shanghai Stock Exchange and the HK Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)

Section 1 Definitions

Shenzhen-Hong Kong Stock
Connect

a mechanism of inter-connection and inter-working between transactions of Shenzhen and Hong Kong stock markets under which the Shenzhen Stock Exchange and the HK Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)

Collective Asset Management
Scheme

an asset management contract entered into with multiple clients by a securities firm, pursuant to which the clients' assets are placed in the custody of commercial banks or in other institutions approved by the CSRC which are qualified to hold client transaction settlement funds for entrustment, and the securities firm provides asset management services to the clients through designated accounts

Specialized Asset Management
Scheme

an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account

Targeted Asset Management
Scheme

an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client's name

FOF

funds of funds

IPO

the abbreviation for "Initial Public Offering"

PB Business

the main broker business, the securities company provides one-stop integrated financial services, such as centralized custody, backstage operation, research support, and fund raising to professional institutional investors and high net value clients

Section 1 Definitions

OECD	The Organization for Economic Co-operation and Development, an inter-governmental international economic organization composed of 36 market economy-oriented countries
PCE	The abbreviation of personal consumption expenditure deflator, a major indicator in measuring US inflation
ABS	Asset-backed securities, a financing method of issuing asset-backed securities, on the basis of facilitating credit enhancement through structural design with the future cash flow to be generated from the underlying assets as the reimbursement support
Pre-ABS	Investment provided to the original equity holders (asset holders) of asset-backed securities to form the underlying assets, and use the funds raised through asset securitization to repay the bridging loans and participates in the entire process of asset securitization business

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

Section 2 Major Risks Warnings

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

Section 3 Company Profile

I. Basic Information about the Company

1. Company Name

Registered Chinese Name: 國聯證券股份有限公司

Registered English Name: Guolian Securities Co., Ltd.

Short Name in Chinese: 國聯證券

Short Name in English: Guolian Sec

2. Stock Code

01456

3. Legal Representative

Mr. Yao Zhiyong (姚志勇)

4. Registered Capital and Net Capital

Registered Capital: RMB1,902,400,000

Net Capital: RMB7,829 million

5. Qualifications for Businesses in China

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

Section 3 Company Profile

6. Headquarters in China

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

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

Company Website: www.glsc.com.cn

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

7. Principal Place of Business in Hong Kong

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

8 General Manager (the President)

Mr. Peng Yanbao (彭焰寶)

9. Secretary to the Board

Mr. Yang Ming (楊明)

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

Telephone: 86 (510) 82833209

Fax: 86 (510) 82833124

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

10. Company Secretary

Ms. Lin Fanyu (林凡鈺)

11. Authorized Representatives

Mr. Yao Zhiyong (姚志勇), Mr. Peng Yanbao (彭焰寶)

Section 3 Company Profile

12. Auditors

Domestic: Deloitte Touche Tohmatsu Certified Public Accountants LLP

International: Deloitte Touche Tohmatsu

13. Legal Advisor (as to Hong Kong Laws)

Clifford Chance

14. Share Registrars

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

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

II. Development History

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

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

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

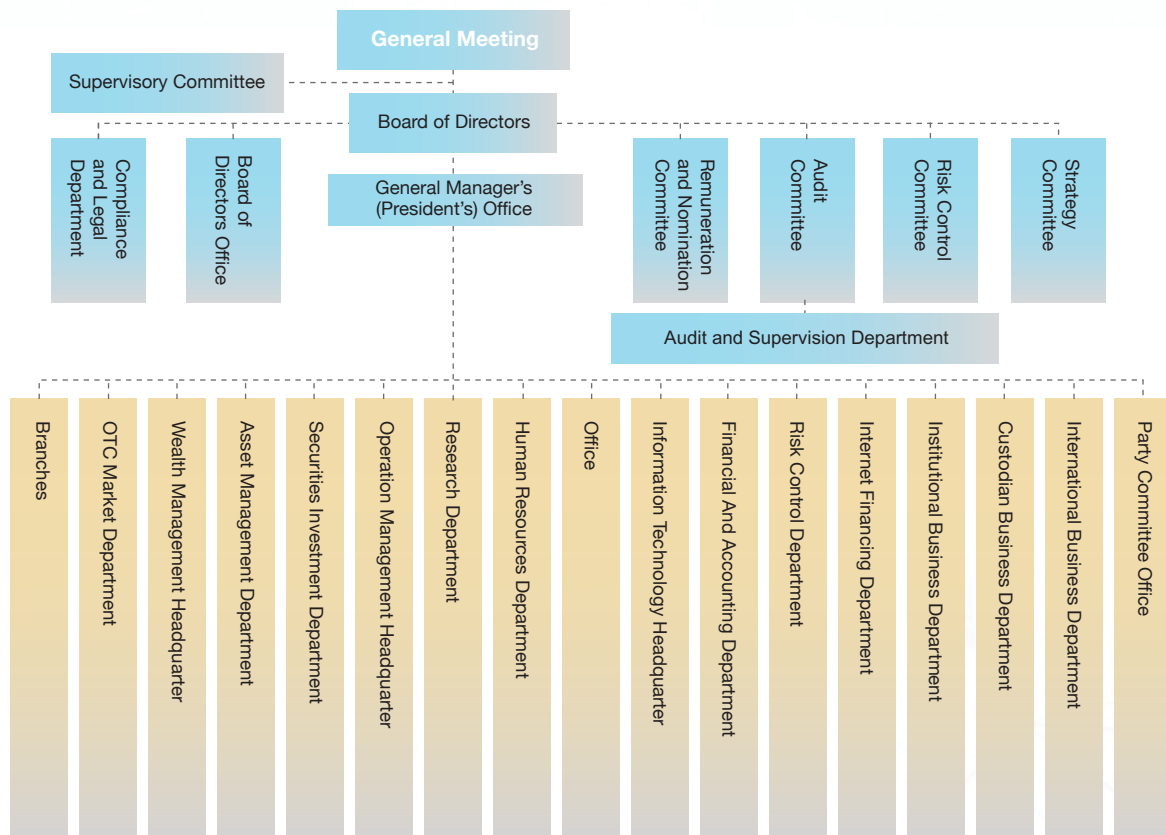
On 26 May 2008, upon the approval from CSRC and upon registration with Wuxi Industrial and Commercial Bureau, Guolian Securities Co., Ltd.* (國聯證券有限責任公司) was wholly converted into a joint stock company with limited liability, and was renamed as Guolian Securities Co., Ltd.* (國聯證券股份有限公司). The registered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

Section 3 Company Profile

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

III. Organizational Structure

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



Section 3 Company Profile

IV. Information of Subsidiaries

As at the end of the Reporting Period, the Company has 2 subsidiaries, namely Hua Ying Securities and Guolian Capital, respectively, the details of which are as follows:

1. Hua Ying Securities

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

2. Guolian Capital

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

V. Branch Offices

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

1. Information of branch offices

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

Section 3 Company Profile

2. Information of business branches

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

Item No.	Region	Branch name	Address	Person in charge
1	Jiangsu Province	Wuxi Xianqian East Street Securities Branch (無錫縣前東街證券營業部)	No. 168, Xianqian East Street, Wuxi (無錫市縣前東街168號)	Zhang Jin (張進)
2	Jiangsu Province	Wuxi Renmin East Road Securities Branch (無錫人民東路證券營業部)	1st Floor, No. 29, Renmin East Road, Wuxi (無錫市人民東路29號一樓)	Gu Li (顧勵)
3	Jiangsu Province	Wuxi Hubin Road Securities Branch (無錫湖濱路證券營業部)	No. 153, Hubin Road, Wuxi (無錫市湖濱路153號)	Wang Longjin (王龍金)
4	Jiangsu Province	Wuxi Liangxi Road Securities Branch (無錫梁溪路證券營業部)	No. 28, Liangxi Road, Binhu District, Wuxi (無錫市濱湖區梁溪路28號)	Shan Tao (單濤)
5	Jiangsu Province	Wuxi Zhongshan Road Securities Branch (無錫中山路證券營業部)	No. 153, Zhongshan Road, Wuxi (無錫市中山路153號)	Meng Qingting (孟慶庭)
6	Jiangsu Province	Wuxi New District Changjiang North Road Securities Branch (無錫新區長江北路證券營業部)	No. 97, Changjiang North Road, New District, Wuxi (無錫市新區長江北路97號)	Zhang Yu (張瑜)
7	Jiangsu Province	Wuxi Luoshe Town Renmin South Road Securities Branch (無錫洛社鎮人民南路證券營業部)	3rd Floor, No. 47, Tianqicheng, Renmin South Road, Luoshe Town, Huishan District, Wuxi (無錫市惠山區洛社鎮人民南路天奇城47號三樓)	Huang Yuyang (黃宇陽)
8	Jiangsu Province	Wuxi Wuai North Road Securities Branch (無錫五愛北路證券營業部)	No. 60, Wuai North Road, Wuxi (無錫市五愛北路60號)	Xi Xiaojun (奚孝軍)
9	Jiangsu Province	Wuxi Huaxia South Road Securities Branch (無錫華夏南路證券營業部)	11-2500, Huaxia South Road, Xishan District, Wuxi (無錫市錫山區華夏南路11-2500)	Ji Xiaowen (基曉雯)
10	Jiangsu Province	Wuxi Yuqi Town Huxi Road Securities Branch (無錫玉祁鎮湖西路證券營業部)	No. 170, 172, Huxi Road, Yuqi Town, Wuxi (無錫市玉祁鎮湖西路170、172號)	Chen Hong (陳洪)
11	Jiangsu Province	Wuxi Anzhen Xidong Avenue Securities Branch (無錫安鎮錫東大道證券營業部)	(Shop on 1st Floor), No. 3054, Xidong Avenue, Anzhen, Wuxi (無錫市安鎮錫東大道3054一樓商鋪)	Zhu Sunyi (朱孫逸)
12	Jiangsu Province	Wuxi Meicun Town Xiyi Road Securities Branch (無錫梅村鎮錫義路證券營業部)	1st Floor, Civic Center Building, No. 388, Xiyi Road, Meicun Street, Wuxi (無錫市梅村街道錫義路388號市民中心大樓一層)	Mei Hua (梅花)
13	Jiangsu Province	Wuxi Mashan Meiliang Road Securities Branch (無錫馬山梅梁路證券營業部)	No. 212-1, Shengyuan Commercial Street, Meiliang Road South, Mashan, Wuxi (無錫市馬山梅梁路南側聖園商業街212-1號)	Qian Pengcheng (錢鵬丞)
14	Jiangsu Province	Wuxi Donggang Town Jiankang Road Securities Branch (無錫東港鎮健康路證券營業部)	(Shop on 1st Floor) Shop No. 251, Jiankang Road, Donggang Town, Xishan District, Wuxi (無錫錫山區東港鎮健康路251號商鋪一樓商鋪)	Ji Wei (季威)
15	Jiangsu Province	Wuxi Qianqiao Jin'an Road Securities Branch (無錫錢橋金岸路證券營業部)	No. 108, Jin'an Road, Huishan District, Wuxi (無錫惠山區金岸路108號)	Ni Gongyi (倪公一)

Section 3 Company Profile

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

Section 3 Company Profile

Item No.	Region	Branch name	Address	Person in charge
33	Jiangsu Province	Suzhou Jiefang West Road Securities Branch (蘇州解放西路證券營業部)	No. 114, 116, Jiefang West Road, Suzhou (蘇州市解放西路114、116號)	Chai Xixian (柴熙賢)
34	Jiangsu Province	Changzhou Tongjiang Avenue Securities Branch (常州通江大道證券營業部)	No. 555, Tongjiang Avenue, Changzhou (常州市通江大道555號)	Zhong Qi (鍾奇)
35	Jiangsu Province	Changzhou Wuyi Middle Road Securities Branch (常州武宜中路證券營業部)	No. 301, Block 305-1, Xincheng Nandu, Hutang Town, Wujin District, Changzhou (常州市武進區湖塘鎮新城南都305-1幢301號)	Zha Xiaoming (查曉明)
36	Jiangsu Province	Nantong Gongnong Road Securities Branch (南通工農路證券營業部)	No. 486 Gongnong Road, Nantong (南通市工農路486號)	Xu Yongping (徐永平)
37	Jiangsu Province	Xuzhou Huancheng Road Securities Branch (徐州環城路證券營業部)	2nd Floor, Beijiang Building, No. 167 Huancheng Road, Gulou District, Xuzhou, Jiangsu Province (江蘇省徐州市鼓樓區環城路167號北江大廈2層)	Fan Jiongwei (范炯瑋)
38	Jiangsu Province	Taizhou Jichuan East Road Securities Branch (泰州濟川東路證券營業部)	Rm. 106, No. 99, Jichuan East Road, Hailing District, Taizhou (泰州市海陵區濟川東路99號106室)	Chen Hanyan (陳韓巖)
39	Jiangsu Province	Yancheng Jiefang South Road Securities Branch (鹽城解放南路證券營業部)	Rm. 133, 224-226, 319-321 (3) Yongji Plaza, Jiefang South Road, Yancheng (鹽城市解放南路永基廣場133、224-226、319-321室(3))	Tong Benzhi (童本智)
40	Jiangsu Province	Yangzhou Wenhui West Road Securities Branch (揚州文匯西路證券營業部)	No. 183, Wenhui West Road, Hanjiang District, Yangzhou (揚州市邗江區文匯西路183號)	Liang Hongfei (梁宏飛)
41	Jiangsu Province	Lianyungang Cangwu Road Securities Branch (連雲港蒼梧路證券營業部)	No. A1, 1st Floor, Longhe Building, No. 6, Cangwu Road, Lianyungang (連雲港市蒼梧路6號龍河大廈1層A1號)	Han Yansong (韓嚴松)
42	Jiangsu Province	Huai'an Beijing North Road Securities Branch (淮安北京北路證券營業部)	Rm. 701, Heyun Building, No. 100, Beijing North Road, Huai'an (淮安市北京北路100號河韻大廈701室)	Xie Xianlin (謝賢林)
43	Jiangsu Province	Zhenjiang Tanshan Road Securities Branch (鎮江檀山路證券營業部)	Rm. 206, 207, 2nd Floor, Building No. 60, Shenhua International Crown Castle, No. 8, Tanshan Road, Zhenjiang (鎮江市檀山路8號中華國際冠城60幢第2層206、207室)	Zhu Xiangming (朱向明)
44	Jiangsu Province	Danyang Jinling West Road Securities Branch (丹陽金陵西路證券營業部)	No. 188, Jinling West Road, Development District, Danyang (丹陽市開發區金陵西路188號)	Zhang Jianhua (張建華)
45	Jiangsu Province	Haimen Changjiang South Road Securities Branch (海門長江南路證券營業部)	No. 32, Yunjie Longxin Homeland Shop, Haimen (海門市運傑龍馨家園商鋪32號)	Wang Xiaolei (王曉磊)
46	Jiangsu Province	Kunshan Xiaolin Road Securities Branch (昆山蕭林路證券營業部)	34, No. 699, Xiaolin Road, Kunshan (昆山市蕭林路699號34)	Xu Xiaoqiang (徐小強)
47	Jiangsu Province	Changshu Haiyu North Road Securities Branch (常熟海虞北路證券營業部)	101, 127, Zhonghui Plaza, No. 11, Jinshajiang Road, Changshu (常熟市金沙江路11號中匯廣場101、127)	Cao Zhanyi (曹展翼)

Section 3 Company Profile

Item No.	Region	Branch name	Address	Person in charge
48	Jiangsu Province	Jiangyin Qingyang Fuqian Road Securities Branch (江陰青陽府前路證券營業部)	No. 101, Fuqian Road, Qingyang Town, Jiangyin (江陰市青陽鎮府前路101號)	Yang Ning (楊凝)
49	Jiangsu Province	Nanjing Tuanjie Road Securities Branch (南京團結路證券營業部)	Rm. 02, 03, Block 25, Zhonghai Wanjin Garden, No. 8, Tuanjie Road, Pukou District, Nanjing (南京市浦口區團結路8號中海萬錦花園25幢02、03室)	Lin Xin (林鑫)
50	Jiangsu Province	Changzhou North Main Street Securities Branch (常州北大街證券營業部)	Rm. 503-506, Block 8, Yulong Garden, North Main Street, Zhonglou District, Changzhou (常州市鐘樓區北大街玉隆花園8幢503-506室)	Tian Yan (田燕)
51	Beijing	Beijing Shouti South Road Securities Branch (北京首體南路證券營業部)	Rm. 1202, 12th Floor, 4th Building, No. 9, Shouti South Road, Haidian District, Beijing (北京市海澱區首體南路9號4樓12層1202室)	Jia Li (賈莉)
52	Beijing	Beijing Jiancaicheng West Road Securities Branch (北京建材城西路證券營業部)	No. 2 Building, No. 87, Jiancaicheng West Road, Changping District, Beijing (北京市昌平區建材城西路87號2號樓)	Chen Shouxi (陳首熹)
53	Beijing	Beijing Shijingshan Road Securities Branch (北京石景山路證券營業部)	12th Floor, No. 2 Building, No. 18 Yard, Shijingshan Road B Section, Shijingshan District, Beijing (北京市石景山區石景山路乙18號院2號樓12層)	Zhang Chao (張超)
54	Beijing	Beijing Chaoyangmen South Street Securities Branch (北京朝陽門南大街證券營業部)	50105, 1st Floor, Galaxy SOHO Centre, No. 2, Nanzhugan Alley, Dongcheng District, Beijing (北京市東城區南竹竿胡同2號銀河搜侯中心1層50105)	Liu Bochao (劉博超)
55	Shanghai	Shanghai Tianlin Road Securities Branch (上海田林路證券營業部)	Room D1, 1st Floor, 16th Building, No. 140, Tianlin Road, Xuhui District, Shanghai (上海市徐匯區田林路140號16幢1層D1室)	Wu Sheng (吳晟)
56	Shanghai	Shanghai Handan Road Securities Branch (上海邯鄲路證券營業部)	No. 98, Handan Road, Shanghai (上海市邯鄲路98號)	Wang Jun (王珺)
57	Shanghai	Shanghai Gangyu Road Securities Branch (上海港俞路證券營業部)	No. 865, Gangyu Road, Qingpu District, Shanghai (上海市青浦區港俞路865號)	Dai Ming (代明)
58	Shandong Province	Yantai Yingchun Street Securities Branch (煙台迎春大街證券營業部)	No. 163, Yingchun Street, Laishan District, Yantai (煙台市萊山區迎春大街163號)	Li Chao (李超)
59	Shandong Province	Zibo Zicheng Road Securities Branch (淄博淄城路證券營業部)	No. 573, Zicheng Road, Zichuan District, Zibo, Shandong Province (山東省淄博市淄川區淄城路573號)	Wu Junhe (吳俊河)
60	Guangdong Province	Guangzhou Binjiang East Road Securities Branch (廣州濱江東路證券營業部)	One of Unit 07 of 3rd Floor, No. 207 and Unit 01-05 of 3rd Floor, No. 213, Binjiang East Road, Haizhu District, Guangzhou (廣州市海珠區濱江東路207號三層07之一、213號三層01-05單元)	Wang Jiawen (汪嘉文)

Section 3 Company Profile

Item No.	Region	Branch name	Address	Person in charge
61	Guangdong Province	Shenzhen Haixiu Road Securities Branch (深圳海秀路證券營業部)	1701-1703, 1710-1711, Commercial Building, Xilongwan Garden (N23 Zone), the junction of Jia'an Road and Haixiu Road, Xinan Street, Bao'an District, Shenzhen (深圳市寶安區新安街道甲岸路及海秀路交匯處龍灣花園(N23區)商業辦公樓1701-1703·1710-1711)	Yu Lei (于磊)
62	Guangxi Zhuang Autonomous Region	Nanning Minzu Avenue Securities Branch (南寧民族大道證券營業部)	4th Floor, Derui Complex Building, No. 143, Minzu Avenue, Qingxiu District, Nanning (南寧市青秀區民族大道143號德瑞大廈綜合樓4樓)	Lu Yong (陸泳)
63	Guangxi Zhuang Autonomous Region	Guilin Binjiang Road Securities Branch (桂林濱江路證券營業部)	1-10, 1#3rd Floor, Kegao Lijiang 21st Commercial Mansion, No. 16, Binjiang Road, Xiufeng District, Guilin (桂林市秀峰區濱江路16號可高·灘江21號商務辦公樓1#3樓1-10)	Lei Mengyao (雷夢瑤)
64	Zhejiang Province	Hangzhou Feiyunjiang Road Securities Branch (杭州飛雲江路證券營業部)	Rms. 1601, 1602, 1603, West Building, Zancheng Center, Shangcheng District, Hangzhou (杭州市上城區贊成中心西樓1601·1602·1603室)	Ye Ruqi (葉汝騏)
65	Liaoning Province	Dalian Renmin Road Securities Branch (大連人民路證券營業部)	No. E2, 8th Floor, International Finance Tower, No. 15, Renmin Road, Zhongshan District, Dalian, Liaoning Province (遼寧省大連市中山區人民路15號國際金融大廈8層E2號)	Zhu Gang (祝剛)
66	Jiangxi Province	Nanchang Beijing East Road Securities Branch (南昌北京東路證券營業部)	1st-3rd Floor, No. 98, Beijing East Road, Qingshanhu District, Nanchang, Jiangxi Province (江西省南昌市青山湖區北京東路98號第1-3層)	Liu Wei (劉維)
67	Hunan Province	Changsha Furong Middle Road Securities Branch (長沙芙蓉中路證券營業部)	4th Floor, Zhongcai Building, No. 426, Furong Middle Road Third Section, Tianxin District, Changsha (長沙市天心區芙蓉中路三段426號中財大廈四層)	Yang Jieqiong (陽潔琼)
68	Chongqing	Chongqing Wuhong Road Securities Branch (重慶五紅路證券營業部)	3-1, Building No. 7, Chang'an Huadu, No. 60-3, Wuhong Road, Longta Street, Yubei District, Chongqing (重慶市渝北區龍塔街道五紅路60號附3長安華都7幢3-1)	Meng Shuyong (孟書勇)
69	Sichuan Province	Chengdu Jincheng Avenue Securities Branch (成都錦城大道證券營業部)	No. 7, 14th Floor, Block 3, No. 666, Jincheng Avenue, Hi-Tech District, Chengdu (成都市高新區錦城大道666號3幢14層7號)	Huang Jianbin (黃建斌)
70	Beijing	Beijing Majiapu East Road Securities Branch (北京馬家堡東路證券營業部)	Commercial Zone, No. 21, 1st Floor, No. 6 Building, No. 168 Yard, Majiapu East Road, Fengtai District, Beijing (北京市豐台區馬家堡東路168號院6號樓1層21號底商)	Song Hongtao (宋洪濤)

Section 3 Company Profile

Item No.	Region	Branch name	Address	Person in charge
71	Guangdong Province	Shenzhen Yitian Road Securities Branch (深圳益田路證券營業部)	Rm. 4504, 4403-A and 4501-A, New World Commercial Centre, No. 6009, Yitian Road, Futian District, Shenzhen (深圳市福田區益田路6009號新世界商務中心大廈4504、4403-A和4501-A)	Song Weiyong (宋唯瑛)
72	Hunan Province	Changsha Songgui Garden Securities Branch (長沙松桂園證券營業部)	Units C1, C2 and C3, 15th Floor, Hunan Xinwen Building, No. 469, One Section, Furong Middle Road, Kaifu District, Changsha, Hunan Province (湖南省長沙市開福區芙蓉中路一段469號湖南新聞大廈15層C1、C2、C3區寫字間)	Peng Jinke (彭晉科)
73	Jiangsu Province	Wuxi Xibei Town Quanshan Road Securities Branch (無錫錫北鎮泉山路證券營業部)	No. 15, Jinghe Yuan, Xibei Town, Wuxi (無錫市錫北鎮涇和苑15號)	Sun Jindong (孫金東)
74	Jiangsu Province	Wuxi Hudai Town Antai Road Securities Branch (無錫胡埭鎮安泰路證券營業部)	No. 13-9, Fu'an Commercial Plaza A, Hudai Town, Wuxi (無錫市胡埭鎮富安商業廣場A區13-9)	Shen Gang (沈剛)
75	Jiangsu Province	Wuxi Huishan New Town Zhenghe Avenue Securities Branch (無錫惠山新城政和大道證券營業部)	Rm. 104, 106-2 and 204, No. 182, Zhenghe Avenue, Huishan District, Wuxi (無錫市惠山區政和大道182號104、106-2、204)	Wang Yuhong (王玉紅)
76	Anhui Province	Susong Fuyu West Road Securities Branch (宿松孚玉西路證券營業部)	No. 366, Fuyu West Road, Fuyu Town, Susong County, Anqing, Anhui (安徽省安慶市宿松縣孚玉鎮孚玉西路366號)	Qin Jun (秦軍)
77	Jiangsu Province	Nanjing Qinhuai Road Securities Branch (南京秦淮路證券營業部)	No. 103, Block 2, Qingchun Shui'an, No. 4 Qinhuai Road, Jiangning District, Nanjing, Jiangsu Province (江蘇省南京市江寧區秦淮路4號青春水岸2幢103號)	Sun Hebing (孫和兵)
78	Shanghai	Shanghai Zhangyang Road Securities Branch (上海張楊路證券營業部)	Rm. 803, Block 1, No. 538, Gushan Road & No. 2399, Zhangyang Road, Pudong New District, Shanghai (上海市浦東新區崑山路538號張楊路2399號1幢803室)	Jiang Hua (江華)
79	Hubei Province	Wuhan Xinhua Road Securities Branch (武漢新華路證券營業部)	No. 5 Office, 14th Floor, Shidai Caifu Center, No. 468 Xinhua Road, Jiangnan District, Wuhan (武漢市江漢區新華路468號時代財富中心14層(5)辦號)	Luo Xingang (羅心剛)
80	Shandong province	Qingdao Shangshi Center Securities Branch (青島上實中心證券營業部)	203, Unit 2, Building T6, Shangshi Center, No. 195 Hong Kong East Road, Laoshan District, Qingdao (青島市嶗山區香港東路195號上實中心T6號樓2單元203戶)	Li Jian (李鍵)
81	Jiangsu Province	Zhangjiagang Nanyuan East Road Securities Branch (張家港南苑東路證券營業部)	J105 Facade, No. 105, Nanyuan East Road, Building 55, Tangong Manor, Yangshe Town, Zhangjiagang (張家港市楊舍鎮檀宮莊園55幢南苑東路105號·J105門面)	Huang Zhendong (黃振東)

Section 3 Company Profile

Item No.	Region	Branch name	Address	Person in charge
82	Jiangsu Province	Jiangyin Changjinghongqiao North Road Securities Branch (江陰長涇虹橋北路證券營業部)	No. 47, Hongqiao North Road, Changjing Town, Jiangyin (江陰市長涇鎮虹橋北路47號)	Xu Zhou (徐舟)
83	Jiangsu Province	Yixing Xushe Town Xinhe Road Securities Branch (宜興徐舍鎮新河路證券營業部)	No. 36-38, Xinhe Road Shop, Juyuanmingju (West District), Xushe Town, Yixing (宜興市徐舍鎮聚緣名居(西區)新河路商舖36-38號)	Zhou Yu (周宇)
84	Jiangsu Province	Yixing Gaocheng Town Zhenxing Road Securities Branch (宜興高塍鎮振興路證券營業部)	No. 188-27, 28, 29, Zhenxing Road, Gaocheng Town, Yixing (宜興市高塍鎮振興路188-27、28、29號)	Zhou Jinjun (周瑾軍)
85	Jiangsu Province	Wuxi Taihu New Town Ruijing Road Securities Branch (無錫太湖新城瑞景道證券營業部)	No. 69-2, 69-3, Huajingjiayuan, Ruijing Road, Binhu District, Wuxi (無錫市濱湖區瑞景道華憬佳苑69-2、69-3)	Xu Ke (許可)
86	Hunan Province	Changsha Wanjiali Middle Road Securities Branch (長沙萬家麗中路證券營業部)	Unit 1627-2, 16th Floor, Wanjiali International Mall, No. 99, Section 1, Wanjiali Middle Road, Dongtundu Street, Furong District, Changsha (長沙市芙蓉區東屯渡街道萬家麗中路一段99號萬家麗國際MALL16樓1627-2)	Xie Fang (謝芳)
87	Jiangsu Province	Suqian Hongzehu Road Securities Branch (宿遷洪澤湖路證券營業部)	No. 130, Hongzehu Road, Sucheng District, Suqian (宿遷市宿城區洪澤湖路130號)	Lu Guoping (陸國平)

Section 4 Summary of Accounting and Business Data

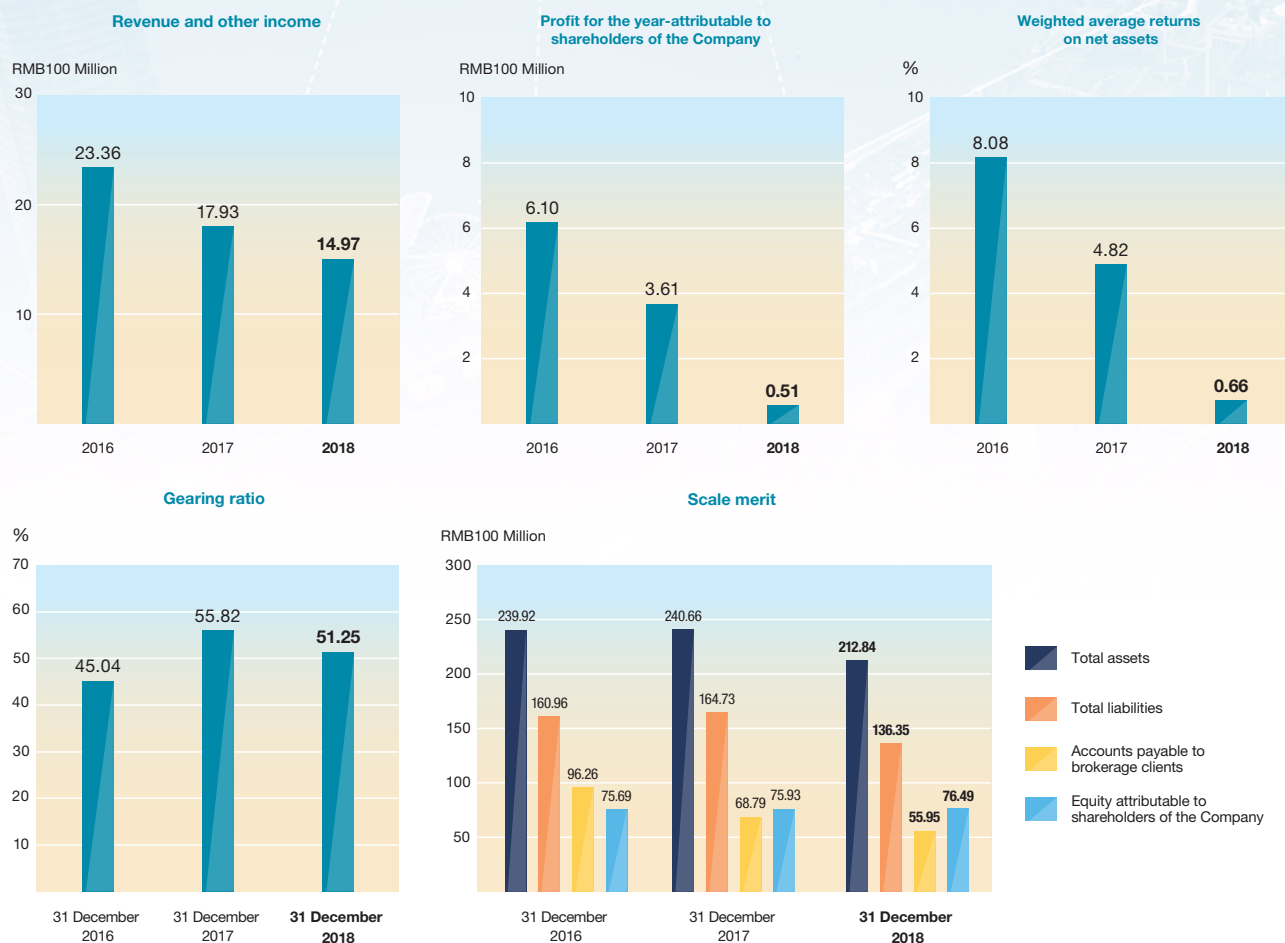
I. Principal Accounting Data and Financial Indexes

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

Item	2018	2017	Year-on-Year Growth	2016
Operating results (RMB'000)				
Revenue and other income	1,496,815	1,792,803	-16.51%	2,335,667
Profit before income tax	71,652	516,678	-86.13%	859,871
Profit for the year attributable to shareholders of the Company	50,588	361,492	-86.01%	610,068
Net cash inflow/outflow from operating activities	919,720	-3,933,409	—	2,434,180
Earnings per share (RMB/share)				
Basic earnings per share	0.03	0.19	-84.21%	0.32
Diluted earnings per share	0.03	0.19	-84.21%	0.32
Profitability index				
Weighted average returns on net assets (%)	0.66%	4.82%	Decreased by 4.16 percentage points	8.08%
Item	31 December 2018	31 December 2017	Year-on-Year Growth	31 December 2016
Scale merit (RMB'000)				
Total assets	21,283,776	24,065,998	-11.56%	23,992,481
Total liabilities	13,634,592	16,473,426	-17.23%	16,096,311
Accounts payable to brokerage clients	5,594,621	6,879,052	-18.67%	9,626,064
Equity attributable to shareholders of the Company	7,649,184	7,592,572	0.75%	7,569,143
Total share capital ('000 shares)	1,902,400	1,902,400	0.00%	1,902,400
Net asset value per share attributable to shareholders of the Company (RMB/share)				
	4.02	3.99	0.75%	3.98
Gearing ratio (%)¹	51.25%	55.82%	Decreased by 4.57 percentage points	45.04%

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

Section 4 Summary of Accounting and Business Data



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

Earnings (RMB'000)

Item	2018	2017	2016	2015	2014
Revenue and other income	1,496,815	1,792,803	2,335,667	3,833,186	2,131,656
Total expenses	1,434,713	1,178,884	1,562,467	1,991,276	1,184,789
Profit before income tax	71,652	516,678	859,871	1,990,334	963,125
Profit for the year – attributable to shareholders of the Company	50,588	361,492	610,068	1,471,438	714,955

Section 4 Summary of Accounting and Business Data

Assets (RMB'000)

Item	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Total assets	21,283,776	24,065,998	23,992,481	31,173,636	20,448,835
Total liabilities	13,634,592	16,473,426	16,096,311	23,144,867	16,100,188
Accounts payable to brokerage clients	5,594,621	6,879,052	9,626,064	13,557,301	7,768,782
Equity attributable to shareholders of the Company	7,649,184	7,592,572	7,569,143	7,735,283	4,082,010
Total share capital ('000 shares)	1,902,400	1,902,400	1,902,400	1,902,400	1,500,000

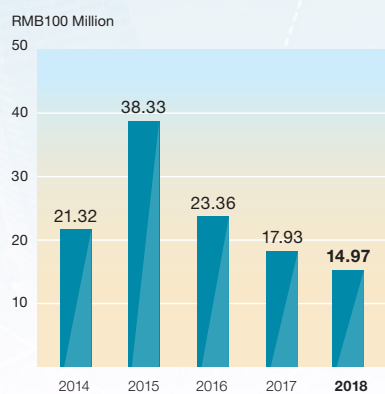
Key financial indexes

Item	2018	2017	2016	2015	2014
Basic earnings per share	0.03	0.19	0.32	0.88	0.48
Diluted earnings per share	0.03	0.19	0.32	0.88	0.48
Weighted average returns on net assets (%)	0.66%	4.82%	8.08%	24.21%	18.71%

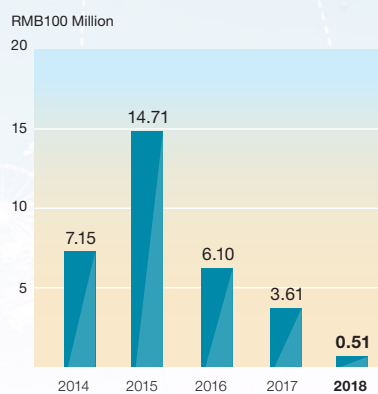
	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Gearing ratio (%)	51.25%	55.82%	45.04%	54.42%	65.70%
Net asset value per share attributable to shareholders of the Company (RMB/share)	4.02	3.99	3.98	4.07	2.72

Section 4 Summary of Accounting and Business Data

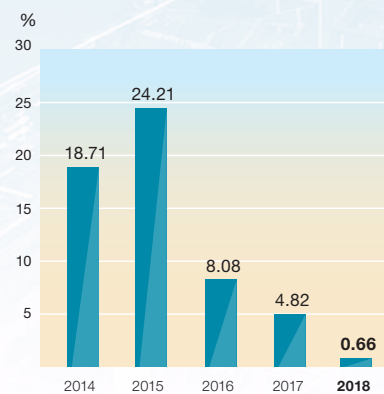
Revenue and other income



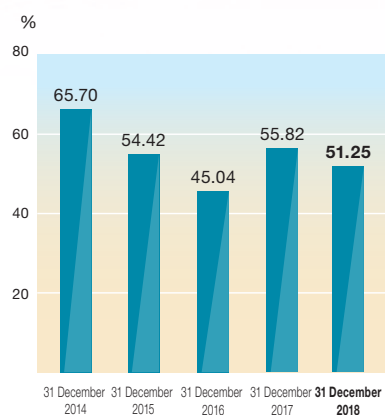
Profit for the year-attributable to shareholders of the Company



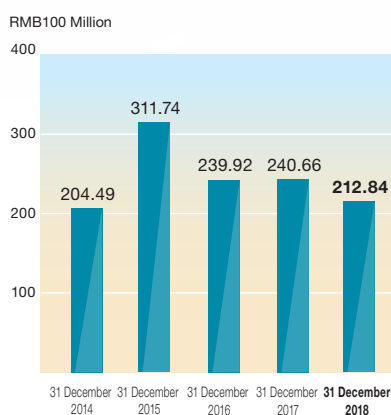
Weighted average returns on net assets



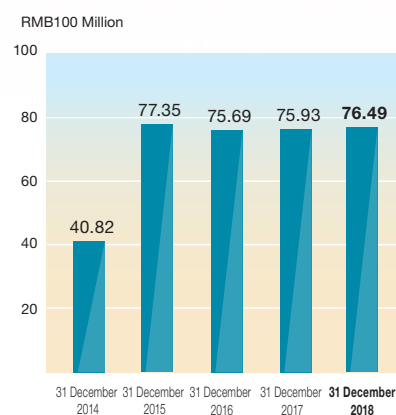
Gearing ratio



Total assets



Equity attributable to shareholders of the Company



Section 4 Summary of Accounting and Business Data

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

The consolidated financial statement prepared by the Company in accordance with the IFRS and the Accounting Standards for Business Enterprises of the PRC show no difference in the net profit in 2018 and 2017 and the net assets as at 31 December 2018 and 31 December 2017.

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

As at 31 December 2018, the net capital of the Company was RMB7,829 million, representing a decrease of 4.48% as compared to the net capital of RMB8,196 million as at the end of 2017. During the Reporting Period, the related risk control indexes of the Company's net capital had complied with the regulatory requirements.

Unit: in RMB'000

Item	31 December 2018	31 December 2017	Regulatory standard
Net capital	7,829,215	8,195,809	—
Net assets	7,596,804	7,515,896	—
Risk coverage ratio (%)	430.00	399.77	≥100%
Capital leverage ratio (%)	46.65	43.66	≥8%
Liquidity coverage ratio (%)	1,350.82	385.54	≥100%
Net steady fund rate (%)	176.20	168.81	≥100%
Net capital/net assets (%)	103.06	109.05	≥20%
Net capital/liabilities (%)	113.74	104.98	≥8%
Net assets/liabilities (%)	110.37	96.27	≥10%
Proprietary equity securities and securities derivatives/net capital (%)	9.49	8.97	≤100%
Proprietary fixed-income securities/net capital (%)	13.28	9.64	≤500%

Section 5 Report of the Directors

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

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

After the 2008 financial crisis and years of easing measures, the global economy entered its recovery process since the second half of 2016. However, the pace of global economic recovery showed significant slowdown in 2018 due to currencies normalization, especially the progress of US dollar interest rate hike cycle, as well as anti-globalization trend, trade and investment protectionism and other factors. The global OECD composite leading indicator had dropped to below 100 since July.

The US economy was relatively stable among other major economies, with increasing GDP quarter-on-quarter and unemployment rate continued to decline. In September and October, the unemployment rate maintained at 3.7% for two consecutive months, the lowest in nearly half a century. Its inflation rose close to its targeted value, and core PCE showed a rising tendency. On the other hand, although various data in USA performed well currently, however, with interest rate hike progressing, capital market volatility and debt risks gradually accumulated and thus propounded greater uncertainty to global economy in 2019. From the perspective of other developed economies, the Eurozone economy slowed down significantly after 2018. High oil price, trade war, Brexit, Italy's budget impasse and other factors have all affected the Eurozone economy. Although the PMI remained above 50% but it went downwards and was far from the 60.6% high level as at the end of 2017. Affected by overseas demand, the Japanese economy fell back to deflation in the third quarter and investors' confidence also went sour.

Among the emerging economies, as affected by strong US dollar, the exchange rates of many countries fluctuated significantly. Brazil and India performed relatively well as the stock markets of these two countries demonstrated positive returns in 2018 despite global turmoil.

In 2018, China's economy continued to grow at a medium-to-high speed. However, against the backdrop of trade frictions and domestic deleveraging, China's GDP grew by 6.6% year on year, which was 0.2 percentage points lower than that of 2017. Affected by the slowdown in global demand and trade frictions, the contribution of net exports to GDP shifted from 0.6% in 2017 to -0.57% in 2018. For domestic demand, total retail sales of consumer goods dropped to 9.0% year-on-year from 10.2% in 2017, which was mainly due to the lacklustre alternative consumption represented by automobiles. In 2018, China's total amount of completed investments in fixed assets increased by 5.9%, lower than those in past few years. However, by benefiting from the improved upstream profit and the rapid growth of some emerging manufacturing industries, the growth rate of investment in manufacturing industry rose up gradually. In addition, the overall growth rate of investment in fixed assets rebounded since the fourth quarter due to a number of supporting policies in the second half of the year.

The relevant data in this section (the operation environment and market conditions during the Reporting Period) all come from Wind, and the observation interval was from the year end of 2017 to the year end of 2018, and the time of extracting data was on 31 January 2019 (if the statisticians revise the data subsequently, then there may be a minor deviation with the extracted value).

Section 5 Report of the Directors

The global capital market performance also indicated the trend of global economic slowdown. In 2018, the stock indices of most countries declined, major currencies (except US dollar) weakened in varying degrees, and bulk commodity prices also decreased as a whole when compared with the beginning of the year. For China market, the SSE Composite Index, the SZSE Component Index and the GEM index decreased by 24.59%, 34.42% and 28.65% to 2,493.90 points, 7,239.79 points and 1,250.53 points respectively throughout the year of 2018. During the Reporting Period, the trading volume of SSE Composite Index and SZSE Component Index were RMB40.04 trillion and RMB49.73 trillion respectively, representing a drop of 20.82% and 18.92% respectively as compared with the same period of last year. During the Reporting Period, the balance of margin financing and securities lending on Shanghai Stock Exchange and Shenzhen Stock Exchange decreased significantly by 26.34% as compared with that of 2017 due to market performance, and the balance of margin financing and securities lending at the end of the year was RMB755.775 billion. During the Reporting Period, a total of 105 A shares companies were initially listed and issued and actual proceeds raised was RMB137.815 billion. A total of 267 companies issued additional shares and actual proceeds raised amounted to RMB752.353 billion. By the end of the year, the number of listed enterprises on the NEEQ was 10,691, representing a year-on-year decrease of 8.07%. Driven by risk aversion and marginal easing monetary policy, the domestic bond market performed relatively well with bond issuance size increased by 7.46% as compared with that of 2017, totaling RMB43.85 trillion. The yield of 10-year China Treasury Bonds decreased by 65 basis points to 3.23% throughout the year. However, the performance in bond market was differentiated, with credit environment relatively tight, default incidents seen for certain credit debts, and the performance of low-rating credit debts relatively weak. For foreign exchange market, Renminbi depreciated by 2,466 basis points to 6.86 against US dollar throughout the year of 2018 due to strong US dollar. However, the exchange rate stabilized gradually due to escalating USA economic uncertainty as well as the expectation of weakening interest rate hike as at the end of the year.

(II) Overall Operation of the Company

For the whole year of 2018, the Group achieved total revenue and other income amounting to RMB1,497 million, representing a year-on-year decrease of 16.51%. Total net profit attributable to shareholders of listed companies of RMB51 million was achieved, representing a year-on-year decrease of 86.01%. As at 31 December 2018, total assets of the Group was RMB21.284 billion; and net assets attributable to shareholders of listed companies was RMB7.649 billion and the weighted average returns on net assets was 0.66%.

Section 5 Report of the Directors

(III) Analysis of Principal Business

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

1. Brokerage Business

During the Reporting Period, revenue and other income generated from brokerage business was RMB531 million, representing a decrease of 26.97% as compared to 2017.

(1) *Securities Brokerage*

In 2018, the Company continued to put customers first and propelled wealth management business transformation under the goal of “enlarging customer base and expanding customer assets”. In respect of its major work, firstly, the Company implemented the fintech strategy, actively promoted business intelligence, set up a digital operation project team, and innovated its customer service model. Its intelligent customer service was successfully launched in Guolian Zunbao (國聯尊寶) APP and other channels, forming a 7x24 non-stop companion service. Secondly, the Company actively expanded its institutional brokerage business to provide fast trading services for the core customers of the brokerage business while improving the basic trading channels for quantitative trading services that are required in its private fund business expansion. Thirdly, the Company actively adjusted its product sales direction, increased the cooperation with fund companies, improved the proportion of introducing external products and increased the ownership volume of publicly raised funds by taking fixed investments as the breakthrough, and hence achieved better performance than its annual target. Fourthly, the Company reformed its investment consultancy system, enhanced the research and development of investment consultancy products, established a supply and related supporting platform, enriched quantitative investment consultancy talents, and actively promoted intelligent investment consultancy business, so as to empower traditional brokerage business and achieved value-added services for high net worth customers through “exploring quantitative platform”. Fifthly, the Company actively marketed the customers of margin financing and securities lending business, and strived to enlarge brokerage business customer assets. Moreover, the Company actively obtained the secondary dealer qualifications for OTC options business and improved its business competitiveness effectively.

Section 5 Report of the Directors

The net income of securities trading agency business of the Company amounted to RMB264 million in 2018, representing a year-on-year decrease of 33.16%, and ranked the 50th in the industry. During the Reporting Period, the trading volume of shares and funds of the Company amounted to RMB963.277 billion and attained a market share of 0.48%, representing a decrease of 14.29% as compared to 2017. As at the end of the Reporting Period, our total number of customers was 1,113,200, representing an increase of 8.71% as compared to those as at the end of 2017.

Item	2018/ 31 December 2018	2017/ 31 December 2017	Year-on-year increase/decrease
Trading volume of shares and funds (in RMB100 million)	9,632.77	13,527.9	-28.79%
Number of securities brokerage clients (in '0,000)	111.32	102.4	8.71%

(2) Other Services

During the Reporting Period, sales volume of financial products of the Company amounted to RMB30.455 billion, representing a year-on-year decrease of 6.01%. Among which, sales volume of self-developed asset management products amounted to RMB25.779 billion, representing a year-on-year decrease of 15.18%; sales volume of third-party fund products amounted to RMB2.243 billion, representing a year-on-year increase of 52.27%; sales volume of third-party trust products amounted to RMB1.013 billion, representing a year-on-year increase of 279.40%; sales volume of other financial products amounted to RMB1.156 billion, representing a year-on-year increase of 328.15%; and sales volume of third-party commercial bank wealth management amounted to RMB264 million.

In order to satisfy the diversified wealth management needs of its customers, the Company continued to provide Futures IB business. As at the end of the Reporting Period, the Company had 40 securities branches in total with Futures IB business qualifications to conduct Futures IB business, and had 1,689 existing accounts of commodity futures of the Futures IB business and 339 existing accounts of financial futures. During the Reporting Period, commodity futures had 105 newly-opened accounts and 15 newly-opened accounts for financial futures. The IB business generated an income of RMB415,500.

Section 5 Report of the Directors

As at the end of the Reporting Period, the Shanghai-Hong Kong Stock Connect trading business of the Company had 8,561 customers. During the Reporting Period, the trading volume of Shanghai-Hong Kong Stock Connect Trading Business was HKD1,917 million, generating a commission income of RMB1,072,400. As at the end of Reporting Period, the Company had 3,535 customers for its Shenzhen-Hong Kong Stock Connect Trading Business. During the Reporting Period, the trading volume of Shenzhen-Hong Kong Stock Connect Trading Business was HKD1,736 million, generating a commission income of RMB980,000.

The SSE 50ETF options market transactions were active for the whole year and the options brokerage business of the Company improved steadily. During the Reporting Period, the commission income generated from the options business was RMB2.4552 million, representing a year-on-year growth of 7.48%. As at the end of the Reporting Period, the Company's number of contracted accounts opened for options brokerage business on Shanghai Stock Exchange was 1,456. During the Reporting Period, the Company's accumulated number of contracts for options brokerage business on Shanghai Stock Exchange was 1,044,200 with its annual cumulative share turnover volume accounted for 0.275% of market shares, ranked 44th in the industry.

In 2018, the Company deepened the implementation of its major investment advisory business system planning, actively innovated investment advisory products design and development, strived to build a professional investment advisory team, and continuously optimized the online investment advisory business platform to accelerate the investment consultancy business of the Company. During the Reporting Period, a total of 2,172 customers had signed investment advisory service agreements with the Company, representing a year-on-year increase of 483.87%. However, as affected by market conditions, the investment advisory business generated an income of RMB692,800, representing a year-on-year decrease of 31.98%.

2. Investment Banking Business

The investment banking business of the Company is conducted by its subsidiary, Hua Ying Securities. Meanwhile, the Company provides referral, listing, market-making, private placing services on the NEEQ as chief agency broker. During the Reporting Period, revenue and other income generated from our investment banking business was RMB261 million, representing an increase of 3.55% as compared to 2017.

Section 5 Report of the Directors

During the Reporting Period, the capital market continued the theme of strong regulation, risk prevention and deleveraging, the A Shares market financing shrank significantly, the bond market liquidity easing and credit crunch overlapped, the investment banking industry became more differentiated, and the development of small and medium-sized investment banks faced severe challenges. In face of the severe market environment, Hua Ying Securities thoroughly implemented its three main strategies, namely, “enlarging foundation business, broadening collaboration business and strengthening base businesses”. With firm confidence, Hua Ying Securities braced itself against difficulties. As a result, its operating income and net profit increased despite a decreasing trend. In 2018, Hua Ying Securities achieved an operating income of RMB211.8849 million in total, representing an increase of 8.16% as compared with last year, and a total profit of RMB43.0814 million, representing an increase of 8.53% as compared with last year.

(1) Equity Financing

During the Reporting Period, Hua Ying Securities completed 1 equity underwriting and sponsorship project in total, underwriting a total amount of RMB834 million. As at the end of the Reporting Period, Hua Ying Securities still had 4 equity project with applications under review by CSRC.

(2) Debt Financing

During the Reporting Period, Hua Ying Securities completed 9 bonds lead underwriting projects and several bonds distribution projects, underwriting a total amount of RMB7.14 billion. As at the end of the Reporting Period, Hua Ying Securities had 13 bonds projects which had obtained approvals and was pending issuance, with a pending issuance amount of RMB19.05 billion, and 7 bonds project with applications under review.

(3) Financial Advisory

During the Reporting Period, Hua Ying Securities completed 29 financial advisory projects in total, generating a net financial advisory income of RMB35.2126 million.

(4) NEEQ

During the Reporting Period, the Company completed 7 NEEQ listing and referral projects with listing and referral business volume ranked 23rd in the industry (Data source: Choice, the same hereinafter).

Section 5 Report of the Directors

For market-making business, as at the end of the Reporting Period, the number of stocks that the Company participated in market-making transaction is 46 (excluding delisted enterprises or that have been changed to contract transfer enterprises), with market-making business volume ranked 48th in the industry. During the Reporting Period, the Company achieved an income of RMB1,594,000 from market-making business.

For capital market service, during the Reporting Period, the Company completed 18 NEEQ targeted issuance projects, financing a total amount of RMB305 million. The number of projects from targeted issuance business ranked 27th in the industry. As at the end of the Reporting Period, 4 targeted issuance projects of the Company were under implementation. During the Reporting Period, the Company completed 12 NEEQ merger and acquisition as well as reorganization projects.

For on-going supervision services, as at the end of the Reporting Period, the Company continued to supervise a total of 129 enterprises, with on-going supervision business volume ranked 28th in the industry.

3. Asset Management and Investment Business

During the Reporting Period, revenue and other income generated from asset management and investment business was RMB63.99 million, representing a decrease of 14.85% over 2017.

(1) Asset Management

In 2018, under the general keynote of maintaining stability while making progress, the PRC macroeconomy actively advocated getting off virtual and going into the real economy and financing the real economy. The People's Bank of China, CSRC and other regulatory authorities had successively issued a series of regulatory policies to unify the regulation of asset management business of various financial institutions, prevent and control financial risks effectively and direct social capital flow into the real economy. As of the end of 2018, the total scale of asset management business of fund management companies and their subsidiaries, securities companies and their subsidiaries, futures companies and their subsidiaries as well as private fund management institutions was approximately RMB50.5 trillion, representing a decrease of 5.73% as compared to the corresponding period of last year.

During the Reporting Period, the asset management business of the Company resumed to its original state whereby it improved its active management capability steadily, focused on the overall transformation and optimization of quantified, FOF, fixed income product lines, promoted the orderly expansion of standard asset investment business, and achieved breakthroughs in ABS, Pre-ABS and other innovative structural financing products. The product line layout was increasingly enriched.

Section 5 Report of the Directors

As at the end of the Reporting Period, the total size of entrusted asset management business of the Company amounted to RMB23.885 billion, representing a year-on-year decrease of 8.44%. Among others, the total size of Collective Asset Management Scheme amounted to RMB6.939 billion, representing a year-on-year decrease of 17.6%. The total size of Targeted Asset Management Scheme amounted to RMB16.680 billion, representing a year-on-year decrease of 1.4%, and the total size of Specialized Asset Management Scheme amounted to RMB266 million. The Company managed a total of 94 asset management products, among which, 35 are Collective Asset Management Scheme, 58 are Targeted Asset Management Scheme and one is Specialized Asset Management Scheme.

Project Name	As at the end of 2018			As at the end of 2017		
	Portion	Net Value	Quantity	Portion	Net Value	Quantity
Collective Asset Management Scheme	70.68	69.39	35	79.89	84.21	37
Targeted Asset Management Scheme	–	166.80	58	–	169.15	56
Specialized Asset Management Scheme	2.65	2.66	1	7.5	7.5	1

(2) Direct Investment

During the Reporting Period, Guolian Capital continued to implement the withdrawal of its fund projects in accordance with the rectification report. Of which, the fund cancellation of Wuxi Guolian Tongyuan Innovation Growth Investment Center (limited partnership) (無錫國聯通元創新成長投資中心(有限合夥)), the fund liquidation of Wuxi Guolian Capital Innovation Growth No.1 Investment Center (limited partnership) (無錫國聯通寶創新成長壹號投資中心(有限合夥)) (hereinafter referred to as “No.1 Fund”) and the exit of Wuxi Furuide project of No.1 Fund investment were completed. In addition, the withdrawal of Wuxi Keritan project invested by Wuxi Guolian Lingxiang SME Growth Investment Center (limited partnership) (無錫國聯領翔中小企業成長投資中心(有限合夥)) (hereinafter referred to as “Lingxiang Fund”) and Jiaying Baoman Investment Partnership (limited partnership)* (嘉興寶滿投資合夥企業(有限合夥)) and Xi'an Saier communication project invested by Lingxiang Fund are progressing steadily.

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

Section 5 Report of the Directors

4. Credit Transaction Business

During the Reporting Period, revenue and other income from credit transactions business was RMB636 million, representing an increase of 31.70% as compared to 2017.

(1) *Margin Financing and Securities Lending*

In 2018, the A Shares market dropped sharply since the beginning of the year with its index kept recording new low, individual stocks continued to drop, the overall size of market margin financing and securities lending continued to decline, the number of active users and customer assets shrank seriously and credit risk increased to a certain extent. The Company constantly evaluated its operating experience in margin financing and securities lending business and strengthened the identification of market risk characteristics, adopted layered response control strategies according to different risk levels, actively prevented and resolved risk exposures, enhanced risk control consciousness, and strengthened risk control capability. As at the end of the Reporting Period, the Company had no large-scale close position incident, nor material complaint and dispute issue.

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

As at the end of the Reporting Period, the total number of credit accounts of clients was 20,187, representing an increase of 6.43% as compared to 18,968 as at the end of 2017. The total credit amount of margin financing and securities lending of clients was RMB46.338 billion, representing an increase of 2.05% as compared to RMB45.409 billion as at the end of 2017. The daily balance of margin financing and securities lending was RMB3.869 billion, representing a decrease of 7.86% as compared to RMB4.199 billion as at the end of 2017. As at the end of the Reporting Period, the market share of the Company's monthly balance of margin financing and securities lending business was 0.419%, representing a decrease of 6.68% as compared to 0.449% as at the end of 2017.

Section 5 Report of the Directors

(2) *Securities Repurchase and Security-backed Lending*

In 2018, the Company continued to expand the cooperation with listed companies in Wuxi and the surrounding regions, actively adjusted the development strategy of securities-backed lending business according to changing market situation and regulatory policy and enlarged asset size under the premise of risk control, so as to obtain stable income and establish market branding. As at the end of the Reporting Period, the Company's initial transaction amount to be repurchased on the exchanges of securities-backed lending from its own recorded a net increase by RMB623 million to RMB5.705 billion from RMB5.082 billion as at the end of 2017, representing an increase of 12.26%.

According to the new regulatory requirements on securities-backed lending business, the new initial transaction contracts for small securities-backed lending business (being "Xiaorongbao" (小融寶) business) have already been suspended on 23 January 2018, and existing contracts will be repurchased one after another.

5. **Proprietary Trading**

As at the end of Reporting Period, revenue and other income generated from the proprietary trading business amounted to RMB-14.79 million, representing a decrease of 106.79% as compared with the same period of 2017.

During the Reporting Period, global market risk preference declined. Domestic credit risk broke out and credit spreads surged under the background of deleveraging, and the three major economic drivers were under constant pressure, while the reiterated see-saw of trade war increased future economic uncertainty. Affected by this, the A shares market showed a continuous downward trend, with CSI 300 index down by 25.31%. Heng Seng Index declined dramatically by 13.61%. For equity proprietary trading business, the Company adhered to its principle of value investment, enhanced fundamental analysis and mainly focused on promising individual stocks selection and seeking for certainty. Although the proprietary trading business of the Company did not record any positive profit during the year, however, the return on equity still outperformed that of the CSI 300 index.

For fixed-income proprietary trading business, the Company adopted held-to-maturity measure as its main investment strategy and implemented a flexible operation strategy of mid-to-long term, moderately leveraged and risk controllable approach, mainly focusing on bonds with mid-to-high credit ratings. During the Reporting Period, based on our views that the overall market risk preference was decreasing and the liquidity was relatively abundant in 2018, the Company enhanced its credit analysis efforts, moderately increased its positions in bonds that have mid-to-high credit ratings, and maintained its stable operation strategy of low leveraging. As a result, fixed-income return on investment for the entire year reached 6.94%.

Section 5 Report of the Directors

(IV) Financial Statements Analysis

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

During the Reporting Period, stock index of Shanghai and Shenzhen Stock Exchange fell sharply with declined trading activity. In face of unfavorable market environment, the Company vigorously adjusted our strategic deployment in accordance with the guidelines of “comprehensively improving the overall competence and expanding our business base” under the premise of stringent risk control, which promoted the effective operation and development of businesses, with the investment banking business growing year on year.

During the Reporting Period, the Group generated revenue and other income of RMB1,496.82 million in total, representing a year-on-year decrease of 16.51%. Net profit attributable to Shareholders of the Company amounted to RMB50.59 million, representing a year-on-year decrease of 86.01%. Earnings per share amounted to RMB0.03, representing a year-on-year decrease of 84.21%. The weighted average return on net assets amounted to 0.66%, representing a year-on-year decrease of 4.16 percentage points.

2. Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB21,283.78 million, representing a decrease of 11.56% as compared to RMB24,066.00 million as at the end of 2017. Total liabilities amounted to RMB13,634.59 million, representing a decrease of 17.23% as compared to RMB16,473.43 million as at the end of 2017. Equity attributable to shareholders of the Company amounted to RMB7,649.18 million, representing an increase of 0.75% as compared to RMB7,592.57 million as at the end of 2017.

During the Reporting Period, the asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, total assets of the Group comprised of: cash assets, which amounted to RMB7,512.04 million, representing 35.30% of the total assets, and primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits; margin financing assets, which amounted to RMB10,352.24 million, representing 48.64% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB3,099.49 million, representing 14.56% of the total assets, and primarily included investment in associates and investment in financial assets; and operating assets including other property and equipment amounted to RMB320.01 million, representing 1.50% of the total assets, and primarily included property and equipment, intangible assets. During the Reporting Period, the Group made corresponding impairment provision for margin accounts receivable, financial assets held under resale agreements and receivables. There was no evidence showing that other assets may be subject to significant impairment.

Section 5 Report of the Directors

In light of market condition, the Company strengthened its liquidity management and cut down its business scale to prevent credit risk. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB8,039.97 million, representing a year-on-year decrease of RMB1,554.41 million or 16.20%. The liability-asset ratio of the Group was 51.25%, representing a decrease of 4.57 percentage points from 55.82% as at the end of 2017 (Note: Liability-asset ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.05 times, representing a decrease of 9.29% from 2.26 times as at the end of 2017 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

3. Financing Channels and Financing Capability

The Company has met its operating capital requirements through debt financing, kept its liquidity and supplemented net capital. 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.

In 2018, the newly added accumulated debt financing of the Company amounted to RMB3.6 billion, among which accumulated proceeds raised from the private issuance of corporate bonds amounted to RMB1 billion, accumulated proceeds raised from the public issuance of corporate bonds to qualified investors amounted to RMB700 million, accumulated proceeds raised from the issuance of income certificates amounted to RMB1.3 billion, accumulated borrowings from refinancing amounted to RMB600 million and financing principal amounts from repayment of due debts amounted to RMB4.4 billion.

The balance of debt financing not due as of the end of 2018 amounted to RMB6.420 billion, representing a decrease of RMB800 million as compared with that of RMB7.220 billion as of the end of 2017.

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

Section 5 Report of the Directors

4. Liquidity Management Information

The Company paid great attention on liquidity management by adhering to the principles of comprehensiveness, prudence and foreseeability and focusing on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company has established sound liquidity risk management systems and contingency measures. The Company will prepare monthly liquidity monitoring statement. Currently, the management system for liquidity indicators is scientific and reasonable, and meets the requirements of liquidity management. The liquidity monitoring index of the Company in each term throughout 2018 had complied with the regulatory requirements. During the Reporting Period, the overall liquidity of the Company was sufficient.

5. Cash Flows

As the Group's cash outflow generated from the financing activities and investing activities in the current year is less than the cash inflow from operating activities, the net increase in cash and cash equivalents was RMB212.66 million.

Net cash flows from operating activities in 2018 was RMB919.72 million, representing a year-on-year increase of RMB4,853.13 million as compared with RMB-3,933.41 million for the corresponding period in 2017. Net cash flows from investing activities in 2018 was RMB-216.83 million, representing a year-on-year decrease of RMB920.78 million as compared with RMB703.95 million for the corresponding period in 2017. Net cash flows from financing activities in 2018 was RMB-490.23 million, representing a year-on-year decrease of RMB2,999.30 million as compared with RMB2,509.07 million for the corresponding period in 2017. Net increase in cash and cash equivalents in 2018 was RMB212.66 million, representing a year-on-year increase of RMB933.05 million as compared with RMB-720.39 million for the corresponding period of 2017.

Section 5 Report of the Directors

6. Analysis of Financial Data

(1) Items under income statement

Summary of financial results

During the Reporting Period, the Group's profit before income tax amounted to RMB71.65 million, representing a year-on-year decrease of 86.13%. The key financial results are as follows:

Unit: in RMB million

Items	2018	2017	Increase/ decrease	Growth rate year-on-year
Revenue				
Commission and fee income	660.96	793.81	-132.85	-16.74%
Interest income	883.73	757.87	125.86	16.61%
Net investment gains	-54.50	235.47	-289.97	-123.15%
Other income	6.63	5.65	0.98	17.35%
Total revenue and other income	1,496.82	1,792.80	-295.98	-16.51%
Total expenses	1,434.71	1,178.88	255.83	21.70%
Profit before income tax	71.65	516.68	-445.03	-86.13%
Income tax expense	21.06	143.03	-121.97	-85.28%
Profit for the year	50.59	373.65	-323.06	-86.46%
Net profit attributable to shareholders of the Company	50.59	361.49	-310.90	-86.01%

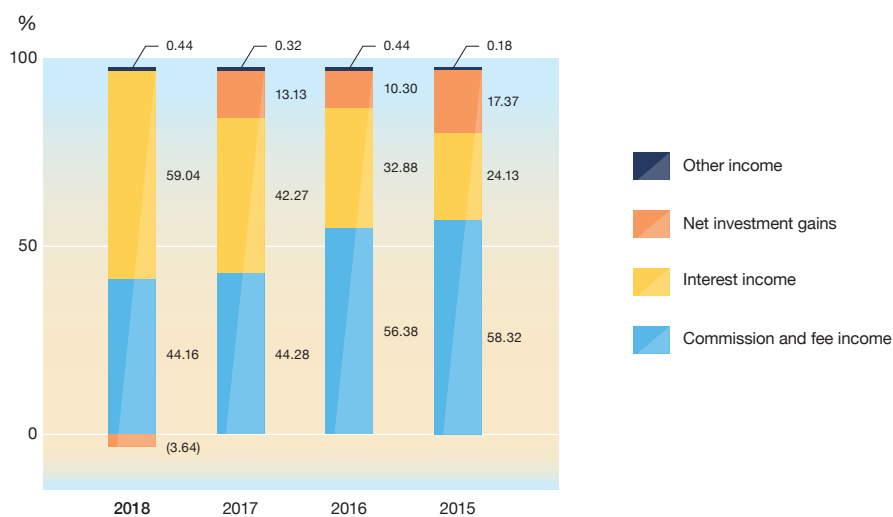
Section 5 Report of the Directors

Revenue structure

During the Reporting Period, total revenue and other income of the Group amounted to RMB1,496.82 million, representing a year-on-year decrease of 16.51%, among which, 44.16% was generated from commission and fee income, representing a year-on-year decrease of 0.12 percentage points and 59.04% was generated from interest income, representing a year-on-year increase of 16.77 percentage points. The revenue structure of the Group in the past four years was as follows:

Percentage	2018	2017	2016	2015
Commission and fee income	44.16%	44.28%	56.38%	58.32%
Interest income	59.04%	42.27%	32.88%	24.13%
Net investment gains	-3.64%	13.13%	10.30%	17.37%
Other income	0.44%	0.32%	0.44%	0.18%
Total	100.00%	100.00%	100.00%	100.00%

The bar chart below shows the structure comparison:



Section 5 Report of the Directors

From the changes in revenue structure, the Company speeded up the pace of internet transformation, continued to enhance its profitability, improved revenue structure and profit potential to vigorously promote the comprehensive business transformation and innovative development. The brokerage business of the Company which derives its income mainly from commission and fee income contributed 44.16% of the profit, representing a downward trend. While strictly controlling risks, the Company combined market and regulatory policy changes to meet customers' all-round business needs and the capital intermediary business which derives its income mainly from interest income contributed 59.04% of the profit, increasing year by year.

Commission and fee income

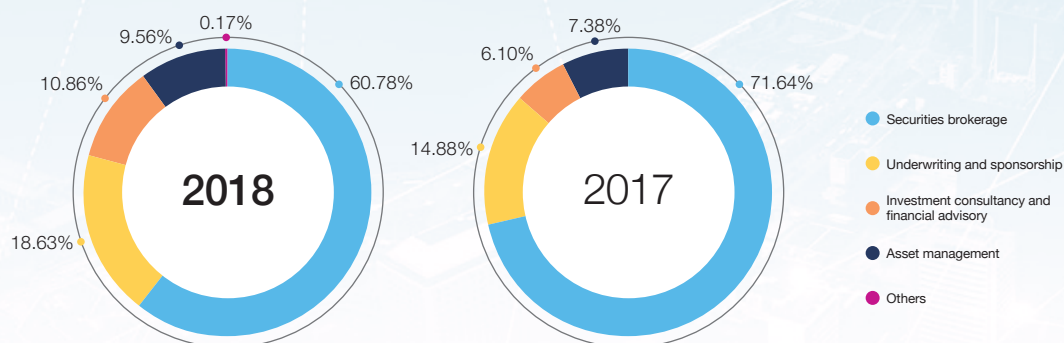
During the Reporting Period, the Group's commission and fee income consists of the followings:

Unit: in RMB million

Items	2018	2017	Increase/ decrease	Growth rate year-on-year
Commission and fee income				
Securities brokerage	401.75	568.73	-166.98	-29.36%
Underwriting and sponsorship	123.16	118.10	5.06	4.28%
Investment consultancy and financial advisory	71.74	48.39	23.35	48.25%
Asset management	63.20	58.59	4.61	7.87%
Others	1.11	0.00	1.11	-
Total commission and fee income	660.96	793.81	-132.85	-16.74%
Commission and fee expenses	109.24	154.64	-45.40	-29.36%
Net commission and fee income	551.72	639.17	-87.45	-13.68%

Section 5 Report of the Directors

The Group's commission and fee income consists of:



During the Reporting Period, net commission and fee income of the Group amounted to RMB551.72 million, representing a year-on-year decrease of 13.68%. The decrease was primarily attributable to the decrease in commission and fee income generated from securities brokerage business as affected by market condition.

The unilateral securities market went down amidst fluctuations in 2018, as a result, the daily transaction volume of securities and funds in broad market decreased by 18% year-on-year. At the same time, with the development of internet finance, industry commission rate further declined. The commission and fee income generated from securities brokerage business decreased by RMB166.98 million, representing a year-on-year decrease of 29.36%;

In 2018, the capital market continued the theme of strong regulation, risk prevention and deleveraging, and the investment banking business faced severe challenges. Under this pressure, the Company enlarged base business and made improvement against industry slowdown. The underwriting and sponsorship income from investment banking business increased by RMB5.06 million, representing a year-on-year increase of 4.28%. Investment advisory and financial consultant income increased by RMB23.35 million, representing a year-on-year increase of 48.25%;

As the Company strengthened investment research and enriched product line layout through close integration of market conditions and customers' needs, asset management income increased by RMB4.61 million, representing a year-on-year increase of 7.87%.

Section 5 Report of the Directors

Interest income

During the Reporting Period, net interest income of the Group amounted to RMB476.97 million, representing a year-on-year decrease of 1.35%. The Group's net interest income for 2018 consists of the following:

Unit: in RMB million

Items	2018	2017	Increase/ decrease	Growth rate year-on-year
Interest income				
Interest income from bank deposits	190.86	255.97	-65.11	-25.44%
Interest income from financial assets held under resale agreements	404.20	179.23	224.97	125.52%
Interest income from margin financing	288.67	322.67	-34.00	-10.54%
Total interest income	883.73	757.87	125.86	16.61%
Interest expenses	406.76	274.35	132.41	48.26%
Net interest income	476.97	483.52	-6.55	-1.35%

Interest income from bank deposits decreased by RMB65.11 million, representing a year-on-year decrease of 25.44%; interest income from margin financing business decreased by RMB34.00 million, representing a year-on-year decrease of 10.54%, which was primarily attributable to the decline in the size of client margin deposit as affected by market condition;

Interest income from financial assets held under resale agreements increased by RMB224.97 million, representing a year-on-year increase of 125.52%, primarily attributable to benefit from the increase in size of securities backed;

Interest expenses increased by RMB132.41 million, representing a year-on-year increase of 48.26%, as affected by the growth in the average financing scale.

Section 5 Report of the Directors

Net investment gains

During the Reporting Period, the Company adhered to principles of value investment and effective risk control. The net investment gains of the Group amounted to RMB-54.50 million, representing a year-on-year decrease of RMB289.97 million. The Group's net investment gains for 2018 consist of the following:

Unit: in RMB million

Items	2018	2017	Increase/ decrease	Growth rate year-on-year
Net realised gains from disposal of available-for-sale financial assets	0.00	192.08	-192.08	-100.00%
Dividends and interest income from available-for-sale financial assets	0.00	23.97	-23.97	-100.00%
Net realised (losses)/gains from disposal of financial assets at fair value through profit or loss	-53.81	88.19	-142.00	-161.02%
Distribution to interest holders of the consolidated SEs	-41.82	-139.21	97.39	-
Dividends and interest income from financial assets at fair value through profit or loss	100.51	133.22	-32.71	-24.55%
Net realised (losses)/gains from derivative financial instruments	-16.70	1.23	-17.93	-1,457.72%
Unrealised fair value change of financial instruments at fair value through profit or loss				
– Financial assets at fair value through profit or loss	-43.41	-11.03	-32.38	-
– Derivative financial instruments	-4.33	-0.09	-4.24	-
– Financial liabilities at fair value through profit or loss	5.06	-52.89	57.95	-
Total	-54.50	235.47	-289.97	-123.15%

Section 5 Report of the Directors

Operating Expenses

During the Reporting Period, operating expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB918.72 million, representing a year-on-year increase of 22.51%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2018	2017	Increase/ decrease	Growth rate year-on-year
Operating Expenses				
Staff costs	477.08	466.66	10.42	2.23%
Depreciation and amortization	64.36	57.15	7.21	12.62%
Other operating expenses	223.39	218.71	4.68	2.14%
Impairment losses	153.89	7.37	146.52	1,988.06%
Total	918.72	749.89	168.83	22.51%

During the Reporting Period, the Company completed the establishment of 11 securities branches, and the operating expenses increased year on year;

Under the impact of the conditions of the securities market, the Company implemented the principle of prudence, and provision for credit impairment loss was RMB153.89 million, representing a year-on-year increase of RMB146.52 million, details of which are as follows:

Unit: in RMB million

Items	2018	2017	Increase/ decrease	Growth rate year-on-year
Impairment losses				
Margin accounts receivable	-4.82	0.80	-5.62	-702.50%
Available-for-sale financial assets	-	-5.92	-	-
Financial assets held under resale agreements	158.52	12.36	146.16	1,182.52%
Accounts receivables	0.19	0.13	0.06	46.15%
Total	153.89	7.37	146.52	1,988.06%

Section 5 Report of the Directors

(2) Assets Information

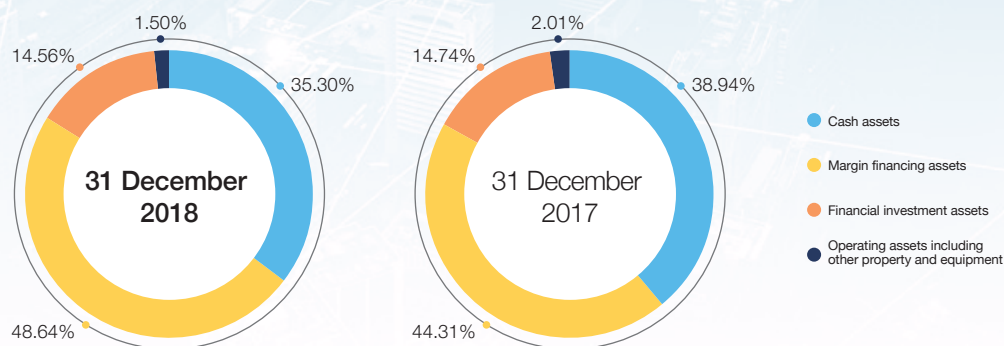
As at the end of the Reporting Period, total assets of the Group amounted to RMB21,283.78 million, representing a year-on-year decrease of 11.56%, among which, cash assets amounted to RMB7,512.04 million, representing a year-on-year decrease of 19.83%, margin financing assets amounted to RMB10,352.24 million, representing a year-on-year decrease of 2.91%, financial investment assets amounted to RMB3,099.49 million, representing a year-on-year decrease of 12.64%, and operating assets including other property and equipment amounted to RMB320.01 million, representing a year-on-year decrease of 34.08%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Total assets				
Cash assets	7,512.04	9,370.27	-1,858.23	-19.83%
Margin financing assets	10,352.24	10,662.51	-310.27	-2.91%
Financial investment assets	3,099.49	3,547.80	-448.31	-12.64%
Operating assets including other property and equipment	320.01	485.42	-165.41	-34.08%
Total	21,283.78	24,066.00	-2,782.22	-11.56%

Section 5 Report of the Directors

Total assets of the Group consist of:



Cash assets

As at the end of Reporting Period, cash assets of the Group decreased by RMB1,858.23 million or 19.83%, representing 35.30% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/decrease	Growth rate year-on-year
Cash assets				
Cash and bank balances (including cash held for brokerage clients)	5,408.62	6,607.15	-1,198.53	-18.14%
Clearing settlement funds	2,030.93	2,656.83	-625.90	-23.56%
Refundable deposits	72.49	106.29	-33.80	-31.80%
Total	7,512.04	9,370.27	-1,858.23	-19.83%

Section 5 Report of the Directors

Changes in cash assets primarily reflected in cash and bank balances (including cash held for brokerage clients). Cash and bank balances (including cash held for brokerage clients) amounted to RMB5,408.62 million, representing a year-on-year decrease of 18.14%. The decrease was primarily attributable to the decrease in client deposits due to the downward volatile market sentiment in 2018, the decrease of 18% year on year in market stock and fund trading volume.

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group decreased by RMB310.27 million year on year or 2.91%, representing 48.64% of the Group's total assets. The Group's margin financing assets consist of the followings:

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Margin financing assets				
Margin accounts receivable	2,953.82	4,609.34	-1,655.52	-35.92%
Financial assets held under resale agreements	7,398.42	6,053.17	1,345.25	22.22%
Total	10,352.24	10,662.51	-310.27	-2.91%

Primarily attributable to the decrease of scale of time-point margin financing business of the Company as affected by the securities market, margin accounts receivable amounted to RMB2,953.82 million, representing a year-on-year decrease of 35.92%.

Primarily attributable to the increasing scale of securities backed business of the Company as a result of the Company's strict control of risks while meeting the diversified demands of customers according to market conditions and regulatory policy changes, financial assets held under resale agreements amounted to RMB7,398.42 million, representing a year-on-year increase of 22.22%.

Section 5 Report of the Directors

Financial investment assets

As at the end of Reporting Period, financial investment assets of the Group decreased by RMB448.31 million year-on-year or 12.64%, representing 14.56% of the Group's total assets. The following table set forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Financial investment assets				
Investment in associates	113.56	125.45	-11.89	-9.48%
Available-for-sale financial assets	–	1,060.32	–	–
Financial assets at fair value through profit or loss	2,985.93	2,362.03	623.90	26.41%
Total	3,099.49	3,547.80	-448.31	-12.64%

As at the end of the Reporting Period, the available-for-sale financial assets of the Group were not comparable due to the amendment to accounting standards.

Section 5 Report of the Directors

As at the end of the Reporting Period, financial assets at fair value through profit or loss of the Group increased by RMB623.90 million year-on-year or 26.41%, representing 14.03% of the Group's total assets. The following table sets forth the composition of the Group's financial assets held for trading:

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Financial assets at fair value through profit or loss				
Debt securities	1,744.02	2,120.48	-376.46	-17.75%
Equity securities	702.13	69.69	632.44	907.50%
Investment funds	307.06	121.86	185.20	151.98%
Asset-backed securities	23.66	50.00	-26.34	-52.68%
Collective asset management scheme	77.01	0.00	77.01	-
Debt instruments	13.81	0.00	13.81	-
Other investment	118.24	0.00	118.24	-
Total	2,985.93	2,362.03	623.90	26.41%

Section 5 Report of the Directors

Operating assets including other property and equipment

As at the end of the Reporting Period, operating assets including other property and equipment of the Group amounted to RMB320.01 million, representing a year-on-year decrease of RMB165.41 million or 34.08%, which accounted for 1.50% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the date indicated:

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Operating assets including other property and equipment				
Property and equipment	95.45	98.60	-3.15	-3.19%
Intangible assets	35.89	26.58	9.31	35.03%
Deferred income tax assets	80.12	21.48	58.64	273.00%
Other current assets and other non-current assets	108.55	338.76	-230.21	-67.96%
Total	320.01	485.42	-165.41	-34.08%

Section 5 Report of the Directors

(3) Liabilities

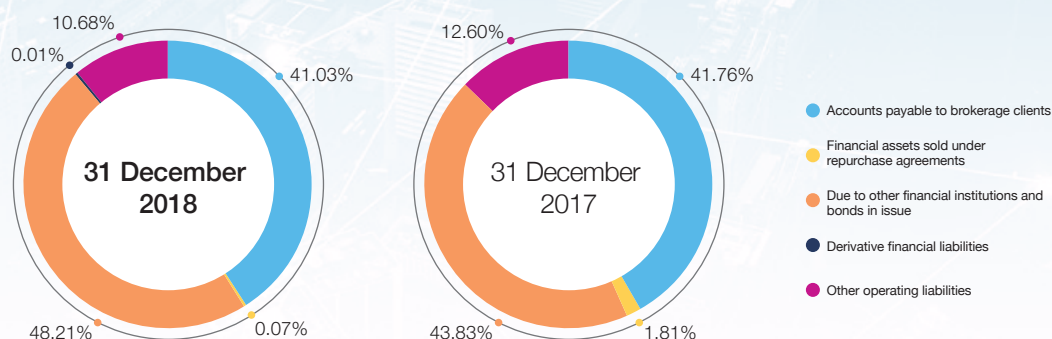
As at the end of the Reporting Period, total liabilities of the Group amounted to RMB13,634.59 million, representing a year-on-year decrease of RMB2,838.84 million or 17.23%, of which accounts payable to brokerage clients amounted to RMB5,594.62 million, representing a year-on-year decrease of 18.67%; financial assets sold under repurchase agreements amounted to RMB10.01 million, representing a year-on-year decrease of 96.64%; amount due to other financial institutions and bonds in issue amounted to RMB6,573.52 million, representing a year-on-year decrease of 8.95%; other operating liabilities amounted to RMB1,455.50 million, representing a year-on-year decrease of 29.91%. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Liabilities				
Accounts payable to brokerage clients	5,594.62	6,879.05	-1,284.43	-18.67%
Financial assets sold under repurchase agreements	10.01	297.91	-287.90	-96.64%
Due to other financial institutions and bonds in issue	6,573.52	7,220.00	-646.48	-8.95%
Derivative financial liabilities	0.94	0.00	0.94	-
Other operating liabilities	1,455.50	2,076.47	-620.97	-29.91%
Total	13,634.59	16,473.43	-2,838.84	-17.23%

Section 5 Report of the Directors

The composition of the Group's total liabilities:



Due to other financial institutions and bonds in issue

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Due to other financial institutions and bonds in issue				
Due to other financial institutions	0.00	600.00	-600.00	-100.00%
Bonds in issue	6,573.52	6,620.00	-46.48	-0.70%
Total	6,573.52	7,220.00	-646.48	-8.95%

Due to other financial institutions and bonds in issue decreased by RMB646.48 million year-on-year, attributable to that the Company cut down business scale to prevent credit risk according to market condition.

Section 5 Report of the Directors

Other operating liabilities

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Other operating liabilities				
Salaries, bonuses, allowances and benefits payable	120.73	157.88	-37.15	-23.53%
Other current liabilities	183.60	211.47	-27.87	-13.18%
Financial liabilities at fair value through profit or loss	1,151.17	1,707.12	-555.95	-32.57%
Total	1,455.50	2,076.47	-620.97	-29.91%

Salaries, bonuses, allowances and benefits payable decreased by RMB37.15 million or 23.53% year-on-year;

Other current liabilities decreased by RMB27.87 million or 13.18% year-on-year;

Financial liabilities at fair value through profit or loss decreased by RMB555.95 million or 32.57% year-on-year.

Section 5 Report of the Directors

(4) Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB7,649.18 million, representing a year-on-year increase of 0.75%. The following table sets forth the composition of the Group's equity as at the date indicated:

Unit: in RMB million

Items	31 December 2018	31 December 2017	Increase/ decrease	Growth rate year-on-year
Share capital	1,902.40	1,902.40	0.00	0.00%
Share premium	2,178.48	2,178.48	0.00	0.00%
Reserves	1,760.00	1,719.07	40.93	2.38%
Retained earnings	1,808.30	1,792.62	15.68	0.87%
Total	7,649.18	7,592.57	56.61	0.75%

(5) Segment results

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

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

Section 5 Report of the Directors

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

	2018		2017	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Securities brokerage	531.38	35.27	727.59	42.91
Credit transactions	635.65	42.20	482.64	28.46
Investment banking	260.75	17.31	251.81	14.85
Securities investment	-14.79	-0.98	217.75	12.84
Asset management and investment	63.99	4.25	75.15	4.43
Others	39.00	2.59	-44.94	-2.65
Inter-segment eliminations	-9.62	-0.64	-14.44	-0.84
Total	1,506.36	100.00	1,695.56	100.00

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

	2018		2017	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Securities brokerage	-460.23	32.08	-513.88	43.59
Credit transactions	-538.49	37.53	-248.58	21.09
Investment banking	-187.91	13.10	-192.78	16.35
Securities investment	-3.24	0.23	10.36	-0.88
Asset management and investment	-26.76	1.86	-34.09	2.89
Others	-220.00	15.33	-202.81	17.20
Inter-segment eliminations	1.92	-0.13	2.90	-0.24
Total	-1,434.71	100.00	-1,178.88	100.00

Section 5 Report of the Directors

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

	2018		2017	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Securities brokerage	71.15	99.30	213.71	41.36
Credit transactions	97.16	135.60	234.06	45.30
Investment banking	72.84	101.66	59.03	11.42
Securities investment	-18.03	-25.16	228.12	44.15
Asset management and investment	37.23	51.96	41.05	7.95
Others	-181.00	-252.62	-247.75	-47.95
Inter-segment eliminations	-7.70	-10.74	-11.54	-2.23
Total	71.65	100.00	516.68	100.00

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

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

8. Contingent Liabilities, Capital Commitments and Pledge of Capital

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

Section 5 Report of the Directors

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

1. Branches

(1) Establishment and Changes of Branches

1 Newly-established Securities Branches

During the Reporting Period, the Company completed the establishment of the remaining 2 securities branches pursuant to the “Reply Concerning Approval of the Establishment of Eight Branches in Wuhan and Other Places by Guolian Securities Co., Ltd.” (Su Zheng Jian Xu Ke Zi [2017] No. 34) (《關於核准國聯證券股份有限公司在武漢等地設立8家證券分支機構的批覆》(蘇證監許可字[2017]34號)) issued by Jiangsu Bureau. The Company set up 9 new securities branches pursuant to the “Reply Concerning Approval of the Establishment of Nine Branches in Wuhan and Other Places by Guolian Securities Co., Ltd.” (Su Zheng Jian Xu Ke Zi [2018] No. 11) (《關於核准國聯證券股份有限公司在武漢等地設立9家證券分支機構的批覆》(蘇證監許可字[2018]11號)) issued by Jiangsu Bureau. During the Reporting Period, the Company completed the establishment of 11 branches, the details of which are set out as follows:

No.	Province/city	Name of Branch	Address
1	Shanghai	Shanghai Zhangyang Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司上海張揚路證券營業部)	Rm. 03, 8th Floor, Block 1, No. 538, Gushan Road & No. 2399, Zhangyang Road, Pudong New District, Shanghai (上海市浦東新區崑山路538號張揚路2399號1幢8樓03室)
2	Nanjing, Jiangsu Province	Nanjing Qinhuai Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司南京秦淮路證券營業部)	No. 103, Block 2, Qingchun Shui'an, No. 4 Qinhuai Road, Moling Street, Jiangning District, Nanjing (南京市江寧區秣陵街道秦淮路4號青春水岸2棟103號)
3	Wuhan, Hubei Province	Wuhan Xinhua Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司武漢新華路證券營業部)	No. 5 Office, 14th Floor, Shidai Caifu Center, No. 468 Xinhua Road, Jiangnan District, Wuhan (武漢市江漢區新華路468號時代財富中心14層(5)辦號)
4	Qingdao, Shandong Province	Qingdao Shangshi Center Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司青島上實中心證券營業部)	203, Unit 2, Building T6, Shangshi Center, No. 195 Hong Kong East Road, Laoshan District, Qingdao (青島市嶗山區香港東路195號上實中心T6號樓2單元203戶)

Section 5 Report of the Directors

No.	Province/city	Name of Branch	Address
5	Zhangjiagang, Jiangsu Province	Zhangjiagang Nanyuan East Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司張家港南苑東路證券營業部)	J105 Facade, No. 105, Nanyuan East Road, Building 55, Tangong Manor, Yangshe Town, Zhangjiagang (張家港市楊舍鎮檀宮莊園55幢南苑東路105號·J105門面)
6	Jiangyin, Jiangsu Province	Jiangyin Changjinhongqiao North Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司江陰長涇虹橋北路證券營業部)	No. 47, Hongqiao North Road, Changjing Town, Jiangyin (江陰市長涇鎮虹橋北路47號)
7	Yixing, Jiangsu Province	Yixing Xushe Town Xinhe Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司宜興徐舍鎮新河路證券營業部)	No. 36-38, Xinhe Road Shop, Juyuanmingju (West District), Xushe Town, Yixing (宜興市徐舍鎮聚緣名居(西區)新河路商鋪36-38號)
8	Yixing, Jiangsu Province	Yixing Gaocheng Town Zhenxing Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司宜興高塋鎮振興路證券營業部)	No. 188-27, 28, 29, Zhenxing Road, Gaocheng Town, Yixing (宜興市高塋鎮振興路188-27·28·29號)
9	Wuxi, Jiangsu Province	Wuxi Taihu New Town Ruijing Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司無錫太湖新城瑞景道證券營業部)	No. 69-2, 69-3, Huajing Jiayuan, Ruijing Road, Binhu District, Wuxi (無錫市濱湖區瑞景道華傑佳苑69-2·69-3號)
10	Changsha, Hunan Province	Changsha Wanjiali Middle Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司長沙萬家麗中路證券營業部)	Unit 1627-2, 16th Floor, No. 99, Section 1, Wanjiali Middle Road, Changsha (長沙市萬家麗中路一段99號16樓1627-2)
11	Suqian, Jiangsu Province	Suqian Hongzehu Road Securities Branch, Guolian Securities Co., Ltd. (國聯證券股份有限公司宿遷洪澤湖路證券營業部)	No. 130, Hongzehu Road, Sucheng District, Suqian, Jiangsu Province (江蘇省宿遷市宿城區洪澤湖路130號)

2 Relocation of Securities Branches

The Company constantly adjusted and optimized its branch network. During the Reporting Period, the relocation of securities branches within the same city in Nanjing Taiping South Road Securities Branch, Shanghai Tianlin Road Securities Branch and Hangzhou Feiyunjiang Road Securities Branch was completed.

(2) Establishment of Branch Offices

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

Section 5 Report of the Directors

2. Subsidiaries

During the Reporting Period, there was no significant change in the subsidiaries of the Company.

3. Impact on Results

The Company set up 11 new securities branches in 2018, which had a limited impact on the results of the Company, among which, 11 securities branches achieved total revenue and other income amounting to RMB0.8 million, total expenditure of RMB8.37 million, with a total profit of RMB-7.57 million for that year.

(VI) Major Investment and Financing Activities

1. Equity Financing

On 15 June 2018, the Company convened the 2017 annual General Meeting, the first Domestic Shares class meeting and the first H Shares class meeting of 2018, which considered and approved extension of the A Shares issuance proposal and related authorization resolutions. Pursuant to the resolutions of General Meeting, the period of validity of the A Shares issuance proposal and authorization of the Company has been extended by 12 months.

On 26 October 2018, the Company received the approval from CSRC regarding the review suspension of the Company's A Shares offering. On 8 November 2018, the Company convened the second extraordinary General Meeting for the year 2018, which considered and approved a resolution regarding the general mandate to issue shares. The Company planned to issue additional shares for financing through the general mandate to issue shares.

During the suspension period, the Company will continue to maintain positive communication with CSRC and sponsors, and will make an application to CSRC to resume the A Shares offering review according to the progress of issuance of additional Shares.

Section 5 Report of the Directors

2. Debt Financing

The cumulative additional debt financing volume of the Company was RMB3.6 billion for 2018, the cumulative principal repayment of debt financing matured amounted to RMB4.4 billion. The remaining amount of outstanding debt financing as at 31 December 2018 was RMB6.420 billion. The debt financing information of the Company in 2018 was as follows:

- (1) The refinancing facilities was RMB0.6 billion, with the refinancing facilities RMB1.2 billion being repaid, and there was no remaining outstanding amount of refinancing facilities as at 31 December 2018, the particulars of which were as follows:

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Rate
Refinancing	30,000	2017/7/21	2018/1/19	182	5.10%
	30,000	2017/11/16	2018/5/17	182	5.10%
	30,000	2018/1/22	2018/7/23	182	5.10%
	30,000	2018/5/18	2018/11/16	182	5.10%

- (2) The issuing amount of income certificates was RMB1.3 billion, with the principal of RMB2.7 billion being repaid. The remaining amount of outstanding income certificates of RMB0.92 billion as at 31 December 2018, the particulars were as follows:

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Rate
Income	5,000	2017/6/27	2018/4/19	296	4.50%
Certificates	30,000	2017/7/11	2018/1/11	184	5.00%
	30,000	2017/7/13	2018/7/13	365	5.30%
	30,000	2017/9/28	2018/3/27	180	5.25%
	30,000	2017/11/7	2018/11/6	365	5.20%
	3,000	2017/11/28	2018/2/27	91	4.70%
	30,000	2017/11/28	2018/5/28	182	5.50%
	30,000	2017/12/22	2018/12/20	364	5.60%
	30,000	2017/12/20	2018/9/20	275	5.75%
	2,000	2017/12/20	2018/3/20	90	5.30%
	2,000	2017/12/25	2018/3/25	90	4.90%
	10,000	2017/12/27	2018/6/27	182	5.40%
	4,000	2018/1/26	2018/6/25	151	5.30%

Section 5 Report of the Directors

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Rate
	5,000	2018/1/26	2018/8/22	209	5.00%
	3,000	2018/3/5	2018/6/5	93	4.80%
	8,000	2018/3/23	2018/6/20	90	5.00%
	3,000	2018/3/27	2018/6/26	92	5.30%
	30,000	2018/4/18	2019/10/17	547	5.70%
	3,000	2018/4/18	2018/10/16	181	5.30%
	3,000	2018/5/8	2018/10/8	153	4.95%
	3,000	2018/5/22	2018/8/27	98	4.90%
	3,000	2018/5/30	2019/1/14	230	5.10%
	3,000	2018/6/8	2018/9/10	94	4.80%
	5,000	2018/6/20	2019/1/21	215	5.10%
	4,000	2018/6/28	2019/1/21	208	5.10%
	3,000	2018/6/22	2018/12/24	185	4.80%
	2,000	2018/6/26	2019/4/24	302	5.10%
	3,000	2018/7/19	2019/2/18	214	5.05%
	10,000	2018/8/2	2019/2/19	201	5.00%
	7,000	2018/9/3	2019/3/6	184	4.60%
	5,000	2018/10/11	2019/4/10	181	4.50%
	10,000	2018/10/11	2019/4/10	181	4.60%
	3,000	2018/10/11	2019/4/10	181	4.00%
	10,000	2018/10/18	2019/5/15	210	4.20%

- (3) There was no new private issuance for subordinated bonds. The outstanding subordinated bonds of RMB1.5 billion as at 31 December 2018, the particulars were as follows:

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Rate
The private issuance of subordinated bonds	150,000	2016/7/29	2021/7/29	1,825	3.89%

Section 5 Report of the Directors

- (4) Publicly issued bonds to qualified investors were RMB0.7 billion. The outstanding publicly issued bonds of RMB3.0 billion to qualified investors as at 31 December 2018, the particulars were as follows:

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

- (5) There was no privately issued short-term corporate bonds, with the principal of RMB0.5 billion being repaid, and there was no outstanding privately issued short-term corporate bonds as at 31 December 2018, the particulars were as follows:

Financing Projects	Amount (RMB in ten thousands)	Financing Date	Maturity Date	Term (Days)	Rate
Short-term corporate bonds	50,000	2017/7/11	2018/4/11	274	5.00%

- (6) Privately issued corporate bonds were RMB1 billion. The outstanding privately issued corporate bonds as at 31 December 2018 was RMB1 billion, the particulars of issuance were as follows:

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

3. Equity Investment

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

Section 5 Report of the Directors

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

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

(VIII) Others

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

(1) *Business Innovation and Its Impact*

At present, China's securities industry has ushered in a period of historical opportunity. With the increasingly deepening process of China's industrial restructuring and development mode transformation, wealth management has become an urgent need for the entire society. As the interest rate and exchange rate market-oriented reform is accelerating and deepening, all sectors of the society are embracing a higher expectation for the new round of reform in the securities industry. The increasing momentum in opening up China to the outside world has provided better conditions for financial innovation. At present, OTC derivatives, counter market, agency sales of financial products, Internet securities, income certificates and other innovative businesses are booming and become a new source of revenue for securities companies. During the Reporting Period, the Company actively promoted the innovation and transformation of its principal business and implemented intelligentised transformation for its wealth management business, increased its investments in capital intermediary business and capital investment business focusing on capital intensive mentality. At the same time, the Company vigorously developed the innovative businesses such as Internet securities, PB Business, asset-backed securities and income certificates, which further improved the diversification level of its products and services.

Section 5 Report of the Directors

- 1 Internet securities business: During the Reporting Period, the Company launched the brand new 4.0 version of Guolian Zunbao (國聯尊寶全新4.0版本) based on the concept of “investment life cycle management”. As at the end of the Reporting Period, the platform had more than 600,000 registered users, representing an increase of over 56% year-on-year. The proportion of mobile users is more than 60%, representing a year-on-year growth of over 30%. The Company was awarded the “Best User Service App” in the 2018 securities broker App list. The Company built a wealth management platform based on independent intellectual property rights to create new user exclusive products, fixed income products and public funds for customers. As of the end of the Reporting Period, more than 130 products were sold online, with product total sales volume of RMB457 million. The Company launched the “WeChat sales management platform” and comprehensively upgraded the official WeChat service functions and content. The newly launched WeChat applet version 1.0 solved the problem of investment and consultancy products referral and user interaction of branch offices. During the Reporting Period, the internet securities business developed rapidly.
- 2 PB Business: The Company formally developed the business of private fund services and PB system leasing business in June 2015 to provide basic service and support for the development of institutional brokerage business of the Company. As at the end of Reporting Period, the Company provided services for 59 asset management products cumulatively with a total size of over RMB7 billion. During the Reporting Period, the PB Business contributed a revenue of RMB3.195 million for the Company.
- 3 Asset-backed securities (ABS) business: The Company actively expanded the source of ABS projects and achieved important breakthroughs in structural financing business. During the Reporting Period, it completed 1 ABS project with a size of RMB265 million and 1 Pre-ABS project with a size of RMB300 million.
- 4 Income certificates: The Company actively issued income certificates and had effectively improved the situation of solely relying on inter-bank institutions as in the past, reduced the financing costs of the Company, and added a powerful tool for improving the stickiness of institutional customers. During the Reporting Period, a total of 15 institutional customers had subscribed and the total subscription amount was RMB900 million.

Section 5 Report of the Directors

(2) *Business Innovation Risk Control*

The Company has all along been adhering to the principle of dynamic balance of innovative development and risk control consistently and striving to maintain a stringent standard for its new businesses and new products, forming an effective innovation management mechanism, and making clear the work flow of businesses innovation of the Company. The Company adheres to the management vision of giving priority to system and business procedures, clarifies new business procedures and risk characteristics in advance, prepares corresponding business management systems, operating procedures and responsibilities. The Company sets up evaluation and decision-making mechanism covering development, research and review for new products, conducts the earlier stage demonstration, compliant and legal review as well as risk assessment for the businesses, and strengthens risk monitoring in the process of carrying out the businesses. Moreover, the Company sets up stringent risk control system for its new business, strictly complies with various regulatory indexes set up by regulatory departments.

(3) *Innovative Business Prospects*

In 2019, the Company will further propel its comprehensive financial strategy implementation, using “giant investment bank” as the guidance strategy and cooperate with our investment banking subsidiary, Hua Ying Securities, to continue improving the Company’s comprehensive innovation service capabilities. The Company plans to take “asset management + investment banking” practice as the lead, actively seeks business model and structure innovation, focuses on developing asset securitization and its derived business sectors, accelerates business development and grows in an orderly manner in terms of scale, and promotes the “investment banking + research”, “investment + sponsorship” and other business models.

The wealth management business plan of the Company focuses on product sales, investment and consultancy services, margin financing and securities lending and financial derivatives businesses, increases the contribution to customer assets preservation and appreciation, and strives to improve revenue structure and enhance the diversification of income and profit. For product sales, the Company will continue to improve its product system, focus on the Company’s asset management products, with externally introduced high-quality public and private products as an important supplement. In terms of investment advisory service, we will make use of the innovation and reconstruction of investment advisory model to enable effective quantified strategies to carry out targeted marketing to investment adviser customers with consistent investment concepts by standardizing investment advisory products. For margin financing and securities lending, the Company will improve the timeliness and effectiveness of position analysis, risk warning and investment consulting services for core customers by strengthening the strategic service functions for core customers such as margin financing and securities lending, combine the research results of Guolian and in the form of information delivery. In terms of financial derivatives business, new functions will be developed in the data processing and intelligent strategy sectors.

Section 5 Report of the Directors

The Company will continue to improve and promote private fund introduction strategy to propel the linkage transformation and development of institutional business and brokerage business. To obtain fund custody business licence as soon as possible, the Company focuses on the development of a package of services covering local private equity investment, provision of investment research and advisory services, financial advisory services, funds matching services and project referral, so as to promote the idle funds of private equity investment to purchase related products, introduce new assets, and at the same time expand institutional business of investment object enterprises that are engaged in private equity investment.

The Company will continue to increase its fintech innovation strategic investment in big data, artificial intelligence and other technological segments, constantly improve big data platform, and enhance the ability of data to support business; accelerate the construction of smart account, smart marketing, smart operation, smart investment advisory and other applications, so as to further reduce enterprise operating and management costs, improve the operation and decision-making ability of enterprises, provide personalized smart user experience and enhance the Company's differentiated competitiveness in the securities market.

2. Special Explanation on Accounts Standardization and Customers Information Management

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

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

As at 31 December 2018, the Company had 993,545 qualified capital accounts, 1,851,706 qualified securities accounts, 122,927 dormant capital accounts, 119,781 dormant securities accounts and 32 judicial frozen capital accounts. Standardized management for the above accounts was conducted in accordance with the requirements of China Securities Depository and Clearing Corporation Limited.

Section 5 Report of the Directors

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

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

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

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

(I) Industry Development Trend

During the 13th Five-year Plan period, China’s economy maintained a stable and sound momentum. With the gradual improvement of social security system, the steady growth of residents’ income and investors’ increasing awareness in investment and wealth management, the demand for wealth management services presents a personalized and all-round development trend. Under the background of external opening up and economic restructuring, enterprise sectors have greater demand for capital operation such as financing, mergers and acquisitions as well as reorganization, and higher requirements for product development ability as well as pricing and sales ability of securities companies. In view of higher domestic investment rate at present stage and the upgrading of industrial and consumption structure, it is expected that domestic macro-economy will maintain a stable and rapid growth rate for a relatively longer period of time in future, thus laying a sound economic foundation for facilitating the development of securities market. As economic development progresses, the operation model of securities companies is transforming from simple channel service to professional service, and differentiated competition is emerging.

Section 5 Report of the Directors

Firstly, business will transform from light capital to heavy capital. At present, the channel business of securities companies relies on licence monopoly and resource advantages, which belongs to light capital type business. However, most innovative businesses require securities dealers to reasonably use their capabilities in branding, research and development, management, risk control and other aspects. Capital is of particularly importance and will no longer be used only for expanding network scope and proprietary scale, but in capital intermediary business and buyer business with comparative advantages to improve the return on assets. In recent years, the capital intermediary business represented by margin financing and securities lending and Stock Pledged Repurchase Transaction has grown rapidly and become an important driving force for profit model transformation and business structure optimization in securities industry. In future, it is expected that securities companies will continue to vigorously develop capital intermediary business and create capital gains under a moderate and controllable risk environment, and moderately operate the buyer's business to earn risk return according to their own professional standard and risk management ability.

Secondly, operating leverage ratio will gradually increase. After the financial tsunami, the deleveraging trend in global financial industry has led to a significant reduction in the leverage ratio of financial institutions in the United States and Europe as compared to their peak period in 2007. However, the financial leverage ratio of major investment banks in USA still remains above 10 multiples, which is much higher than the current leverage level of 2 to 4 multiples of China's securities brokers. In future, with the further expansion and relaxation of financing channels, the leverage ratio of domestic securities brokers will gradually increase, thus creating favorable conditions for business innovation and profit expansion.

Thirdly, internationalization business will continue to improve. With the development of business, the accumulation of experience and talent, securities companies with strengths have begun gradual expansion into the overseas markets. Cooperation with international investment banks, establishment of overseas subsidiaries, overseas IPO and acquisition of overseas securities companies are the major methods of internationalization of domestic securities companies. With the internationalization of RMB and the relaxation of capital control, cross-border business is expected to become a new high-growth area of China's securities industry.

Fourthly, Internet finance layout will accelerate. With the gradual deepening of regulatory transformation and business innovation of the securities industry, more and more securities companies begin to accelerate their Internet securities business layout. By building a multi-level Internet platform, integrating and upgrading online and offline resources, the Internet securities business innovation is accelerated. In the age of fintech, the in-depth integration of big data and artificial intelligence technology with the industry may subvert the operation model of the entire industry. The integration of securities companies' businesses and the Internet will promote the profit model of securities industry to enter into a new stage.

Section 5 Report of the Directors

(II) Market Competition

For a long period of time, the securities industry has been highly dependent on traditional income from retail brokerage and investment banks, and pricing has become the main measure to compete and industry competition is very fierce. At present, the securities industry is preparing to undergo transformation and differentiation and is expected to change the current competition layout through innovation in the future.

Firstly, the competition of traditional business will intensify and profit model will gradually diversify. As innovative businesses are confined to market maturity and policy environment, the innovative businesses of securities companies are relatively limited. The degree of differentiation of the profit models among different securities companies is relatively low and the main source of revenue remains to be the three traditional businesses of brokerage, proprietary trading and investment banking, with prominent homogenization competition. For brokerage business, its competition is changing from pure channel services to comprehensive wealth management ability. For proprietary business, its scale is limited by capital, and its performance is closely related to the market trend with high volatility. For investment banking business, large securities companies have obvious business advantages. With the continuous increase in total amount of financing on the SME board and the GEM, securities companies have increased their reserve and competition efforts for small and medium-sized projects, and competition is more intense. With the launch of innovative businesses such as the science and technology innovation board and the further development of businesses such as private equity investment fund, the profit model of securities companies will gradually diversify, and the importance of innovative business in future profit growth will become increasingly apparent.

Secondly, industry concentration will increase gradually, and the Matthew Effect will continue to emerge. Currently, the brokerage industry shows an obvious market-leader dominant trend. Differences in capital, branding and technology all make the Matthew Effect evident. Securities firms with abundant capital, regulated management and strong innovation capability realize rapid expansion in terms of branch network and business scale by acquiring small and medium-sized securities firms during market downturn. In recent years, the scale of securities industry concentration has been greatly improved, and the industry has begun to show a trend of gradual convergence and concentration. In the future, the industrial pattern of coexistence of large national securities companies with strong comprehensive competitiveness and medium-sized securities companies with competitive advantages in certain regional markets and market segments will emerge.

Thirdly, industry opening up will speed up and internationalization and mixed industry competition will intensify rapidly. At the regulatory level, the Company will uphold the decisive role of market in resources allocation, and support the financial sector to open wider both internally and externally. The financial sector will be promoted jointly with the market-oriented reform of real economy. On one hand, the international competition in the securities industry is increasingly intensified. At present, China already has a number of foreign equity securities companies possessing strong competitive advantages in mechanism, capital, technology, talents and other aspects, and bombard domestic securities companies. On the other hand, commercial banks, insurance companies, trust companies and other financial institutions have penetrated into the securities industry with increasingly participation in securities business, thus significantly intensifying mixed industry competition.

Section 5 Report of the Directors

(III) Market Position of the Company

The Company is the only fully-licensed legal person securities firm registered in Wuxi. After more than 20 years of development, it has formed a relatively comprehensive business mechanism including securities brokerage, asset management, securities investment, margin financing and securities lending business, and is a medium-sized comprehensive securities firm. The Company has wholly-owned subsidiaries, Guolian Capital and Hua Ying Securities and invests in Zhonghai Fund and Jiangsu Equity Exchange Center, forming an operating layout integrating securities, funds, and direct investment.

According to the statistics of SAC, as at the end of the Reporting Period, the Company ranked 63rd, 63rd and 65th respectively out of 131 securities companies in terms of the indicators of total assets, net assets and net capital. During the Reporting Period, the Company ranked 70th and 63rd respectively in terms of operating revenue and net profit in the industry.

The Company has strong market competitiveness and brand influence in Wuxi region. As at the end of the Reporting Period, the Company has accumulated 1,113,200 customers and total customer assets of RMB146 billion. Of which 760,000 customers are in Wuxi region, accounting for 68% of total customers. The share-based market share in Wuxi was 0.297% , accounting for 60% of that of the Company. During the Reporting Period, the Company completed the listing of 1 enterprise in Wuxi on the NEEQ; raised RMB86.2393 million on equity financing for 6 enterprises in Wuxi; completed mergers and acquisitions and reorganizations for 1 enterprise in Wuxi; provided market-making service for 10 enterprises in Wuxi; and provided on-going supervision services for 36 enterprises in Wuxi.

During the Reporting Period, the Company was awarded as the “Top 100 Wuxi Tax Paying Enterprises in 2017”, “China Securities and Futures Industry Poverty Alleviation Contribution Award”, the three awards of “Best Organizer Award”, “Best Video Award” and “Best Graphic and Text Award” rated by investor education and protection series activities for 2018 of Shanghai Stock Exchange, and the honor of “Excellent Organization Award” rated by the first “New Best Wealth Investment Adviser”.

Section 5 Report of the Directors

(IV) Analysis of Core Competitiveness

1. Unique Regional Advantages

The headquarters of the Company is in Wuxi, Jiangsu Province. Its current principal places of business are in Wuxi and other regions in Jiangsu Province. Jiangsu Province is one of the most economically developed provinces in China, and Wuxi is a strong economically developed city in Jiangsu Province. As at the end of 2018, the GDP of Jiangsu Province was over RMB9.25 trillion, ranked second in China. According to the 2018 Statistical Report on Wuxi Domestic Economy and Social Development, the GDP of Wuxi exceeded RMB1.14 trillion, representing a year-on-year increase of 8.6%, and ranked third in Jiangsu Province. The deposit balance reached RMB1.6 trillion, accounting for 0.9% of the whole nation. There are 79 A-share listed companies in Wuxi region, accounting for 2.21% of the total number in China, with the market value of RMB517.791 billion, representing 1.1% of the whole country. In 2017 and 2018, the number of A-share IPO in Wuxi enterprises was 15 and 5, accounting for 3.4% and 4.8% of the whole country respectively. The Company focuses deeply on its businesses in the economically-developed Jiangsu market for a long time, and established 7 branch offices in Wuxi, Yixing, Jiangyin, Suzhou, Changzhou, Nanjing and North Jiangsu region respectively with 60 securities branches, of which, 38 are in Wuxi (including Jiangyin and Yixing). Wuxi demonstrates its advantages and potential in industries such as the new generation of information technology, high-end equipment manufacturing, energy conservation and environmental protection, biological medicine, new energy, new Materials, high-end textile and apparel, etc. with a large number of high-quality enterprises emerged. There is a large room for the Company to promote local enterprises to improve the quality of asset securitization.

Section 5 Report of the Directors

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

The Company was listed on the Main Board of HK Stock Exchange on 6 July 2015 and completed its overseas IPO of 402,400,000 H Shares. Thereafter, the social influence and industry publicity of the Company keep on increasing. The increased capital strength created a strong support for the Company in its business innovative transformation and sustainable development. In 2016, the Company initiated the A Shares listing plan, and submitted the application documents for the initial public offering and listing of A Shares to the CSRC at the end of that year. In 2018, due to the launching of issuing additional H Shares, the Company applied to CSRC to suspend the review of A Shares IPO according to regulations and was approved. In 2019, the Company will apply to resume the review of A Shares issuance according to the progress of the additional H Shares issuance. If A Shares listing is achieved in the future, the Company will open up the long-term financing channels in the two capital markets, which will help the Company to continuously improve its system construction, business innovation and risk tolerance capability, lower financing costs, improve the profitability of capital intermediary business and to expand the brand influence of the Company, and impose a positive impact on project solicitation and talents recruitment.

3. Constantly Improved Product Research and Development Capability and Financial Service Capability

Our Company will strive to build a product system with complete categories, rich product range and risk return characteristic by adhering to the objective of enhancing customer experience, focusing on meeting customer demand and relying on constantly perfecting securities service mobile platform. We will explore ways to make effective breakthroughs in key areas, keep on improving our product research and development capability, expand product service range and control credit risks stringently to build brand business lines and star products proactively. The Company's equity trading business is characterized of having a steady development focusing on private FOF, quantified stock selection and balanced equity and debt mixed income, with offline application of new shares as beneficial supplement, among which private FOF and quantified strategy products have achieved remarkable performance. Fixed income investment business has gradually formed a fixed income investment product line covering the vast majority of market varieties, such as cash, structured, flat category and net value products, and the investment income has substantially outperformed similar products in the market. By virtue of its long-term branding and capital advantage, perfect price mechanism and rigorous risk control system, the stock pledged repurchase business has gained good reputation from customers. In facing the increasingly complex investment and financing demand of customers, the Company is committed to providing customers with professional integrated financial solutions. The Company has transformed itself from a mere channel service provider to a comprehensive financial service provider providing investment advisory, asset management, credit transactions, investment banking, NEEQ services, etc. With the continuous improvement of business diversification, a more balanced development in all business segments is achieved.

Section 5 Report of the Directors

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

For many years, the Company has abided to the business philosophy of steady development, facilitated the stable transformation and upgrading of its business models, optimized its revenue mix and profit source of the Company, and achieved years of profitability successively. Of the domestic securities companies in the PRC since inception (from 1999 to date), the Company is one of the few securities companies with successive profitability. During the Reporting Period, the Company has kept on improving operating efficiency and strengthening cost control.

The Company regards comprehensive risk management as its important measures to achieve and ensure its business development, and provides reasonable assurance to make various risks of the Company measurable, controllable and tolerable through the establishment and improvement of a comprehensive risk management system that is in line with the Company's own development strategy. At the same time, the Company upholds its compliance baseline, regulates various systems and procedures, strengthens implementation monitoring and strictly enforces accountability, so as to lay a solid foundation for achieving stable business objectives. During the Reporting Period, the Company achieved compliant operation and controllable risks for various businesses. The Company was rated as Class A in A Category in the evaluation results of the securities companies segment announced by CSRC for the year 2018.

5. Experienced Senior Management Team and High-Quality Talents

The senior management team of the Company has extensive experience and outstanding management abilities in securities and financial services industry. They are able to understand profoundly the development trend of the industry, make accurate business judgment, and capture promptly business opportunities and adjust business strategies prudently.

The middle management team of the Company has many years of experience in the securities industry in China, and possesses very strong execution ability. The Company establishes a comprehensive remuneration review incentive mechanism, and sets up a comprehensive three-dimensional human resources model including highend talents recruitment, middle-level management training, back-up management capability training and escalating new staff professional barrier. This will facilitate the recruitment and cultivation of a large number of high-quality professional talents for the Company and provide strong talent support for the transformation development of the Company.

Section 5 Report of the Directors

(V) Future Development Prospects

Looking forward into 2019, under the fundamental guidance of “fully promoting our comprehensive capability and enlarging business base”, the Company will further implement its various basic strategies and provide high quality integrated and comprehensive financial services in a bid to help enriching individual wealth, pair up enterprises with capital market, promote government investment and financing, and spur the urban economic development. The Company will intensify its efforts to develop institutional customer in strategic regions, channel its energy to expand the size of investment banking and financing businesses sectors, make continuous efforts to optimize operation and income structures, striving to become the securities broker with distinctive business features.

The Company will actively facilitate equity financing and leverage on the funds raised to speed up the construction of a modern securities holding group, facilitate the preparation and establishment of subsidiaries in Hong Kong, optimize business outlets distribution, enhance the construction of risk control system and IT system, expand innovative business, and improve the ability of product innovative and investment management. Firstly, we will accelerate the construction of the “big investment consultancy” system from the three dimensions of “building talent echelon, enriching the sources of investment advisory products and optimizing the platform system”, and strive to build a customer trustworthy wealth management team within 1 to 2 years, so as to achieve the upgrade of financial advisers and investment advisers to wealth managers. Secondly, we will consolidate investment research service system and pipeline construction by entwining on the new regulations, situation and customer needs of asset management, and build a product system with rich varieties and full coverage of risk and return characteristics from the two aspects of self-research of asset management products and products introduction by external managers of the Company, so as to improve the market competitiveness of product sales. Thirdly, by relying on the “big investment bank” system, all branches are encouraged to adhere to the long-term strategy of regional comprehensive operation, take the initiative to explore the service needs of institutional customers, fully leverage on the Company’s various resources to provide a package of comprehensive investment and financing solutions for institutional customers, and cultivate and develop long-term cooperative partnership. Fourthly, with the support of fintech, modern technologies such as big data, cloud computing and artificial intelligence will be integrated into securities financial services and daily operations, so as to accelerate the role of technology in boosting the Company’s development. Fifthly, driven by the market-oriented talent mechanism, we will continue to optimize the job position system, deepen the market-based performance appraisal and salary distribution mechanism, build a talent team with strong professional ability and high comprehensive quality, and constantly improve our per capita income-generation capability.

Section 5 Report of the Directors

(VI) Risk Factors Exposed and Counter Measures

The Company's business operation is exposed to risks which mainly include: market risk, credit risk, liquidity risk, operational risk, compliance risk, concentration risk and reputation risk. Specifically speaking, they are represented in the following aspects:

1. Market Risk

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

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

2. Credit Risk

Credit risk refers to the risk that may cause economic losses to the Company due to the failure of the debtors and transaction counterparties in performing the obligations as agreed in the deeds. It includes the credit risks and collateral risk of transaction counterparty.

Currently, the Company has launched a credit risk management system to control the principal and collateral credit risks of transaction counterparty through the measures of due diligence and internal rating, and to measure and manage credit risk by monitoring quantitative indicators, integrating methods of credit rating analysis, analysis on the capital structure and solvency of debt subject and credit stress test. In addition, the Company will make periodic adjustment on the value of the collaterals according to the market situation and the risk of individual stock.

Section 5 Report of the Directors

3. Liquidity Risk

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

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

4. Operational Risk

Operational risk refers to the risk of loss resulting from the improper or invalid internal processes, personnel and system or external events during the operation process of the Company.

As for operational risk, the Company has established a sound internal control mechanism, regularly carries out assessment of internal control effectiveness throughout the Company; arranges special staff to manage operational risk to standardize and optimize related business processes; reorganizes the statistics of the operational risk event occurrence frequency and corresponding losses for the purpose of establishing loss database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, annual assessment; and prepares emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the outbreak of large-scale operational risk caused by information system failure.

5. Compliance Risk

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

Section 5 Report of the Directors

The Company has established an effective and impeccable compliance risks management system and compliance management and organisation system. To facilitate its compliance management, the Company sets up the Compliance and Legal Department, establishes the compliance institutional system and control system, and adopts effective measures for compliance risk management. At the same time, the Compliance and Legal Department of the Company implements an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance testing, compliance inspection, compliance investigation, compliance supervision and compliance training.

6. Concentration Risk

Concentration risk refers to the risk resulting from the excessive risks exposure from the same source due to mere single business. The Company sets threshold values on various levels for effective limit management, and enhances and improves the identification, measurement, monitoring and reporting system of concentration risk, and thus perfects the stress test system of concentration risk. Based on the stress test results, the Company sets the risk warning line to give a reminder or warning on concentration risk, and thus forms a concentration risk prevention and control mechanism.

7. Reputation Risk

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

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

Section 5 Report of the Directors

(VII) Systematic Construction of Company Risk Management

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

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

Section 5 Report of the Directors

III. Profit Distribution Policies and Profit Distribution Situation

(I) Profit Distribution Policies

In accordance with the Articles of Association, the Company may distribute dividends by means of cash, shares and a combination of cash and shares. Where the Company satisfies the conditions for cash dividend distribution, it shall accord priority to dividend distribution by way of cash. The Company will fully take into account the returns for its investors and distribute dividends to its shareholders according to the stipulated proportion of the profits available for distribution achieved by the parent company during the year. The Company will implement an on-going and stable dividend distribution policy, and shall consider the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company when distributing dividends. In the absence of any significant investment and financing plan, significant cash outlay or any other matters that prohibit profit distribution in accordance with relevant laws, regulations and regulatory documents, the Company will continue to distribute profit.

(II) Profit Distribution Situation

Profit Distribution for 2017

The Profit Distribution Plan for 2017 of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2017年度利潤分配議案》) was passed at the 2017 annual General Meeting of the Company convened on 15 June 2018, which decided not to implement profit distribution for the year 2017 by taking a comprehensive consideration of the longterm interests, sustainable development and shareholders' interests of the Company and other factors.

Profit Distribution Plan for 2018

The audited net profit of the parent company in 2018 was RMB147,511,615.82. According to the relevant requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, after appropriating statutory provident fund, general risk reserve and transaction risk reserve respectively, totaling RMB44,342,740.79, the profit available for distribution for the year amounted to RMB103,168,875.03. The balance of the undistributed profit was RMB1,601,596,877.01 from previous years, and the accumulated undistributed profit for the year was RMB1,704,765,752.04.

In considering the development of the Company and the interests of the shareholders, the Company proposed the 2018 profit distribution plan as follows: by using the total number of shares of 1,902,400,000 as at the end of 2018 as a base factor, a cash dividend of RMB0.5 (including tax) for every 10 shares held is proposed to be distributed to all shareholders. The total amount of cash dividend is RMB95,120,000, and the undistributed profit of RMB1,609,645,752.04 will be carried forward to next year.

IV. Issuance of Shares and Use of Proceeds

(I) Overall Situation of Proceeds Raised

As approved by Zheng Jian Xu Ke [2015] No. 1024 "Reply Concerning Approval of Issuing Overseas-Listed Foreign Shares by Guolian Securities Co., Ltd." (《關於核准國聯證券股份有限公司發行境外上市外資股的批覆》) of the CSRC, in accordance with the relevant requirements of the state's laws and regulations, the Company completed its first issue of 402,400,000.00 H Shares to overseas investors at HK Stock Exchange on 6 July 2015 at an issue price of HKD8.00 per share. The net proceeds raised amounted to HKD3,097.3263 million (equivalent to RMB2,443.9763 million) (after deducting underwriting expenses and other capitalization issue expenses), which was verified by PricewaterhouseCoopers Zhong Tian LLP and issued the PricewaterhouseCoopers Zhong Tian Capital Verification Report Yanzi (2015) No. 956.

As at 31 December 2018, the Company's actual cumulative investment amount used was RMB2,343.9795 million according to committed proceeds purpose (had adopted the exchange rate for the H Shares proceeds raised to calculate based on actual settlement exchange rates computation), and the closing balance of bank account for the proceeds raised totalled HKD313.2785 million and RMB0.9422 million, equivalent to RMB275.4368 million using the period-end closing exchange rate in total.

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

- (1) Approximately 45.00% of the funds will be used to further develop margin financing and securities lending business of the Company, among which RMB1,157.6372 million has been used;
- (2) Approximately 20.00% of the funds will be used to develop other capital-based intermediary services of the Company, among which RMB524.1577 million has been used;
- (3) Approximately 15.00% of the funds will be used to expand proprietary trading business of the Company, among which RMB386.0812 million has been used;
- (4) Approximately 10.00% of the funds will be used to develop the Internet trading business of the Company, the usage is currently changed to using its as capital contribution and other preliminary expenses for the planned establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company, and RMB2,300 has been used;
- (5) Approximately 10.0% of the funds will be used for working capital and other general corporate purposes, among which RMB276.1011 million has been used.

Section 5 Report of the Directors

(II) Change of Proceeds Raised in Projects

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

(III) Use of Proceeds for the Committed Projects

Unit: in RMB ten thousands

Name of committed projects	Any change in project	Invested amount of proceeds raised during the Reporting Period	Actual total invested amount of proceeds	Progress of project used	Change in usage
Margin financing and securities lending	None	–	115,763.72	100%	
Capital-based intermediary services	None	–	52,415.77	100%	
Investment business	None	–	38,608.12	100%	
Internet trading	Yes			–	Changed as the capital contribution and other preparation expenses for establishing subsidiaries in Hong Kong and supplementing the working capital of the Company
Working capital and others	None	–	27,610.11	100%	
Establishing subsidiaries in Hong Kong and supplementing the working capital of the Company	Yes	0.17	0.23	–	
Total		0.17	234,397.95	90%	

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

Section 5 Report of the Directors

(IV) Details of Unused Proceeds Raised Previously

As at the end of 2018, the Company had undertaken that the unused proceeds (equivalent to RMB273.7270 million) raised previously accounted for 10% of the total proceeds raised. The Company invested the proceeds raised according to the actual development of its businesses. The committed but unused capital changed its initial proceeds purpose from developing Internet trading business to capital contribution and other preliminary expenses for the establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company after being approved at the Company's General Meeting on 29 July 2016. The establishment of subsidiaries in Hong Kong has yet to be approved. As of the end of Reporting Period, the unused part of the proceeds raised was deposited into its bank account, and there was no case of utilizing such idle proceeds for other purposes.

V. Directors

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

VI. Directors and Supervisors' Service Contracts

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

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

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

Section 5 Report of the Directors

VIII. Controlling Shareholders' Interests in Contracts of Significance

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

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

During the Reporting Period, Mr. Hua Weirong, a non-executive Director, serves as a Chairman of the Board of Guolian Industrial Investment. Guolian Industrial Investment is principally engaged in the industrial investment business which competes with the Direct Investment Business of the Group. Therefore, Mr. Hua Weirong is deemed to be interested in the business which competes with the Company under the Listing Rules. However, Mr. Hua Weirong is not involved in the daily management of the Company and Guolian Industrial Investment. Therefore, the possibility of conflict of interest due to Mr. Hua Weirong's role as a Director of the Company and a director of Guolian Industrial Investment is quite remote. Except for the above, the Directors of the Company have no interest in the business that is competing with the Company.

X. Director and Supervisors' Right to Purchase Shares or Debentures

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

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

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

XII. Compliance with Non-competition Agreement

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

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

Section 5 Report of the Directors

During the Reporting Period, the Controlling Shareholders and the controlled entities referred 14 new business investment opportunities to Guolian Capital. The Investment Decision Committee of Guolian Capital had reviewed such new business investment opportunities, and considered that such business investment opportunities involved issues like industries not being those that Guolian Capital has invested normally, doubtful profitability, not in line with Management Rules for the Private Investment Funds Subsidiaries under Securities Companies and uncertain withdrawal mechanism, which did not meet the investment project review standards of Guolian Capital, so it decided not take up such new business investment opportunities. The independent non-executive Directors had made an annual review on such decision, and was of the view that the decision made by the Investment Decision Committee of Guolian Capital was based on its professional judgement to the new business investment opportunities, reflecting the interest of the Group.

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

XIII. Other Disclosures

(1) Share Capital

The information is set out in the “Consolidated Statement of Financial Position” and Note 36 to the consolidated financial statements of this report.

(2) Pre-emptive Rights

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

(3) Sufficiency of Public Float

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

(4) Management Contracts

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

Section 5 Report of the Directors

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

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

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

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

Section 5 Report of the Directors

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

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

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

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

(6) Reserves and Reserves of Profits Available for Distribution

Please refer to the “Consolidated Statement of Changes in Equity” and Note 37 to the consolidated financial statements of this report regarding the changes in the Group’s reserves and reserves of profits available for distribution during the Reporting Period.

Section 5 Report of the Directors

(7) Major Customers and Suppliers

The Company provides services for various individual and institutional customer groups with a large customer base and wide distribution. The Company's major customers include non-enterprise institutions, large, medium and small enterprises, institutional investors and retail customers. During the Reporting Period, revenue generated from the top five customers accounted for 8.02% of total revenue and other income of the Group. None of the Directors, Supervisors or any of their respective close associates or any shareholder holding more than 5% of the issued share capital of the Company has any interests in the Company's top five customers.

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

(8) Property and Equipment

For the information of the Group's property and equipment during the Reporting Period, please refer to the Consolidated Statement of Financial Position and Note 21 of this report.

(9) Fulfillment of Social Responsibilities

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

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

1. Staff

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

2. Customers

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

3. Suppliers

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

Section 5 Report of the Directors

(11) Compliance with Laws and Regulations

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

(12) Major Events after the Reporting Period

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

(13) Exchange Rate Fluctuation Risks and Any Related Hedging

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

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

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

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

Section 5 Report of the Directors

(15) Business Review

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

By order of the Board

Guolian Securities Co., Ltd.



Yao Zhiyong

Chairman

27 March 2019

Section 6 Other Significant Events

I. Penalty or public censure during the Reporting Period of the Company

The Wuxi Central Sub-branch of the People's Bank of China conducted the anti-money laundering on-site inspection on the Company from 20 September to 22 October 2018. A fine of RMB450,000 in terms of administrative penalties was imposed on the Company due to its failure to perform its obligation to identify customers as required and relevant responsible person was subject to administrative penalties in terms of fines.

The Company attaches great importance to and actively carries out analysis and self-inspection measures, and has formulated a rectification plan and effectively implemented various rectification measures. The Company will further strengthen its account management, improve the supervision and verification mechanism for suspicious transaction identification, enhance inspection mechanism as well as evaluation and accountability, improve the Company's anti-money laundering management capability and the implementation of anti-money laundering works to effectively fulfill its stipulated anti-money laundering obligations.

II. Significant lawsuits and arbitrations

(I) Outstanding Cases During the Reporting Period

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

On 9 November 2012, the Company subscribed for the 2012 SME private placement bonds of Inner Mongolia Nailun Agriculture Technology Corporation (內蒙古奈倫農業科技股份有限公司), and Inner Mongolia Nailun Group Inc. (內蒙古奈倫集團股份有限公司) provided a full, unconditional and irrevocable joint liability guarantee in respect of the repayment of principal and interests of the bonds. An event of default occurred after the expiry of the bonds, and the Company initiated arbitration proceedings at South China International Economic and Trade Arbitration Commission in March 2015. In August 2015, South China International Economic and Trade Arbitration Commission delivered the verdict that Nailun Agriculture shall pay the Company the principal and interests of the bonds and the damages for breach of contract etc., amounting to approximately RMB10.49 million. In December 2015, the Company had applied to the court for compulsory enforcement, the procedures of which have not been completed yet at the moment.

Section 6 Other Significant Events

On 14 February 2017, the Company invested RMB122 million from its own funds to participate in the stock pledged repurchase business for the 22,770,000 (The number of shares pledged had changed to 34,155,000 shares as a result of bonus shares issuance for the year of 2017 by Huaming Power Equipment on 29 June 2018) restricted tradable shares of Huaming Power Equipment (002270.SZ) held by Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership) (廣州匯垠華合投資企業(有限合夥)). Zhang Guizhen, a limited partner of Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership), provides an unlimited joint liability guarantee. On 1 February 2018, Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership) constituted a substantial breach of contract. As the restriction of shares pledged for this business purpose is still not discharged, it is not possible to dispose of them at the secondary market, and needs to be handled through judicial channels. The Company applied to Guangzhou Intermediate People's Court for filing the case for execution after obtaining a notarized execution certificate. On 13 June 2018, Guangzhou Intermediate People's Court ordered to seize, detain, freeze and transfer the property of Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership) and the property assets of Zhang Guizhen, totaling RMB120,515,366.89. On 12 November 2018, Guangzhou Intermediate People's Court delivered the judgment of not executing the notarial certificate and execution certificate as the notary office violated the legal notarization procedure when handling notarization. On 29 November 2018, Guangzhou Intermediate People's Court ordered to terminate the execution of the case.

On 22 November and 13 December 2017, the Company conducted stock pledge repurchase business with Jiangyin Zhongnan Heavy Industry Group Co., Ltd. (江陰中南重工集團有限公司). Jiangyin Zhongnan Heavy Industry Group Co., Ltd. pledged 28,719,000 shares it held in Zhongnan Culture (stock code: 002445.SZ) (The number of shares pledged had changed to 48,822,300 shares as a result of the bonus shares issuance for the year of 2017 by Zhongnan Culture on 16 July 2018) and obtained the funds of RMB180,500,000 from the Company. On 11 September 2018, Jiangyin Zhongnan Heavy Industry Group Co., Ltd. constituted a material breach of contract. On 28 September 2018, the Company applied to Wuxi Intermediate People's Court for compulsory execution after obtaining a notarized execution certificate. On 19 October 2018, Wuxi Intermediate People's Court designated Jiangyin People's Court to handle the execution.

(II) Cases Concluded During the Reporting Period

According to the reorganization plan in relation to the amalgamation and reorganization case between Huzhou Jintai Technology Company Limited (湖州金泰科技股份有限公司) and Huzhou Hete Jintai Automobile Parts Co., LTD (湖州赫特金泰汽車零部件有限公司), the Company may be granted a bond allotment amounted to RMB392,118.13. Such amount has been fully paid by the manager of Huzhou Jintai Technology Company Limited (湖州金泰科技股份有限公司) on 22 January 2018.

Section 6 Other Significant Events

III. Important contracts and their fulfillment

During the Reporting Period, the Company entered into two property leasing agreements with Wuxi Guolian Xincheng Investment Co., Ltd. (無錫國聯新城投資有限公司), the rental charges were RMB8.1769 million and RMB1.5720 million respectively and the term of the agreements had expired on 31 December 2018. The Company entered into a software procurement contract with Hundsun Technologies Inc. (恒生電子股份有限公司) with an amount of RMB11.20 million, and the term of the contract commenced from 16 November 2018 to 16 November 2019.

IV. Connected Transactions

Particulars of the major related party transactions of the Group for the year ended 31 December 2018 are set out in note 51 to the financial statement.

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

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

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

Section 6 Other Significant Events

1. Securities and Financial Services Framework Agreement

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

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

(1) *Securities Brokerage*

According to data in Wind and SAC, in the past three years, the average market net commission rate is about 0.034%.

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

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

Section 6 Other Significant Events

(2) *Futures IB*

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

(3) *Asset Management*

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

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

(4) *Agency Sales of Financial Products*

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

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

Section 6 Other Significant Events

(5) *Financial Advisory*

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

(6) *Management Services of Trust Plans*

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

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

Unit: RMB'million

Item	2018 Annual Cap of Transaction Amount	2018 Actual Transaction Amount

Revenue received by the Group

Including securities brokerage and Futures IB services, asset management service, agency sales service of financial products, financial advisory service and other financial services approved by CSRC

Expenses incurred by the Group

Including management service of trust schemes and other financial services approved by China Banking and Insurance Regulatory Commission

30.28	15.87
10.40	2.19

Section 6 Other Significant Events

2. Property Leasing and Related Services Framework Agreement

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

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

Unit: RMB' million

Items	2018 Annual Cap of Transaction Amount	2018 Actual Transaction Amount
Revenue received by the Group		
Including income received from leasing properties	5.00	1.13
Expenses incurred by the Group		
Including expenses incurred for leasing properties, fee expense incurred for the related property services	32.10	15.97

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

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

Section 6 Other Significant Events

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

In respect of the disclosed Continuing Connected Transactions:

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

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

(II) Internal Control and Corporate Governance Measures

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

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

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

Section 6 Other Significant Events

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

(III) Other Connected Transactions

1. Underwriting of the proposed issuance of bonds of Guolian Group

On 21 December 2018, the subsidiary of the Company, Hua Ying Securities, entered into the underwriting agreement with Guolian Group, pursuant to which Hua Ying Securities will undertake as the lead underwriter in respect of Guolian Group's proposed issuance of bonds in China with an aggregate principal amount not exceeding RMB3,000,000,000 and receive an underwriting fee not exceeding RMB18,000,000.

The underwriting fees that Guolian Group agreed to pay to Hua Ying Securities are 0.6% of the actual underwriting amount of the issuance (that is the actual issuance size or actual amount of funds raised from the bonds). The bonds are issued in tranches, and the underwriting fees of each tranche will be received by installments. Each tranche of underwriting fee is calculated according to 0.6% of the actual underwriting amount of that tranche. Based on the maximum underwriting commitment of Hua Ying Securities of RMB3,000,000,000, it is estimated that Hua Ying Securities shall receive a maximum underwriting commission of up to RMB18,000,000 from Guolian Group. The underwriting commission rate is determined based on the arm's length negotiation between the parties and is consistent with market rates.

Section 6 Other Significant Events

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

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

Please refer to the announcement of the Company dated 21 December 2018 regarding the details of this Connected Transaction.

Guolian Group is the controlling shareholder of the Company and is therefore a connected person of the Company. Hua Ying Securities is a wholly-owned subsidiary of the Company. Accordingly, the Transaction constitutes a connected transaction of the Group. As each of the applicable percentage ratios (other than the profits ratio), as calculated in accordance with Chapter 14 of the Listing Rules in respect of the underwriting agreement, is more than 0.1% but less than 5%, therefore, the underwriting agreement is subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules, but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. Bankruptcy reorganization, acquisitions, mergers and divisions

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

VI. Information about individual business qualifications obtained during the Reporting Period

During the Reporting Period, the Company obtained the qualification for secondary dealers for OTC options business.

Section 6 Other Significant Events

VII. Major off-balance-sheet items

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

VIII. Engagement and dismissal of accounting firm

(I) Accounting Firm Currently Engaged by the Company

Name of Domestic Accounting Firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of Domestic Accounting Firm	RMB1.03 million
Continuous Term of Audit Service of Domestic Accounting Firm	3 years
Name and Continuous Term of Service of Domestic Certified Public Accountants	Ma Hing Fai (馬慶輝) : 3 years; Han Jian (韓健) : 3 years
Name of Overseas Accounting Firm	Deloitte Touche Tohmatsu
Remuneration of Overseas Accounting Firm	RMB70,000
Continuous Term of Audit Service of Overseas Accounting Firm	3 years
Name and Continuous Term of Service of Overseas Certified Public Accountant	Ma Hing Fai (馬慶輝) : 3 years

In addition, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as the A Share IPO accountant of the Company to provide A Share IPO reporting and other audit services for the Company. Relevant audit expenses are RMB1,586,000.

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

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

(III) Engagement of Accounting Firm by the Subsidiaries

In 2018, Hua Ying Securities reappointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its external auditing institution with an audit fee of RMB80,000.

In 2018, Guolian Capital appointed Jiangsu Suyajincheng CPA LLP as its annual external auditing institution with an audit fee of RMB40,000.

IX. Significant Subsequent Events

(I) Changes Of Directors, Supervisors and Senior Management

Nil

(II) Proposed Annual Profit Distribution Proposal of the Company

The proposed annual profit distribution proposal for the year 2018 is set out in Section 5 of this report “III. Profit Distribution Policies and Profit Distribution Situation”.

(III) Major Investing and Financing Activities

Nil

(IV) Major Litigations and Arbitrations

In respect of the breach of contract event regarding the stock pledged repurchase business for the restricted tradable shares of Oriental Times Media Co., Ltd. (stock name: OTMC, stock code: 002175.SZ) (for details, please refer to the Company’s litigation announcement published on the websites of the Company and the Stock Exchange on 30 January 2019), Wuxi Intermediate Court put the case on record in January 2019. Upon filing the case, the court froze the pledged shares and some of the bank accounts under the financier’s name as requested by the Company. The case will be heard on March 27.

In respect of the breach of contract event regarding the stock pledged repurchase business of Huaming Power Equipment (for details, please refer to the paragraph headed “(I) Outstanding Cases During the Reporting Period under II. Significant lawsuits and arbitrations in Section 6 Other Significant Events”), the Company has filed an application to the People’s Court of Hi-tech Development District of Jinan for the realization of real guarantee rights against Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership). The People’s Court of Hi-tech Development District of Jinan filed the case on 15 January 2019. The Company has applied to Wuxi Arbitration Commission for the arbitration of creditor’s rights guaranteed by Zhang Guizhen, a limited partner of Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership), and the case is still ongoing.

Section 6 Other Significant Events

(V) Business Mergers or Disposals of Subsidiaries

Nil

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

Nil

X. Important Matters or Major Subsequent Events of a Subsidiaries

(I) Changes Of Directors, Supervisors and Senior Management

As Mr. Qin Shunda (秦順達先生), the former chairman of the board of directors and general manager submitted his resignation, the board of directors of Guolian Capital elected Mr. Yang Ming (陽明先生) as a chairman of the board of directors and general manager on 16 January 2018.

As Mr. Yue Yuanbin (岳遠斌), the former vice-general manager and secretary to the Board submitted his resignation, the Board of Hua Ying Securities elected Mr. Jiang Hongan (江紅安) as the secretary to the Board on 8 June 2018.

(II) Profit Distribution Plan

The subsidiaries had no profit distribution plan in 2018.

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

I. Changes in Shares During the Reporting Period

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

II. Shareholders as at the End of the Reporting Period

At the end of the Reporting Period, the Company had 120 registered shareholders, including 12 shareholders of Domestic Shares and 108 registered shareholders of H Shares.

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

Name of Shareholders	Nature of Shareholders	Number of Shares Held (Shares)	Percentages of Shares Held	Number of Shares Changed During the Reporting Period (Shares)	Pledge or Freeze up over Shares Held (Shares)
Guolian Group	State-owned legal person	543,901,329	28.59%	–	Nil
HKSCC (Nominees) Limited (Note 1)	Overseas legal person	442,496,900	23.26%	9,400	Nil
Guolian Trust	State-owned legal person	390,137,552	20.51%	–	Nil
Wuxi Electric	State-owned legal person	266,899,445	14.03%	–	Nil
Minsheng Investment	State-owned legal person	73,500,000	3.86%	–	73,500,000
Cotton Textile	State-owned legal person	72,784,141	3.83%	–	Nil
Huaguang Boiler	State-owned legal person	29,113,656	1.53%	–	Nil
Wuxi Jinhong Telecommunications Group Co., Ltd. (無錫金鴻通信集團有限公司)	Domestic non-state-owned legal person	24,000,000	1.26%	–	Nil
Jiangsu Xinfang	Domestic non-state-owned legal person	22,500,000	1.18%	–	Nil
Wuxi Weifu High-technology Co., Ltd.* (無錫威孚高科技集團股份有限公司)	Domestic non-state-owned legal person	18,000,000	0.95%	–	Nil

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

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

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

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

Guolian Group was established in December 1997, and is a wholly state-owned enterprise group contributed and organized by Wuxi State-owned Assets Supervision and Administration Commission of the State Council (hereinafter referred as “SASAC”) with a state-owned asset investment qualification granted. Its registered capital is RMB8 billion. Guolian Group is mainly engaged in the management and operation of capital assets, agency investment, investment consultancy and investment service. Both the legal representative and general manager of Guolian Group is Mr. Hua Weirong.

Guolian Trust was established in January 1987, and is formerly known as Wuxi Trust Investment Company* (無錫市信託投資公司). It was then renamed and transformed as a joint stock company with limited liability with a registered capital of RMB3 billion. Guolian Trust is principally engaged in trust services and direct investment. The legal representative and general manager of Guolian Trust are Mr. Zhou Weiping and Mr. Zhu Wenge respectively.

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

IV. Disclosure of Interests

As at 31 December 2018, to the knowledge of the Company’s Directors after making reasonable enquiry, the following persons (not being the Directors, Supervisors or chief executives of the Company) have interests or short positions which shall be disclosed to the Company and recorded in the register required to be kept by the Company in the shares and underlying shares of the Company in accordance with Sections 2 and 3 of Part XV of the SFO and Section 336 of the SFO:

Name of Shareholders	Types of Shares	Nature of Interests	Number of Shares (Note 5)	Percentage of Total Number of Issued Shares of the Company (Note 6)	Percentage of Total Issued Domestic Shares/ H Shares of the Company (Note 6)
Guolian Group (Note1)	Domestic Shares	Beneficial Owner and Interest of Controlled Corporation	1,376,336,123 (L)	72.35%	94.29%
Guolian Trust	Domestic Shares	Beneficial Owner	390,137,552 (L)	20.51%	26.73%
Guolian Industrial (Note 2)	Domestic Shares	Interest of Controlled Corporation	266,899,445 (L)	14.03%	18.28%
Wuxi Electric	Domestic Shares	Beneficial Owner	266,899,445 (L)	14.03%	18.28%
Guolian Financial Investment (Note 3)	Domestic Shares	Interest of Controlled Corporation	73,500,000 (L)	3.86%	5.04%
Minsheng Investment	Domestic Shares	Beneficial Owner	73,500,000 (L)	3.86%	5.04%
CES Global Holdings (Hong Kong) Limited	H Shares	Beneficial Owner	59,031,500 (L)	3.10%	13.34%
Central Huijin Investment Ltd. (Note 4)	H Shares	Interest of Controlled Corporation	27,513,000 (L)	1.45%	6.22%
China Reinsurance (Group) Corporation	H Shares	Beneficial Owner	27,513,000 (L)	1.45%	6.22%

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

Note1: Guolian Group is the beneficial owner of 543,901,329 Domestic Shares of the Company, and is deemed to be interested in the following shares in controlled corporations: (i) 390,137,552 Domestic Shares of the Company held by Guolian Trust; (ii) 266,899,445 Domestic Shares of the Company held by Wuxi Electric; (iii) 73,500,000 Domestic Shares of the Company held by Minsheng Investment; (iv) 72,784,141 Domestic Shares of the Company held by Cotton Textile; and (v) 29,113,656 Domestic Shares of the Company held by Huaguang Boiler.

Note 2: Guolian Industrial is deemed to be interested in the 266,899,445 Domestic Shares of the Company held by Wuxi Electric, its wholly-owned subsidiary.

Note 3: Guolian Financial Investment is deemed to be interested in the 73,500,000 Domestic Shares of the Company held by Minsheng Investment, its wholly-owned subsidiary.

Note 4: Central Huijin Investment Ltd. is deemed to be interested in 27,513,000 H Shares of the Company held by China Reinsurance (Group) Corporation, its non-wholly owned subsidiary.

Note 5: (L) denotes long positions.

Note 6: Up to 31 December 2018 and up to the date of this report, the Company issued 1,459,760,000 Domestic Shares and 442,640,000 H Shares in total. The total number of shares is 1,902,400,000.

Save as disclosed above, as at 31 December 2018, the Company is not aware of any other persons (excluding the Directors, Supervisors and chief executives of the Company) having the interests or short positions that are required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.

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

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

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

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

Name	Position	Gender	Age	Date of commencement and completion of employment	Shares held (H Shares)	Total remuneration received from the Company during the Reporting Period (In RMB ten thousands)	Remarks
Directors							
Yao Zhiyong	Chairman	Male	47	16 June 2016 to 15 June 2019	–	N/A	–
	Non-executive Director			8 March 2017 to 15 June 2019	–	–	–
Peng Yanbao	Executive Director	Male	52	16 June 2016 to 15 June 2019	–	85	–
	President			16 June 2016 to 15 June 2019	–	–	–
Hua Weirong	Non-executive Director	Male	53	16 June 2016 to 15 June 2019	–	N/A	–
Zhou Weiping	Non-executive Director	Male	50	16 June 2016 to 15 June 2019	–	N/A	–
Liu Hailin	Non-executive Director	Male	41	16 June 2016 to 15 June 2019	–	N/A	–
Zhang Weigang	Non-executive Director	Male	56	16 June 2016 to 15 June 2019	–	N/A	–
Lee Pak Hay	Independent Non-executive Director	Male	77	5 July 2016 to 15 June 2019	–	12	–
Lu Yuanzhu	Independent Non-executive Director	Male	41	10 March 2017 to 15 June 2019	–	12	–
Wu Xingyu	Independent Non-executive Director	Male	42	8 November 2018 to 15 June 2019	–	2	–
Chen Qingyuan	Independent Non-executive Director (Resigned)	Female	42	16 June 2016 to 8 November 2018	N/A	10	Resigned on 5 September 2018 due to work arrangement, with effect from 8 November 2018
Supervisors							
Jiang Zhiqiang	Chairman of Supervisory Committee and Shareholder Representative Supervisor	Male	48	10 March 2017 to 15 June 2019	–	66.48	–
Zhou Weixing	Shareholder Representative Supervisor	Male	56	16 June 2016 to 15 June 2019	–	N/A	–
Ren Jun	Shareholder Representative Supervisor	Male	40	10 March 2017 to 15 June 2019	–	N/A	–
Shen Ying	Employee Representative Supervisor	Female	50	16 June 2016 to 15 June 2019	–	19.59	–
Yu Lei	Employee Representative Supervisor	Female	45	16 June 2016 to 15 June 2019	–	27.88	–

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

Name	Position	Gender	Age	Date of commencement and completion of employment	Shares held (H Shares)	Total remuneration received from the Company during the Reporting Period (In RMB ten thousands)	Remarks
Senior Management							
Yang Ming	Vice President	Male	37	19 September 2016 to 15 June 2019	–	68.15	–
	Secretary to the Board			8 November 2018 to 15 June 2019			
Xu Faliang	Chief Compliance Officer	Male	54	16 June 2016 to 15 June 2019	–	63.98	–
Chen Xingjun	Chief Risk Officer	Male	37	20 January 2017 to 15 June 2019	–	61.47	–
Chen Zhiying	Chief Financial Officer	Female	44	16 June 2016 to 15 June 2019	–	59.95	–
Li Zhengquan	Vice President and Secretary to the Board (Resigned)	Male	42	16 June 2016 to 8 November 2018	N/A	42.88	Resigned, with effect from 8 November 2018 due to work arrangement
Qin Shunda	Vice President (Resigned)	Male	44	23 January 2017 to 16 January 2018	N/A	3	Resigned, with effect from 16 January 2018 due to job redesignation

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

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

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

(I) Positions held in the shareholders

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

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

(II) Positions held in other companies

Name	Name of other companies	Position held	Date of commencement and completion of employment
Yao Zhiyong	Guolian Financial Holding Group Co., Limited	Chairman of the Board	March 2017 to present
	Hua Ying Securities* (華英證券)	Chairman of the Board	May 2016 to present
Peng Yanbao	Hua Ying Securities* (華英證券)	Director	April 2011 to present
	Zhonghai Fund* (中海基金)	Director	May 2008 to present
Hua Weirong	Wuxi Baolian Investment Co., Ltd.*	Chairman of the Board	March 2016 to August 2018
	Wuxi Delian Investment Co., Ltd.*	Chairman of the Board	March 2016 to August 2018
	Wuxi Liantai Venture Capital Co., Ltd.*	Chairman of the Board	March 2016 to November 2018
	Guolian Financial Investment (國聯金融投資)	President	June 2012 to present
	Guolian Industrial Investment (國聯產投)	Chairman of the Board	May 2017 to June 2018
	Wuxi Guofa Asset Operation Co., Ltd.* (無錫市國發資本運營有限公司)	Chairman of the Board	June 2018 to present
Zhang Weigang	Xinwu District branch office of Wuxi municipal branch of China Post Group Company* (中國郵政集團公司無錫市分公司新吳區分局)	Manager	February 2016 to present
Lee Pak Hay	TONG & Lawyers	Lawyer	December 2016 to April 2018
	Lee Pak Hay Law Firm	Principal Lawyer	May 2018 to present
Lu Yuanzhu	Central University of Finance and Economics (中央財經大學)	Professor	October 2011 to present
	Beijing Tianyishangjia New Material Corp., Ltd.	Independent Non-executive Director	December 2018 to present
	Beijing Global Safety Technology Co., Ltd.	Independent Non-executive Director	December 2018 to present
Wu Xingyu	Nanjing Aotecar New Energy Technology Co., Ltd.	Deputy General Manager and Chief Financial Officer	July 2013 to October 2018
	Aotecar New Energy Technology Co., Ltd.	Deputy General Manager and Chief Financial Officer	June 2015 to October 2018
	Anhui Tongfeng Electronics Company Limited	Independent Director	September 2015 to March 2019
	Hubei Jumpcan Pharmaceutical Co., Ltd.	Independent Director	April 2016 to present
	Shanghai PRET Composites Co., Ltd.	Independent Director	July 2016 to present
	Beijing Tongrentang Co., Ltd.	Independent Director	June 2018 to present
	Shanying International Holdings Co., Ltd.	Vice President	March 2019 to present
	Zhonghai Fund* (中海基金)	Director	November 2011 to present
Chen Xingjun	Guolian Capital	Chief Risk Officer	June 2017 to December 2018
Chen Zhiying	Hua Ying Securities* (華英證券)	Chief Financial Officer	March 2015 to present

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

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

(I) Basis of Determination

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

(II) Decision-making Procedures

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

(III) Non-cash Remuneration Information

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

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

For details regarding the information of remuneration payment to Directors, Supervisors and senior management of the Company, please refer to the "Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management During the Reporting Period" (《現任及報告期內離任董事、監事和高級管理人員持股變動及報酬情況》) under this section. The total remuneration of Directors, Supervisors and senior management of the Company in 2018 is RMB5,343,800. For the list of top five staff with highest remuneration and the category of remuneration of senior management, please refer to the note 12 to consolidated financial statements in this report.

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

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

(I) Changes of Directors

On 8 November 2018, the Company convened the second extraordinary General Meeting of 2018, and elected Mr. Wu Xingyu as an independent non-executive Director of the third session of the Board of the Company. Mr. Wu Xingyu has obtained the qualification for the appointment as an independent director of the securities companies on 8 November 2018 and commenced his office on the same day. Ms. Chen Qingyuan, the prior independent non-executive Director, ceased to serve her position.

(II) Changes of Supervisors

During the Reporting Period, there was no change in Supervisors of the Company.

(III) Changes of Senior Management

On 8 November 2018, the 23rd meeting of the third session of the Board resolved to engage Mr. Yang Ming as Secretary to the Board of the Company, and Mr. Li Zhengquan, the former Secretary to the Board, ceased to perform his duties.

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

V. Biographies of Directors, Supervisors and Senior Management

(I) Directors

Mr. Yao Zhiyong (姚志勇), aged 47, is currently the chairman of the Board of the Company and became the executive Director of the Company from August 2012 to March 2017 and the non-executive Director of the Company since March 2017. Mr. Yao has approximately 24 years of experience in the financial industry, including securities and financial investment, and 18 years of experience in corporate management. Mr. Yao joined the Company in August 1994 and served successively as a sales clerk of Wuxi Securities Company* (無錫市證券公司) (the predecessor of the Company), a floor trader stationed at the Shanghai Stock Exchange and an office director of branch during the period from August 1994 to November 2000. From November 2000 to December 2003, Mr. Yao served successively as an investment manager, manager and deputy general manager of the securities research department in Guolian Investment Management. From January 2004 to December 2004, Mr. Yao served as a deputy general manager in the securities investment department of Guolian Group, and then served as the chairman of the board of directors and general manager of Guolian Investment Management from January 2005 to December 2008. He then worked in Guolian Financial Investment as the assistant to president and the general manager of the strategic development department from May 2009 to June 2012, and also concurrently worked in Wuxi Equity Exchange Co., Ltd.* (無錫產權交易所有限公司) from January 2010 to June 2012 as an executive director and the legal representative. Mr. Yao has served as a director of Surrich International from July 2010 to July 2015 and a director of Hua Ying Securities from February 2013 to May 2016. Mr. Yao became the chairman of the board of Hua Ying Securities since May 2016 to date; the vice president of Guolian Group since March 2017 to date; and the chairman of the board of Guolian Financial Holding Group Co., Limited since March 2017 to date. Mr. Yao graduated from Dalian University of Technology (大連理工大學) with a bachelor's degree majoring in environmental engineering in July 1994 and then obtained a master's degree majoring in business administration from Nanjing University (南京大學) in June 2004.

Mr. Peng Yanbao (彭焰寶), aged 52, is currently the president of the Company and became the executive Director of the Company since June 2016 to date. Mr. Peng joined the Company in April 1994 and served as a floor trader, an investment manager and the general manager of the Securities Investment Department of the Company from April 1994 to December 1999 and from January 2009 to October 2009, respectively. Before joining the Company, Mr. Peng worked in Guolian Investment Management as an investment manager from January 2000 to May 2000. He then subsequently served as the manager of the investment department in Surrich International from May 2000 to July 2003 and successively served as the chief investment officer, the general manager of the risk management department and the chief risk officer in Zhonghai Fund from March 2004 to December 2008, and has been a director of Zhonghai Fund since May 2008. Mr. Peng has also been a director of Hua Ying Securities since its establishment. Mr. Peng served as vice president of the Company from August 2009 to May 2016. Mr. Peng graduated from Tsinghua University (清華大學) with a bachelor's degree of engineering majoring in internal combustion engine in July 1990.

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

Mr. Hua Weirong (華偉榮), aged 53, is currently the president of Guolian Group and became non-executive Director of the Company since May 2008. Mr. Hua has approximately 33 years of experience in the financial industry. Mr. Hua joined the Company in January 2002 and served as a Director and the general manager of the Company from January 2002 to December 2004. Before joining the Group, Mr. Hua served in Wuxi Finance Bureau (無錫市財政局) as a clerk of the department of budget management and the department of the comprehensive planning and the deputy section chief of the department of comprehensive planning from July 1986 to December 1991; worked in Guolian Trust as a department manager, an assistant to general manager and a deputy general manager from January 1992 to December 2001; served as a director of Guolian Group from November 2001 to December 2004; the chairman of the board of directors of Zhonghai Fund from March 2004 to March 2007; the chairman of the board of directors of Guolian Trust from January 2005 to June 2012 and a director of China Asset Management Co., Ltd.* (華夏基金管理有限公司) from May 2012 to September 2013; the vice president of Guolian Group from November 2004 to December 2015. Mr. Hua has also served as a director of Wuxi Guolian Venture Capital Co., Ltd.* (無錫國聯創業投資有限公司) from September 2008 to January 2015, and was the chairman of the board of directors from January to December 2015; a director of Wuxi Rural Commercial Bank Co., Ltd. (無錫農村商業銀行股份有限公司) from November 2008 to June 2016 and a director of Jiangsu Yixing Rural Commercial Bank Co., Ltd. (江蘇宜興農村商業銀行股份有限公司) from September 2010 to June 2016; a director and the chairman of the board of directors of Jiangsu Asset Management Co., Ltd.* (江蘇資產管理有限公司) from May 2013 to March 2014 and from March 2014 to March 2017 respectively; he has served as a director of Wuxi Baolian Investment Co., Ltd.* (無錫市寶聯投資有限公司), Wuxi Delian Investment Co., Ltd.* (無錫市德聯投資有限公司) and Wuxi Liantai Venture Capital Co., Ltd.* (無錫聯泰創業投資有限公司) since August 2006, June 2009 and June 2009 to March 2016 respectively; He has served as the chairman of the board of directors of Guolian Life Insurance Co., Ltd.* (國聯人壽保險股份有限公司) from May 2015 to August 2016; and the chairman of the board of Guolian Financial Holding Group Co., Limited from March 2016 to March 2017. Mr. Hua has also served as the president of Guolian Financial Investment since June 2012; concurrently, the chairman of the board of directors of Wuxi Baolian Investment Co., Ltd. and Wuxi Delian Investment Co., Ltd. from March 2016 to August 2018; the chairman of Wuxi Liantai Venture Capital Co., Ltd. from March 2016 to November 2018; the chairman of the board of Guolian Industrial Investment (國聯產投) from May 2017 to June 2018; and the chairman of the board of Wuxi Guofa Asset Operation Co., Ltd. since June 2018 to date. Mr. Hua graduated from Suzhou University (蘇州大學) with a bachelor's degree in economics majoring in finance in July 1986 and then obtained an executive master's degree of business administration from Cheung Kong Graduate School of Business (長江商學院) in October 2009. Mr. Hua qualified as a senior accountant by Human Resource Bureau of Jiangsu Province in November 2004.

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

Mr. Zhou Weiping (周衛平), aged 50, is currently the chairman of the board of Guolian Trust and became non-executive Director of the Company since June 2016. Mr. Zhou served as an accountant at Wuxi Mineral Exploration Machinery Factory* (無錫市探礦機械總廠) from August 1991 to March 1993; the finance manager at Wuxi Hengda Securities Co., Ltd.* (無錫恒達證券公司) from March 1993 to February 1996; the deputy manager of Shanghai Handan Road Branch of Wuxi Trust Investment Co., Ltd.* (無錫市信託投資公司) from February 1996 to May 1997; deputy manager and manager of Kaixin Securities Branch of Wuxi Trust Investment Co., Ltd. from May 1997 to December 2001 successively; general manager of Xianqiandong Street Branch of the Company from January 2002 to December 2002; general manager of Brokerage Department of the Company from January 2003 to May 2003; general manager of Wuxi Guolian Futures Brokerage Co., Ltd.* (無錫國聯期貨經紀有限公司) from May 2003 to January 2008; the finance manager of Guolian Group and chairman of the board of Wuxi Guolian Futures Brokerage Co., Ltd. from February 2008 to March 2013; acted as the executive director, president, chief executive officer and chief financial officer of Suntech Power Holdings Co., Ltd. from March 2013 to December 2013. Mr. Zhou graduated from Southeast University (東南大學) with a master's degree in business administration in March 2002.

Mr. Liu Hailin (劉海林), aged 41, is currently assistant to chairman of the board of directors and the deputy general manager of Jiangsu Xinfang and became the non-executive Director of the Company since May 2008. Mr. Liu has approximately 18 years of experience in corporate management. He consecutively served in Jiangsu Xinfang as a technician, the head of workshop and a deputy general manager from August 2000 to July 2006. Mr. Liu obtained a bachelor's degree of management majoring in accounting from Jiangnan University (江南大學) in January 2008.

Mr. Zhang Weigang (張偉剛), aged 56, is currently the manager of Xinwu District branch office of Wuxi municipal branch of China Post Group Company* (中國郵政集團公司無錫市分公司新吳區分局) and became the non-executive Director of the Company since February 2016, and has over 23 years of experience in management. During the period from November 1998 to December 2003, Mr. Zhang served as the director of Xinan Center Branch of Wuxi Postal Office* (無錫郵政局錫南中心局), the manager of the property company and the general manager of Wuxi Postal Communication Development Company* (無錫郵政局通信發展公司) and the deputy director of the management service department and the multi-function department, the director of the telecommunication business department of Wuxi Postal Office and general manager of Wuxi Postal Communication Development Company; he acted as the general manager of Wuxi Jinhong Telecommunications Group Co., Ltd.* (無錫金鴻通信集團有限公司) from December 2003 to July 2015; He acted as the director of the logistics service center of Wuxi municipal branch of China Post Group Company from July 2015 to February 2016. Before that, he served as the director of branch offices of Wuxi Postal Office. Mr. Zhang obtained a bachelor's degree in management engineering from Nanjing Forestry University in July 2001.

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

Mr. Lee Pak Hay (李柏熹), aged 77, is currently a principal lawyer of Lee Pak Hay Law Firm and became independent non-executive Director of the Company since July 2016. Mr. Lee acted as sales manager of Credit Factoring International (Hong Kong) Limited from September 1974 to July 1975; director of Bunnan Tong & Company Limited from July 1975 to May 1990; director of Novel Year Company Limited from July 1990 to August 1996; human resources manager of Chun Wo Construction and Engineering Company Limited from September 1996 to April 2000; also an assistant lawyer and lawyer of Au-Yeung, Cheng, Ho & Tin from September 2011 to October 2013, and is qualified as a solicitor of the High Court of Hong Kong. He is also a consultant lawyer in TONG & Lawyers from December 2016 to April 2018. Mr. Lee successively obtained a bachelor's degree of arts (honours) from the University of Hong Kong in 1966, a diploma in management from Hong Kong Polytechnic University in 1976, a Juris Doctor degree from the City University of Hong Kong in 2010 and a Postgraduate Certificate in Laws in 2011 respectively. Mr. Lee is also the member of the Australian Institute of Management, the Chartered Management Institute of the United Kingdom and the International Institute of Management.

Mr. Lu Yuanzhu (盧遠矚), aged 41, is currently a professor at the China Economics and Management Academy of the Central University of Finance and Economics and became independent non-executive Director of the Company since March 2017. Mr. Lu serves at the China Economics and Management Academy of the Central University of Finance and Economics and was an assistant professor from September 2006 to February 2007; and an associate professor from March 2007 to September 2011. Mr. Lu acted as an independent non-executive director of eFuture Holding Inc. (北京富基融通科技有限公司) between March 2016 and January 2017. Mr. Lu acted as an independent non-executive director of Beijing Tianyishangjia New Material Corp., Ltd. since December 2018 and an independent non-executive director of Beijing Global Safety Technology Co., Ltd. since December 2018. Mr. Lu graduated from the National University of Singapore in April 2007 with a doctoral degree in economics.

Mr. Wu Xingyu (吳星宇), aged 42, is currently the vice president of Shanying International Holdings Co., Ltd. (山鷹國際控股股份有限公司) and acted as the independent non-executive director of the Company since November 2018. Mr. Wu worked in the Settlement Division of China Foreign Exchange Trade System from March 2000 to March 2001, consecutively served as the manager, senior manager and executive manager of the First Listing Companies Supervision Department of Shanghai Stock Exchange from March 2001 to July 2013. Mr. Wu Xingyu served as deputy general manager and chief financial officer in Nanjing Aotecar New Energy Technology Co., Ltd. (南京奧特佳新能源科技有限公司) from July 2013 to October 2018 and worked as deputy general manager and chief financial officer in Aotecar New Energy Technology Co., Ltd. (奧特佳新能源科技股份有限公司) (stock code: 002239) from June 2015 to October 2018. Mr. Wu held independent directorships in Anhui Tongfeng Electronics Company Limited (安徽銅峰電子股份有限公司) (stock code: 600237) from September 2015 to March 2019, in Hubei Jumpcan Pharmaceutical Co., Ltd. (湖北濟川藥業股份有限公司) (stock code: 600566) since April 2016, in Shanghai PRET Composites Co., Ltd. (上海普利特複合材料股份有限公司) (stock code: 002324) since July 2016 and in Beijing Tongrentang Co., Ltd. (北京同仁堂股份有限公司) (stock code: 600085) since June 2018 respectively. Mr. Wu Xingyu graduated from Shanghai University of Finance and Economics in 2000 and obtained a master's degree in management, majored in accounting. He received his master of business administration degree in Arizona State University, USA in 2011. Mr. Wu Xingyu holds the certificate of Chinese Public Accountant, the PRC lawyer's qualification certificate and USA Chartered Financial Analyst (CFA) certificate.

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

(II) Supervisors

Mr. Jiang Zhiqiang (江志強), aged 48, is the chairman of the Supervisory Committee of the Company since March 2017. Mr. Jiang served successively as the manager of the Securities Investment Department, the general manager of the Securities Branches, the general manager of Wealth Management Center, the general manager of the Asset Management Department, the assistant president and the vice president of the Company from October 1993 to January 2017. Mr. Jiang has been a director of Zhonghai Fund since November 2011. Mr. Jiang graduated from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) with a bachelor's degree in engineering majoring in instrument and testing system in July 1993 and obtained a master's degree of business administration from Southeast University (東南大學) in April 2005.

Mr. Zhou Weixing (周衛星), aged 56, is currently the secretary to the board of directors and the director of the board office of Wuxi Weifu High-technology Co., Ltd.* (無錫威孚高科技集團股份有限公司, "Weifu High-technology") and has been a shareholder representative Supervisor of the Company since August 2013. Mr. Zhou successively served as the deputy director, director and the securities representative of the securities department in Weifu High-technology since December 1993. Mr. Zhou graduated from Jilin University (吉林大學) with a bachelor's degree in economics majoring in national economic management in July 1985.

Mr. Ren Jun (任俊), aged 40, currently serves as the deputy general manager of Wuxi Municipal Xinfu Group Limited (無錫市新發集團有限公司), and the shareholder representative Supervisor of the Company since March 2017. Mr. Ren has served successively as the corporate accountant, customer manager and the head of consumer finance at Wuxi Municipal Commercial Bank (無錫市商業銀行) from July 1996 to September 2003; the assistant to general manager and head of human resources department at Wuxi Jinbawang Motorcycle Technology Co., Ltd. (無錫金霸王機車科技有限公司) from September 2005 to July 2007; the executive deputy general manager at Jiangsu Jinshan Information Industry Company Limited (江蘇金山信息產業有限公司) from July 2007 to July 2008; the deputy general manager at Wuxi Zhushang HiTech. Logistics Co., Ltd. (無錫住商高新物流有限公司) from July 2008 to July 2010; the vice-chairman of the Wuxi New District Federation of Trade Unions (無錫市新區總工會) from July 2010 to July 2016. Mr. Ren graduated from Shanghai Jiao Tong University in July 2005 with a master's degree in business administration.

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

Ms. Shen Ying (沈穎), aged 50, currently acts as the audit manager of the Audit and Supervision Department of the Company and became the employee representative Supervisor of the Company since June 2016. Ms. Shen was a personnel of the financial department of Wuxi Mechanical and Electrical Equipment Co., Ltd.* (無錫市機電設備有限公司) from July 1987 to March 1994. Ms. Shen then consecutively acted as the financial manager of several securities branches and the financial head of Accounting Department of the Company since April 1994. Ms. Shen graduated from Southwest University of Science and Technology with a bachelor's degree in June 2006 and also owns the intermediate accountant certificate.

Ms. Yu Lei (虞蕾), aged 45, currently acts as the responsible person for the accounting division of the Financial and Accounting Department of the Company and became the employee representative Supervisor of the Company since June 2016. Ms. Yu consecutively acted as the accountant of the Securities Branch, the audit person of the Audit Department, the financial manager of the Securities Branch and the general accountant of the Financial and Accounting Department of the Company from July 1993 to December 2014. Ms. Yu graduated from Shanghai University of Finance and Economics with a bachelor's degree in July 2000 and also owns the intermediate accountant certificate.

(III) Senior Management

Mr. Yang Ming (楊明), aged 37, is currently the vice president of the Company and a secretary to the Board. Mr. Yang served as the investment manager of Shenyin & Wanguo Securities Co., Ltd. from May 2008 to August 2010; fund manager of Da Cheng Fund Management Co., Ltd. from August 2010 to June 2011; the department manager and investment manager of Fortune SG Fund Management Co., Ltd.* (華寶興業基金管理有限公司) from June 2011 to January 2014. He was also senior vice president for business of Taiping Asset Management Company Limited from February 2014 to June 2016. Mr. Yang graduated from the University of Durham, UK and obtained a master's degree in finance and investment in January 2008.

Mr. Xu Faliang (徐法良), aged 54, is currently the chief compliance officer of the Company. Mr. Xu served as the financial manager, the deputy general manager and the general manager of the Securities Branch of the Company from March 1993 to December 2005, and subsequently acted as the general manager of Audit Department of the Company from January 2006 to December 2015. He has also been the chief compliance officer of Hua Ying Securities from the date of its establishment to February 2012 and since September 2013 to November 2016. Prior to that, he also served as the chairman of its supervisory committee of Guolian Futures. Mr. Xu obtained a bachelor's degree in finance from Central Radio & Television University (中央廣播電視大學) in October 2005.

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

Mr. Chen Xingjun (陳興君), aged 37, is currently the chief risk officer and general manager of the Risk Management Department of the Company. Mr. Chen has served as the accounting and financial manager in Guolian Group from August 2003 to November 2007. He has served as the general manager of the financial department of Guolian Futures from December 2007 to December 2009. Mr. Chen acted successively as the general manager of the financial accounting department, financial officer and chief risk officer of the Company from January 2010 to March 2015. He has served as the assistant to general manager of the financial accounting department of Guolian Group from April 2015 to December 2016. Mr. Chen worked as the assistant to the general manager of Guolian Finance Co., Ltd.* (國聯財務有限責任公司) from April 2015 to December 2016. He served as the chairman of the Supervisory Committee of the Company from June 2016 to December 2016. Mr. Chen served as the chief risk officer of Guolian Capital from June 2017 to December 2018. Mr. Chen served as the director of Wuxi Micro-nano Industry and Development Limited (無錫微納產業發展有限公司), director of Jiangsu Little Swan Group Co. Ltd. (江蘇小天鵝集團有限公司), director of Wuxi Guolian Investment Management Consulting Co., Ltd.* (無錫市國聯投資管理諮詢有限公司), director of Jiangsu Taihu Digital Publishing Limited (江蘇太湖數字出版有限公司), supervisor of Wuxi Citizen Card Limited (無錫市民卡有限公司) and chairman of the supervisory committee of Jiangsu Asset Management Co., Ltd. Mr. Chen graduated from Nanjing Audit University (南京審計學院) with a bachelor's degree in auditing in June 2003.

Ms. Chen Zhiying (陳志穎), aged 44, is currently the chief financial officer of the Company. Ms. Chen served as a chief accountant of Guolian Group from July 1998 to December 2004; then served as the general manager of Financial and Accounting Department of the Company from January 2005 to April 2010; she also served as the head of the finance department of Guolian Futures from April 2010 to December 2014. She has served as the chief risk officer of the Company from March 2015 to January 2017. She also served as the chief risk officer of Hua Ying Securities from March 2015 to March 2017. Ms. Chen served as chief financial officer of Hua Ying Securities since March 2015. Ms. Chen graduated from Nanjing University of Science and Technology (南京理工大學) with a bachelor's degree in economics majoring in accounting in July 1998 and obtained a master's degree of business administration from Southeast University (東南大學) in June 2011.

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

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

(I) Number and Composition of Staff of the Company

As at the end of the Reporting Period, the Company had a total of 1,374 staff, the composition of which is as follows:

Item		Headcount	Percentage
Professional structure	Research personnel	40	2.91%
	Investment bank personnel (OTC market)	49	3.57%
	Brokerage business personnel	873	63.54%
	Assets management business personnel	65	4.73%
	Securities investment	9	0.66%
	Financial personnel	50	3.64%
	Information technology personnel	62	4.51%
	Audit, compliance and risk control	40	2.91%
	Operation, custody and liquidation	48	3.49%
	Credit transaction	8	0.58%
	Institutions business	57	4.15%
	Internet finance business	37	2.69%
	Administrative management	34	2.47%
	Others	2	0.15%
Total staff		1,374	100.00%
Education standard	College Degree or below	89	6.48%
	Bachelor's Degree	902	65.65%
	Master's Degree	378	27.51%
	Doctoral Degree	5	0.36%
Total staff		1,374	100%

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

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

As at the end of the Reporting Period, the Hua Ying Securities had a total of 224 staff, the composition of which is as follows:

Item		Headcount	Percentage
Professional structure	Investment bank personnel	195	87.05%
	Financial personnel	4	1.79%
	Information technology personnel	2	0.89%
	Human Resources and Administration and Compliance personnel	20	8.93%
	Company Management	3	1.34%
Total staff		224	100.00%
Education standard	College Degree or below	10	4.46%
	Bachelor's Degree	54	24.11%
	Master's Degree	156	69.64%
	Doctoral Degree	4	1.79%
Total staff		224	100.00%

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

As at the end of the Reporting Period, Guolian Capital had a total of 6 staff, the composition of which is as follows:

Item		Headcount	Percentage
Professional structure	Human Resources and Administration and Compliance personnel	1	16.67%
	Sales personnel	5	83.33%
Total staff		6	100.00%
Education standard	Bachelor's Degree	3	50%
	Master's Degree	3	50%
Total staff		6	100.00%

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

(IV) Staff Remuneration

The staff remuneration of the Company comprises basic salary, performance-based salary and welfare. The basic salary is relatively a fixed part of remuneration, and performance-based salary is drawn from annual profit and distributed according to the results of performance evaluation in favor of the front-line employees who have outstanding performance. The Company provided employees with statutory welfare such as social insurance and housing provident fund according to relevant state provisions. Moreover, it offered employees enterprise annuity, staff hospitalization medical mutual insurance, etc. to improve their welfare benefits.

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

As of 31 December 2018, 70 branches of the Company have commissioned securities brokers to engage businesses, such as customer solicitation and so on, and 451 brokers in total have signed Securities Brokers Agency Contract (《證券經紀人委託代理合同》) with the Company.

The Company keeps on tracking and managing the entire process of brokers business through well-established systems and operational procedures. In 2018, in response to the regulatory changes and the needs of business development, the Company updated customer return feedback management, abnormal transaction monitoring, accountability, etc., and set up procedures for approval and operation. The Company strengthened the supervision and management of its subordinate branches, and ensure the normativity and effectiveness of the management by regular inspection and non-scheduled spot-check.

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

Section 9 Corporate Governance Report

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

I. Corporate Governance Overview

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

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

During the Reporting Period, the Company convened the first extraordinary General Meeting for the year 2018, the 2017 annual General Meeting, the first class meeting for domestic shareholders for the year 2018, the first class meeting for H shareholders for the year 2018, the second extraordinary General Meeting for the year 2018, seven Board meetings and four Supervisory Committee meetings.

(I) General Meetings

1. The First Extraordinary General Meeting for the Year 2018

The first extraordinary General Meeting for the year 2018 was convened on 25 January 2018, which considered and approved the followings: Resolution on the Authorisation of Corporate Onshore and Offshore Debt Financing (《關於公司境內外債務融資授權的議案》); Resolution on the Amendments to “Articles of Association of Guolian Securities Co., Ltd.” and Synchronous Amendments to “Articles of Association of Guolian Securities Co., Ltd.” (A+H Shares, draft) (《關於修訂〈國聯證券股份有限公司章程〉和同步修訂〈國聯證券股份有限公司章程〉(A+H股·草案)的議案》); Resolution on the Amendments to “Rules of Procedures of the Board of Guolian Securities Co., Ltd.” and Synchronous Amendments to “Rules of Procedures of the Board of Guolian Securities Co., Ltd.” (A+H Shares, draft) (《關於修訂〈國聯證券股份有限公司董事會議事規則〉和同步修訂〈國聯證券股份有限公司董事會議事規則〉(A+H股·草案)的議案》); Resolution on the Amendments to “Rules of Procedures of the Supervisory Committee of Guolian Securities Co., Ltd.” and Synchronous Amendments to “Rules of Procedures of the Supervisory Committee of Guolian Securities Co., Ltd.” (A+H Shares, draft) (《關於修訂〈國聯證券股份有限公司監事會議事規則〉和同步修訂〈國聯證券股份有限公司監事會議事規則〉(A+H股·草案)的議案》).

Section 9 Corporate Governance Report

2. The 2017 Annual General Meeting

The 2017 Annual General Meeting was convened on 15 June 2018, which considered and approved the followings: Report of the Board of Guolian Securities for the Year 2017(《國聯證券2017年度董事會工作報告》), Report of the Supervisory Committee of Guolian Securities for the Year 2017(《國聯證券2017年度監事會工作報告》), Annual Report of Guolian Securities for the Year 2017(《國聯證券2017年年度報告》), Final Accounts Report of Guolian Securities for the Year 2017(《國聯證券2017年度財務決算報告》), Profit Distribution Plan of Guolian Securities for the Year 2017(《國聯證券2017年度利潤分配方案》), Remuneration Plan of Directors of Guolian Securities for the Year 2017(《國聯證券2017年度董事薪酬方案》), Remuneration Plan of Supervisors of Guolian Securities for the Year 2017(《國聯證券2017年度監事薪酬方案》), Resolution on the Re-appointment of Audit Institutions for the Year 2018(《關於續聘2018年度審計機構的議案》), Resolution on the Securities Proprietary Business Scale for the Year 2018(《2018年度證券自營業務規模》), Resolution on the Extension of the Validity Period of the Resolutions relating to the Initial Public Offering and Listing of A Shares of the Company(《關於延長公司首次公開發行A股股票並上市股東大會決議有效期的議案》), Resolution on the Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares(《關於延長股東大會對董事會辦理首次公開發行A股股票並上市具體事宜的授權有效期的議案》), Duty Report of the Independent Non-executive Directors of Guolian Securities Co., Ltd. for the Year 2017 (Non-voting matter)(《國聯證券2017年度獨立非執行董事述職報告》(非表決事項)).

3. The First Class Meeting for Domestic Shareholders for the Year 2018

The first class meeting for domestic shareholders for the year 2018 was convened on 15 June 2018, which considered and approved the followings: Resolution on the Extension of the Validity Period of the Resolutions relating to the Initial Public Offering and Listing of A Shares(《關於延長首次公開發行A股股票並上市股東大會決議有效期的議案》), Resolution on the Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares(《關於延長股東大會對董事會辦理首次公開發行A股股票並上市具體事宜的授權有效期的議案》).

Section 9 Corporate Governance Report

4. The First Class Meeting for H Shareholders for the Year 2018

The first class meeting for H shareholders for the year 2018 was convened on 15 June 2018, which considered and approved the followings: Resolution on the Extension of the Validity Period of the Resolutions relating to the Initial Public Offering and Listing of A Shares (《關於延長公司首次公開發行A股股票並上市股東大會決議有效期的議案》), Resolution on the Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《關於延長股東大會對董事會辦理首次公開發行A股股票並上市具體事宜的授權有效期的議案》).

5. The Second Extraordinary General Meeting for the Year 2018

The second extraordinary general meeting for the year 2018 was convened on 8 November 2018, which considered and approved the followings: Resolution on the Appointment of Independent Non-executive Director for the Third Session of the Board of the Company (《關於選舉公司第三屆董事會獨立非執行董事的議案》), Resolution on the Amendments to the Policy on Management of the Connected Transactions of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司關聯(連)交易管理辦法〉的議案》), Resolution on the General Mandate to Issue Domestic Shares/H Shares (《關於發行內資股及/或H股一般性授權的議案》).

(II) Board Meetings

1. The Eighteenth Meeting of the Third Session of the Board

The eighteenth meeting of the third session of the Board was convened on 12 January 2018, which considered and approved the followings: Resolution on the Provision for Changes in Accounting Estimates of Bad Debts in respect of Trade Receivables (《關於應收賬款壞賬準備計提會計估計變更的議案》), Resolution on the Determination of Listing Base Price for the Equity Interest of Zhonghai Fund (《關於確定中海基金股權挂牌底價的議案》).

Section 9 Corporate Governance Report

2. The Nineteenth Meeting of the Third Session of the Board

The nineteenth meeting of the third session of the Board was convened on 12 March 2018, which considered and approved the followings: Report of the Board of Guolian Securities for the Year 2017(《國聯證券2017年度董事會工作報告》), Annual Report of Guolian Securities for the Year 2017(《國聯證券2017年年度報告》), Report of the President of Guolian Securities for the Year 2017(《國聯證券2017年度總裁工作報告》), Final Accounts Report of Guolian Securities for the Year 2017(《國聯證券2017年度財務決算報告》), Profit Distribution Proposal of Guolian Securities for the Year 2017(《國聯證券2017年度利潤分配預案》), Resolution on the Re-appointment of Audit Institution of the Company for the Year 2018(《關於續聘公司2018年度審計機構的議案》), Internal Control Self-Assessment Report of Guolian Securities for the Year 2017(《國聯證券2017年度內部控制自我評價報告》), Report on Compliance Management of Guolian Securities for the Year 2017(《國聯證券2017年度合規管理工作報告》), Resolution on the Determination of the Principal Business Scale Limit of the Company for the Year 2018(《關於確定公司2018年度主要業務規模限額的議案》), Risk Management Report of Guolian Securities for the Year 2017(《國聯證券2017年風險管理報告》), Resolution on the Remuneration Distribution of Directors and Senior Management of Guolian Securities for the Year 2017(《國聯證券2017年度董事、高管薪酬分配議案》), Assessment Report for the Compliance Director of the Board of Guolian Securities for the Year 2017(《國聯證券董事會關於2017年度合規總監的考核報告》), Resolution on Changes in Accounting Policies(《關於會計政策變更的議案》), Resolution on Convening General Meeting for the Year 2017(《關於召開2017年度股東大會的議案》), Resolution on Considering the Financial Statements of Guolian Securities Co., Ltd. for Recent Three Years(《關於審議國聯證券股份有限公司最近三年財務報表的議案》), Resolution on Confirming the Connected Transactions of Guolian Securities Co., Ltd. for Recent Three Years(《關於確認國聯證券股份有限公司最近三年關聯交易的議案》), Resolution on Considering the Explanation of Tax Payment for Major Tax Category of Guolian Securities Co., Ltd.(《關於審議國聯證券股份有限公司關於主要稅種納稅情況說明的議案》), Resolution on Considering the Non-recurring Profit or Loss Items of Guolian Securities Co., Ltd. for Recent Three Years(《關於審議國聯證券股份有限公司最近三年非經常性損益明細表的議案》), Resolution on Considering the Difference in Comparison and Explanation of the Original Financial Statements and the Reported Financial Statements for Recent Three Years of Guolian Securities Co., Ltd.(《關於審議國聯證券股份有限公司關於最近三年原始財務報表與申報財務報表差異比較及說明的議案》) Resolution on Considering the Special Report in relation to the Use of Proceeds of Guolian Securities Co., Ltd. Raised Previously(《關於審議國聯證券股份有限公司關於前次募集資金使用情況的專項報告的議案》) Resolution on Considering the Monitoring Statement of Risk Control Indicators as at 31 December 2017 of Guolian Securities Co., Ltd.(《關於審議國聯證券股份有限公司2017年12月31日風險控制指標監管報表的議案》).

Section 9 Corporate Governance Report

3. The Twentieth Meeting of the Third Session of the Board

The twentieth meeting of the third session of the Board was convened on 13 April 2018, which considered and approved the followings: Resolution on the Extension of the Validity Period of the Resolutions of General Meetings relating to the Initial Public Offering and Listing of A Shares (《關於延長公司首次公開發行A股股票並上市股東大會決議有效期的議案》), Resolution on the Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《關於延長股東大會對董事會辦理首次公開發行A股股票並上市具體事宜的授權有效期的議案》), Resolution on Formulation of the “Seal Management System of the Board of Guolian Securities Co., Ltd.” (《關於制定〈國聯證券股份有限公司董事會印章管理制度〉的議案》), Resolution on Formulation of “Investor Relations Management System of Guolian Securities Co., Ltd.” (《關於制定〈國聯證券股份有限公司投資者關係管理制度〉的議案》).

4. The Twenty-first Meeting of the Third Session of the Board

The twenty-first meeting of the third session of the Board was convened on 29 August 2018, which considered and approved the followings: Report of the President of Guolian Securities Co., Ltd. for the First Half Year of 2018 (《國聯證券股份有限公司2018年上半年度總裁工作報告》), 2018 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2018年中期報告》), Resolution on Application for the Business Qualification of Over-the-counter Option Secondary Dealer (《關於申請場外期權二級交易商業資格之議案》), 2018 Interim Report on Compliance Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2018年中期合規管理工作報告》), Resolution on Helping Poverty Alleviation Work of Guolian Securities (《關於國聯證券結對扶貧幫扶工作的議案》), Resolution on Changes in Accounting Policies (《關於會計政策變更的議案》), Resolution on Considering the Financial Statements of Guolian Securities Co., Ltd. for Recent Three Years and First Quarter (《關於審議國聯證券股份有限公司最近三年及一期財務報表的議案》), Resolution on Confirming the Connected Transactions of Guolian Securities Co., Ltd. for Recent Three Years and First Quarter (《關於確認國聯證券股份有限公司最近三年及一期關聯交易的議案》), Resolution on Considering the Explanation of Tax Payment for Major Tax Category of Guolian Securities Co., Ltd. (《關於審議國聯證券股份有限公司關於主要稅種納稅情況說明的議案》), Resolution on Considering Non-recurring Profit or Loss Items of Guolian Securities Co., Ltd. for Recent Three Years and First Quarter (《關於審議國聯證券股份有限公司最近三年及一期非經常性損益明細表的議案》), Resolution on Considering the Difference in Comparison and Explanation of the Original Financial Statements and the Reported Financial Statements for Recent Three Years and First Quarter of Guolian Securities Co., Ltd. (《關於審議國聯證券股份有限公司關於最近三年及一期原始財務報表與申報財務報表差異比較及說明的議案》), Resolution on Considering the Special Report in relation to the Use of Proceeds of Guolian Securities Co., Ltd. Raised Previously (《關於審議國聯證券股份有限公司關於前次募集資金使用情況的專項報告的議案》), Resolution on Considering the Internal Control Evaluation Reports Relevant to the Financial Statements as at 30 June 2018 of Guolian Securities Co., Ltd. (《關於審議國聯證券股份有限公司關於2018年6月30日與財務報表相關的內部控制評價報告的議案》), Resolution on Considering the Monitoring Statement of Risk Control Indicators as at 30 June 2018 of Guolian Securities Co., Ltd. (《關於審議國聯證券股份有限公司2018年6月30日風險控制指標監管報表的議案》).

Section 9 Corporate Governance Report

5. The Twenty-second Meeting of the Third Session of the Board

The twenty-second meeting of the third session of the Board was convened on 21 September 2018, which considered and approved the followings: Resolution on Nomination of Candidate for Independent Non-executive Directors to the third session of the Board of the Company (《關於提名公司第三屆董事會獨立非執行董事候選人的議案》), Resolution on the Amendments to the Policy on Management of the Connected Transactions of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司關聯(連)交易管理辦法〉的議案》), Resolution on the General Mandate to Issue Domestic Shares/H Shares (《關於發行內資股及/或H股一般性授權的議案》), Resolution on Convening the Second Extraordinary General Meeting of 2018 of the Company (《關於召開公司2018年度第二次臨時股東大會的議案》).

6. The Twenty-third Meeting of the Third Session of the Board

The twenty-third meeting of the third session of the Board was convened on 8 November 2018, which considered and approved the followings: Resolution on the Appointment of the Secretary of the Board of the Company (《關於聘任公司董事會秘書的議案》), Resolution on Termination of Listing Transfer of Equity Interest of Zhonghai Fund (《關於終止中海基金股權挂牌轉讓的議案》).

7. The Twenty-fourth Meeting of the Third Session of the Board

The twenty-fourth meeting of the third session of the Board was convened on 21 December 2018, which considered and approved the followings: Resolution on Agreement to appoint Hua Ying Securities as Lead Underwriter of Corporate Bonds of Guolian Group (《關於同意華英證券擔任國聯集團公司債券主承銷商的議案》).

(III) Supervisory Committee Meetings

1. The Seventh Meeting of the Third Session of the Supervisory Committee

The seventh meeting of the third session of the Supervisory Committee was convened on 14 January 2018, which considered and approved the followings: Resolution on the Provision for Changes in Accounting Estimates of Bad Debts in respect of Trade Receivables (《關於應收賬款壞賬準備計提會計估計變更的議案》).

Section 9 Corporate Governance Report

2. The Eighth Meeting of the Third Session of the Supervisory Committee

The eighth meeting of the third session of the Supervisory Committee was convened on 12 March 2018, which considered and approved the followings: Report of the Supervisory Committee of Guolian Securities for the Year 2017 (《國聯證券2017年度監事會工作報告》), Resolution on Remuneration Distribution of Supervisors of Guolian Securities for the Year 2017 (《國聯證券2017年度監事薪酬分配議案》), Annual Report of Guolian Securities for the Year 2017 (《國聯證券2017年年度報告》), Profit Distribution Proposal of Guolian Securities for the Year 2017 (《國聯證券2017年度利潤分配預案》), Internal Control Self-Assessment Report of Guolian Securities for the Year 2017 (《國聯證券2017年度內部控制的自我評價報告》), Report on Compliance Management of Guolian Securities for the Year 2017 (《國聯證券2017年度合規管理工作報告》), Resolution on Changes in Accounting Policies (《關於會計政策變更的議案》), Risk Management Report of Guolian Securities for the Year 2017 (《國聯證券2017年度風險管理報告》).

3. The Ninth Meeting of the Third Session of the Supervisory Committee

The ninth meeting of the third session of the Supervisory Committee was convened on 13 April 2018, which considered and approved the following: Resolution on Formulation of “Supervisory Committee Seal Management System of Guolian Securities Co., Ltd.” (《關於制定〈國聯證券股份有限公司監事會印章管理制度〉的議案》).

4 The Tenth Meeting of the Third Session of the Supervisory Committee

The tenth meeting of the third session of the Supervisory Committee was convened on 29 August 2018, which considered and approved the followings: 2018 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2018年中期報告》), Resolution on Changes in Accounting Policies (《關於會計政策變更的議案》), 2018 Interim Report on Compliance Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2018年中期合規管理工作報告》).

III. Board of Directors

Composition of the Board

As at the end of the Reporting Period, the 3rd session of the Board comprised nine Directors, including one executive Director, namely Mr. Peng Yanbao (President), five non-executive Directors, namely Mr. Yao Zhiyong (Chairman), Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang, and three independent non-executive Directors, namely Mr. Lee Pak Hay, Mr. Lu Yuanzhu and Mr. Wu Xingyu.

During the Reporting Period, as considered and approved at the second extraordinary General Meeting of the Company in 2018 convened on 8 November 2018, Mr. Wu Xingyu was elected as an independent non-executive Director of the Company, the term of which commences from 8 November 2018 and will expire till the end of term of the third session of the Board. Ms. Chen Qingyuan ceased to be an independent non-executive Director of the Company on the same day.

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

(I) Chairman and President

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

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

Section 9 Corporate Governance Report

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

As at the end of the Reporting Period, the Company had five non-executive Directors and three independent non-executive Directors. The Company entered into a service contract with each non-executive Director and independent non-executive Director, the term of which commences from 16 June 2016, the date on which such qualification was approved by CSRC or the date of approval at the General Meeting (whichever is later) and will end till the expiration of term of the third session of the Board.

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

(III) Relationship Between Board Members

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

(IV) Roles and Responsibilities of the Board

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

Section 9 Corporate Governance Report

(V) Respective Duties of the Board and the Management

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

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

Section 9 Corporate Governance Report

(VI) Directors' Performance During the Reporting Period

1. Directors' attendance at the meetings

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

Name of Directors	Meetings attended/held during the term of office							
	Board	Board Attendance	Audit Committee	Remuneration and Nomination Committee	Risk Control Committee	Strategy Committee	General Meetings	General Meetings Attendance
<i>Executive Director</i>								
Peng Yanbao	7/7	100%	N/A	N/A	N/A	3/3	5/5	100%
<i>Non-executive Directors</i>								
Yao Zhiyong ¹	7/7	100%	N/A	N/A	2/2	3/3	5/5	100%
Hua Weirong	7/7	100%	N/A	3/3	2/2	3/3	5/5	100%
Zhou Weiping	7/7	100%	5/6	N/A	2/2	3/3	5/5	100%
Liu Hailin	7/7	100%	N/A	N/A	2/2	N/A	5/5	100%
Zhang Weigang	7/7	100%	N/A	N/A	N/A	N/A	4/5	80%
<i>Independent Non-executive Directors</i>								
Lee Pak Hay ²	7/7	100%	N/A	2/3	N/A	2/3	5/5	100%
Lu Yuanzhu	7/7	100%	6/6	N/A	N/A	N/A	5/5	100%
Wu Xingyu ³	1/1	100%	1/1	0/0	0/0	N/A	0/0	N/A
Chen Qingyuan	6/6	100%	4/5	3/3	1/2	N/A	5/5	100%

- Notes:
1. Mr. Yao Zhiyong is the chairman of the Strategy Committee and Risk Control Committee.
 2. Mr. Lee Pak Hay is the chairman of the Remuneration and Nomination Committee.
 3. Mr. Wu Xingyu acts as the chairman of the Audit Committee since 8 November 2018 and Ms. Chen Qingyuan ceased to be the chairlady of the Audit Committee.

2. Directors' Voting

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

Section 9 Corporate Governance Report

3. *Performance of Independent Non-executive Directors*

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

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

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

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

(VII) Insurance Coverage of Directors

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

(VIII) Training for Directors

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

Section 9 Corporate Governance Report

(IX) Board Meetings and Procedures

During the Reporting Period, the Board convened a total of 7 Board meetings. The chairman of the Board convenes regular Board meetings and the notices of Board meetings shall be sent to all Directors in writing 10 working days before the meetings. A regular Board meeting does not include the practice of obtaining consent from the Board through circulating written resolutions.

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

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

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

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

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

Section 9 Corporate Governance Report

IV. Supervisory Committee

(I) Supervisor' attendance at the meetings of the Supervisory Committee

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

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

V. Board Committees

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

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

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

Section 9 Corporate Governance Report

(I) Audit Committee

The Audit Committee comprises three non-executive Directors, namely Mr. Wu Xingyu (Chairman) and Mr. Lu Yuanzhu, being independent non-executive Directors, and Mr. Zhou Weiping, being a non-executive Director.

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

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

During the Reporting Period, the Audit Committee convened a total of 6 meetings. The Audit Committee mainly discussed about the following issues: the Annual Report for the Year 2017, the Final Accounts Report for the Year 2017, the Internal Control Evaluation Report for the Year 2017, the by-election of Audit Committee member, the acting of Hua Ying Securities as the lead bond underwriter of Guolian Group, the engagement of information system auditors, reappointment of annual audit institution, changes of accounting estimates and policies, Interim Report for the Year 2018, Report of Utilization of Proceeds from previous issuance and the A Share IPO related matters of the Company, and made the recommendations to the Board. At the same time, the Audit Committee also performed its duty on reviewing the 2018 annual results and performed other responsibilities as set out in the Code.

Section 9 Corporate Governance Report

(II) Remuneration and Nomination Committee

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

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

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

Section 9 Corporate Governance Report

During the Reporting Period, the Remuneration and Nomination Committee convened a total of 3 meetings. The Remuneration and Nomination Committee mainly discussed and made recommendations to the Board in relation to the following issues: annual remuneration distribution scheme of Directors and senior management, the annual assessment report of chief compliance officer, nomination of the candidates for independent non-executive Directors of the 3rd session of the Board, appointment of senior management of the Company and other matters. At the same time, the Remuneration and Nomination Committee also formulated the policies for Directors' remuneration, evaluated the performance of executive Directors and approved the terms of service contracts of executive Directors, and made recommendations to the Board regarding the salary package of individual executive Director. For the Board diversity policy of the Company, please refer to the relevant contents in the 14th paragraph of this section. The Remuneration and Nomination Committee also discussed and made the recommendations on the Board diversity policy.

(III) Strategy Committee

During the Reporting Period, the Strategy Committee comprises five Directors, namely Mr. Peng Yanbao, being an executive Director, Mr. Yao Zhiyong (Chairman), Mr. Hua Weirong and Mr. Zhou Weiping, being non-executive Directors, and Mr. Lee Pak Hay, being an independent non-executive Director.

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

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

Section 9 Corporate Governance Report

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

During the Reporting Period, the Strategy Committee convened a total of 3 meetings. The Strategy Committee mainly discussed and made recommendation to the Board in relation to the following issues: principal business scale for the year, extension of the validity period of the shareholders' meeting resolutions of the Company relating to the IPO and listing of A Shares, the general mandate to issue Domestic Shares and/or H Shares.

(IV) Risk Control Committee

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

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

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

Section 9 Corporate Governance Report

During the Reporting Period, the Risk Control Committee convened a total of 2 meetings. The Risk Control Committee mainly discussed the review of policies and practices in respect of the compliance with laws and regulatory requirements and made recommendations to the Board. At the same time, the Risk Control Committee also performed its duty on review of risk management, revision of the risk preference and internal control system and reporting of effectiveness of internal audit function.

VI. Securities Transactions of Directors, Supervisors and Relevant Employees

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

VII. Remuneration of Senior Management

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

VIII. Risk Management and Internal Control

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

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

Section 9 Corporate Governance Report

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

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

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

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

Section 9 Corporate Governance Report

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

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

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

IX. Communication with Shareholders

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

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

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

X. Shareholders' Rights

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

Section 9 Corporate Governance Report

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

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

Section 9 Corporate Governance Report

XI. Amendments to the Articles of Association

During the Reporting Period, one round of amendments to the Articles of Association was made and was approved at the General Meeting held on 25 January 2018. Details of the amendments to the Articles of Associations are stated in the circular and announcement published on the websites of the Company and Stock Exchange on 11 December 2017 and 14 May 2018, respectively.

XII. Investor Relationship

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

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

XIII. Company Secretary

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

XIV. Board Diversity Policy

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

XV. Responsibilities of Directors Concerning Financial Statements

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

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

XVI. Audit Committee

The Audit Committee of the Board of the Company has reviewed the annual results of the Company and the Group for the year 2018, as well as the audited consolidated financial statements for 2018 prepared in accordance with IFRS.

XVII. Auditor’s Independence and Remuneration

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

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

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

Section 9 Corporate Governance Report

XVIII. Other Matters

(I) Internal Control

1. Responsibility Statement on Internal Control

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

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

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

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

Section 9 Corporate Governance Report

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

According to the provisions of the Fundamental Norms on Enterprise Internal Control and its supporting guidance as well as the requirements of other relevant laws and regulations, the Company conducted self-evaluation regarding the effectiveness of internal control design and operation of the Company as at 31 December 2018.

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

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

The attestation opinion on the internal control of the Company in 2018 issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP was: “we are of the opinion that, in accordance with the requirements of the Fundamental Norms on Enterprise Internal Control, Guolian Securities had maintained an effective internal control on the financial statements in all major respects as at 31 December 2018”.

Section 9 Corporate Governance Report

(II) Development Compliance Management System and Compliance Inspection

In 2018, according to the requirements of the “Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies”(《證券公司和證券投資基金管理公司合規管理辦法》) of CSRC and the “Guidelines on Implementation of Compliance Management of Securities Companies”(《證券公司合規管理實施指引》) of SAC (hereinafter collectively referred to as “New Rules”), through integrating with actual operation development situation, the Company further improved the compliance management mechanism and organization construction, and carried out all works in respect of compliance management, which enabled the Company to achieve a stable and orderly development for the various businesses of the Company.

I. Amend compliance management systems, enhance system development

The Company made further improvement according to the requirements of the “Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies” (《證券公司和證券投資基金管理公司合規管理辦法》) and the “Guidelines on Implementation of Compliance Management of Securities Companies” (《證券公司合規管理實施指引》). Through revising the system, the Company has established a multi-level compliance management system covering the Board, operation management, all departments, branch offices and subsidiaries in respect of the compliance management organizational structure, division of responsibilities regarding departments and personnel compliance management, compliance assessment accountability, etc. in accordance with the requirements of the “Compliance Starts From The Management”. The Company enhanced internal control management and promoted compliance culture construction to prevent compliance risks. In 2018, the Compliance and Legal Department revised and issued 3 compliance management systems, including the “Measures for Compliance Review and Consulting Management of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司合規審查與諮詢管理辦法》) and “Customer Abnormal Trading Behavior Management and Risk Disposal Guidelines of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司客戶異常交易行為管理及風險處置指引》) and newly issued 2 compliance management systems, namely the Measures for the Administration of Investment Behaviors of Employees of Guolian Securities Co., Ltd. (Provisional) (《國聯證券股份有限公司證券從業人員投資行為管理辦法(暫行)》) and the “Measures for Compliance Inspection of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司合規檢查辦法》).

The Compliance and Legal Department completed the revision of “Compliance Manual of Guolian Securities Co., Ltd.” (《國聯證券股份有限公司合規手冊》), hereinafter referred to as the “Compliance Manual” in April 2018, and organized all staff of the Company for signing. As a basic behavior guideline and norm that employees should follow in their daily work, the Compliance Manual reflects the changes of laws and policies over the years and the requirements of the Company for compliance management and it is an important measure for compliance management of the Company.

Section 9 Corporate Governance Report

II. Strengthen compliance monitoring and implement control measures effectively

According to the rules and regulations of Shanghai and Shenzhen Stock Exchanges and relevant requirements, the Company has established the “abnormal transactions monitoring for key monitored accounts” module based on the abnormal transaction monitoring system, and achieved the functions of systematic management for the key monitored accounts list released by Shanghai and Shenzhen Stock Exchanges on a regular or an irregular basis and targeted abnormal transactions monitoring, which has further improved the abnormal transactions monitoring system and effectively strengthened the internal compliance management.

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

III. Optimize compliance assessment mechanism and strengthen compliance performance security

According to the new rules of compliance management and the implementation of preliminary compliance assessment, the Compliance and Legal Department further perfected the compliance assessment mechanism. In order to strengthen the assessment of front-line management and control ability of the compliance management personnel, the Company revised the assessment index. The Company established the assessment procedures for compliance management personnel for branches and business departments of the headquarters by leveraging on its office platform, realized the assessment process management, improved assessment efficiency, standardized the file management of assessment materials, and optimized assessment mechanism.

In 2018, the chief compliance officer carried out the assessment on the compliance management of all departments and branches of the Company and on performance of duties of compliance management personnel according to the supervision requirements and Measures for Compliance and Risk Management Assessment of Guolian Securities Co., Ltd. (《國聯證券股份有限公司合規與風險管理考核辦法》). The assessment of the compliance management of all departments and branches of the Company accounted for 15% of the performance assessment results. The chief compliance officer is in full weight when assessing the professional compliance management personnel, while the proportion of weight of chief compliance officer is 55% when assessing the part-time compliance management personnel.

Section 9 Corporate Governance Report

According to regulatory provisions and Measures for the Management of Subsidiaries of Guolian Securities Co., Ltd. (《國聯證券股份有限公司子公司管理辦法》), the chief compliance officer completed the assessment on the compliance management and performance of duties of compliance officer of the subsidiaries during the Reporting Period. Special compliance assessment on the compliance management of subsidiaries accounts for 15% of the performance assessment results. The chief compliance officer will issue a written special assessment opinion regarding the above assessment results. The results of the assessment have been reported to the Human Resources Department of the Company which will organize and implement the performance distribution.

IV. Strictly implement compliance inspection and promote business development effectively

The Compliance and Legal Department organized compliance inspection on operation department and branches in accordance with supervision requirements and inspection plans. In 2018, the Compliance and Legal Department conducted on-site compliance inspection on Shenzhen Branch Office, Nanjing Branch Office, Taiping South Road Securities Branch and Zhanjiang Road Securities Branch, implemented special inspection on the suitability management of the Company, research and consultancy business of the Research Department, agency sales of financial products, margin financing and securities lending business, securities-backed lending and Securities Repurchase businesses of the Company and the compliance management of Hua Ying Securities, the investment banking subsidiary of the Company. According to the regulatory requirements, the Compliance and Legal Department conducted compliance inspection on the management of transaction units of the Information Technology Headquarter and the Wealth Management Headquarter. Comments or suggestions on the problems spotted during inspection were put forward by the Compliance and Legal Department, which required the inspection department to conduct proactive rectification and give feedback and implement subsequent follow up.

(III) Working Information of Audit and Supervision Department

The objective of the Audit and Supervision Department is to perfect corporate internal control, facilitate continuous regulated development, ensure the legality and compliance of operation of the Company and to prevent risks. The department adheres to the vision of prudence and practicability, seeking truth from facts, team cooperation, and innovative development, entwining the operation developing target of the Company, actively organizes and conducts different auditing works, practically implement the functions of the departments according to annual audit and supervision work plan. The Company completed 47 auditing and supervisory reports under different aspects, of which, 1 was the annual compliance effectiveness evaluation of the Company, 29 were resignation audit reports, 11 were branch and branch office comprehensive inspection reports, 3 were control inspection within the functional departments and 3 were special project inspection. The audit inspection projects covered brokerage business, credit transactions, financial management, compliance management, internal control and personal management etc. Through organizing on-site audits, they can objectively reflect the conditions of implementing national laws and regulations, industry standards and corporate system of the auditee and also the operation management conditions. Regarding the problems and deficiencies discovered during audit, the department provides audit rectification measures and suggestions in time, and strives to urge the implementation of audit rectification issues, which thereby promotes and supports the regulated development of the different businesses of the Company.

Section 10 Environmental, Social and Governance Report

In 2018, the Company discussed about the operation and social responsibility performance to identify if there were any relevant significant environmental, social and governance issues and evaluated the respective performance and impact. The Company sorted out and summarized the social responsibility management task for the year, included the environmental, social and governance related issues into this report according to Appendix 27 of the Listing Rules (“Environmental, Social and Governance Reporting Guide”).

Environment

The Company vigorously promotes the concept of environmental protection and energy conservation. The Company complies with the requirements of the development of low-carbon economy and minimizes the environmental impact of its daily operation. The Company also exploits the advantages in the financial field, exploring the path of green finance development and guiding the optimal allocation of resources.

Low-carbon Operation

Due to the business nature, the energy consumed in operation is mainly electricity and a small amount of gas. The Company continues carrying out reforms for reducing energy consumption and promotes staff to develop environmental friendly habits, aiming to contribute to easing the pressure of global warming.

In the daily office and business process, the Company pays attention to conserving energy and protecting environment. “The Management Measures for the Office Area of Headquarters” has been formulated by the Company and implemented by the subordinate units as reference. In order to reduce inefficient energy loss during operation, the Company prefers energy-saving materials and appliances. The Company also requires employees to turn off all equipment during non-working hours and to set the upper and lower limits of air-conditioning temperature. In 2018, the Company encouraged flexible use of ice for cooling in summer to reduce energy consumption from working overtime on weekends.

The Company also attaches importance to environmental protection during the whole decoration process of branches. For all newly renovated branches in 2018, the Company tried to protect the energy-saving structures and facilities in existing buildings. During decoration, the Company always save materials and reduce waste. The materials and equipment applied at the construction sites are checked in a prudent manner. Construction is carried out in strict accordance with the requirements to ensure the energy-saving effect.

In 2018, total greenhouse gas emissions were 4,837.59 tonnes, and total energy used was 7,105.41MWh, among which electricity accounted for 97.49%.

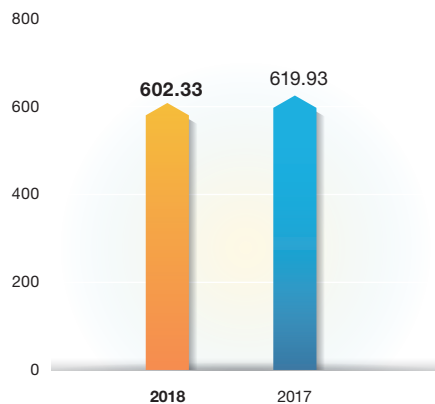
Section 10 Environmental, Social and Governance Report

Greenhouse gas emissions
(tonnes)

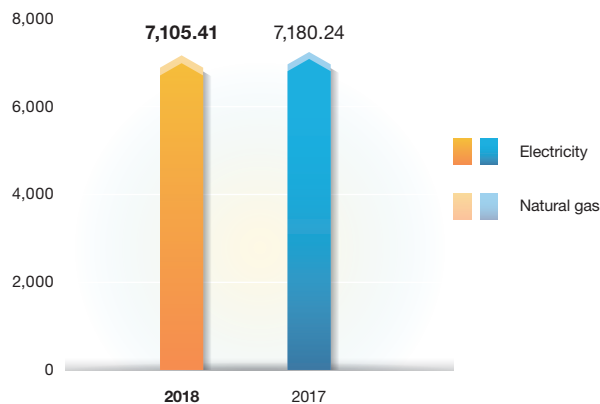


Note: The data of greenhouse gas emissions in 2017 has been adjusted to reflect actual situation.

GHG emissions intensity
(tonnes/hm²)



Total energy used (MWh)

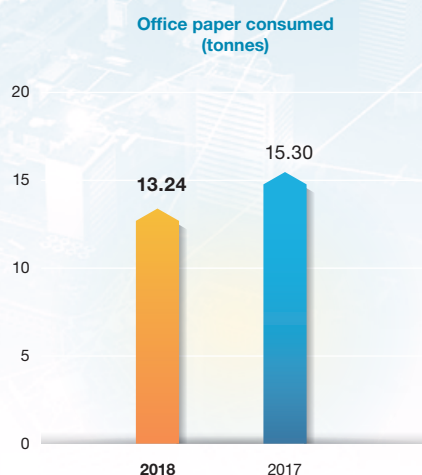


Note: The data of greenhouse gas emissions in 2017 has been adjusted to reflect actual situation.

During our operations, the Company does not use packaging materials, while the main resource consumed is office paper. The Company has reduced the resource consumption by increasing the automation of our office and business operations. In 2018, the Company consumed 13.24 tonnes of office paper.

In order to minimize the use of office paper, the Company has enhanced employees' awareness of conservation by advocating printing documents on both sides and reusing the paper that has been used on single side. The Company has completed the construction of Office Automation System and set mobile and online sales office as well as "One Counter System" to enhance the level of business automation. The Company has basically realized paperless business except signing the necessary paper agreements. In the evaluation of office paper suppliers, "environmental protection" is also considered as a significant indicator.

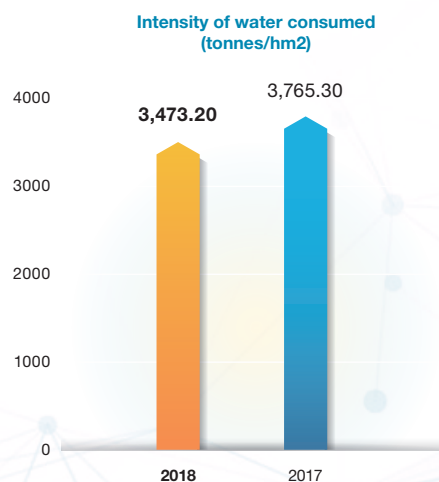
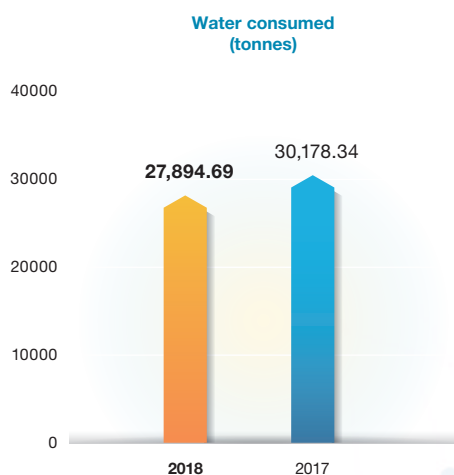
Section 10 Environmental, Social and Governance Report



Emissions Management

As a financial institution, the Company's main workplaces are branches and offices. During the operations, industrial waste water and waste gas are not discharged. The domestic sewage generated by the Company is discharged through municipal sewers.

The Company is committed to enhancing employees' awareness of saving water and posting related promotional slogans in the office. The Company also choose the water-saving faucet for decoration. In addition, the pressure test is conducted for 24 hours after the pipes are laid, in order to prevent the leakage problems of water, minimizing waste of water resources. In 2018, the Company consumed 27,894.69 tonnes of municipal water.



Section 10 Environmental, Social and Governance Report

The non-hazardous wastes generated by the Company are mainly domestic wastes and construction wastes from decoration of security branches. The domestic wastes are handled by the property management companies and the construction wastes are handled by the construction contractor to prevent the disorder and to reduce the impacts on the surrounding environment. In 2018, the Company generated 480.94 tonnes of non-hazardous wastes.

The only hazardous wastes generated by the Company are batteries, including dry cells and UPS batteries. The dry cells are recycled when the property management companies process the wastes, while the expired UPS batteries which are replaced in the decoration are specifically recycled by the manufacturers. In 2018, the Company generated 0.61 tonnes of hazardous wastes.

The Company advocates low-carbon trips for employees and provides subsidies for employees choosing low-carbon transportation options. Employees are encouraged to commute by public transport, bike or on foot to reduce the rate of driving. Meanwhile, the Company recommends that employees who are willing to buy new cars choose new energy vehicles to reduce vehicle emissions. Charging piles have been installed in the Company for the convenience of the employees having new energy vehicles.

The Company organizes the hiking activities every year in order to promote environmental concept. On March 11, 2018, the Company participated in the “Guolian Financial, Go with You” walking event. The main track was set up in Wuxi Shangxian River Wetland Park, where more than 4,000 sports enthusiasts actively participated.

Green Finance

As a finance company, the Company assists energy-related companies in developing their financial businesses by guiding social capital, supporting the restructuring of green economy and contributing to the coordinated, sustainable development of economy, society and environment.

In July 2018, as a promoter and manager, the Company successfully completed the issuance of the “Guolian-Huaguang heating usufruct Green ABS”. The total issuance scale of the Green ABS was RMB265 million. The raised funds were all used for the construction and operation of the green industry projects of Huaguang Boiler. The plan had energy conservation and emission reduction benefits, which was conducive to improving the air quality of the project area. The business pattern also has a promotion significance, especially to other thermal power companies of Huaguang Boiler, and can be extended to project companies such as sludge treatment, waste-to-energy, and geothermal heating. The project has opened up new channels for the government infrastructure industry to raise funds through Green ABS.

Section 10 Environmental, Social and Governance Report

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

Indicator name	Indicator unit	2018	2017
Total GHG emissions	Tonnes	4,837.59	4,968.65
GHG emissions(Scope 1)	Tonnes	36.39	32.02
GHG emissions(Scope 2)	Tonnes	4,801.20	4,936.63
Intensity of GHG emissions	Tonnes/hm ²	602.33	619.93
Total air emissions	Tonnes	Not applicable	Not applicable
Total hazardous wastes produced	Tonnes	0.61	8.97
Dry cells	Tonnes	0.05	0.01
Expired UPS batteries	Tonnes	0.56	8.96
Intensity of hazardous wastes produced	Tonnes/hm ²	0.08	1.12
Total non-hazardous wastes produced	Tonnes	480.94	660.08
Domestic wastes	Tonnes	330.26	339.08
Construction wastes	Tonnes	150.68	321.00
Intensity of non-hazardous wastes produced	Tonnes/hm ²	59.88	82.35
Total water consumed (municipal water)	Tonnes	27,894.69	30,178.34
Intensity of water consumed	Tonnes/hm ²	3,473.20	3,765.30
Total energy used	MWh	7,105.41	7,180.24
Electricity	MWh	6,927.39	7,023.59
Gas	MWh	178.02	156.65
Intensity of energy used	MWh/hm ²	884.70	895.87
Office paper consumed	Tonnes	13.24	15.30

Note: The denominator used to calculate intensities is the floor area (hm²) used by the Company.

Section 10 Environmental, Social and Governance Report

II. Society and Governance Report

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

(I) Employment

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

Remuneration and Welfare Policy

The Company continues to improve a remuneration system that determines remuneration and distributes income on the basis of job position and performance-related appraisal results. The staff remuneration of the Company comprises basic salary, performance-based incentives and welfares. The basic salary is relatively a fixed part of remuneration, which constitutes annual basic income for staff and is determined primarily based on factors such as values, responsibilities, work intensity and working conditions and in accordance with wage standards of job position of the Company. Drawn from the annual profit, performance-based incentives is linked up with operating conditions and business performances of the Company and the departments for the year and distributed according to the appraisal results of department and staff performances. In strict compliance with the performance and contribution orientation, the distribution of performance-based incentives is in favour of business departments with high profit contribution to the Company and employees with prominent work performance while due consideration is also channeled to the middle-back end supportive departments.

Section 10 Environmental, Social and Governance Report

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

Dismissal, Recruitment and Promotion Policy

The Company is in strict compliance with the state and local laws and regulations and the company regulations to handle the procedures regarding staff introduction and resignation and strives to build a harmonious labour relationship. Based on an annual recruitment plan, the Company follows the principle of "equal opportunity, fair competition, comprehensive review and talent selection" to conduct its recruitment work, persists in standardized process and comprehensive assessment and pays attention to its channel and approach improvement and innovation, so as to greatly attract talents for the development of the Company, and the total number of staff recruited was 239 for the year. The Company cooperates with local human resources service centre and higher learning institutions, organizes multiple scientific research practices and internship programs to attract college students practicing their internships in the Company, a total of 260 trainees was recruited during the year. This will provide students with a platform to improve their practical ability and build a positive employer image on the one hand and help various departments to select talents through practical work on the other.

The Company has formulated and improved Guidance on Staff Position Management and Career Development of Guolian Securities Co., Ltd. (《國聯證券股份有限公司員工職位管理與生涯發展指引》) to establish a dual-career development system characterized by vertical promotion and horizontal advancement for staff and expand the room for their career development in a bid to providing them with a broad platform to achieve their self-development.

Section 10 Environmental, Social and Governance Report

Working Hours and Holiday Policy

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

Equality and Anti-discrimination Policy

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

Diversified Policy

The Company insists on implementing the strategy of invigorating the enterprise through human resources development, improved the developing environment for the talented and devotedly continuously, and pushed for the co-development between staff and the Company. According to the requirements of national laws and regulations and internal management, the Company formulated and revised the relevant human resource management systems in a timely manner, and constantly improves the human resource management system to be in line with the Company's development. The Company has strived to provide staff with competitive remuneration package through industry research and matching with the standards of markets and optimizing the remuneration system. The Company formulated "Management Measures on the Positions and Ranks of Professional and Technical Serial Employees of Guolian Securities (Provisional)" (《國聯證券專業技術序列員工職位職級管理辦法(試行)》) and "Management measures on Innovation of Guolian Securities" (《國聯證券創新管理辦法》) and revised the "Internal Lecturer Management System of Guolian Securities" (《國聯證券內部講師管理制度》) and "Management Measures on Staff Online Learning Platform" (《員工在線學習平台管理辦法》), which clarified the relevant standards and implementation process. The Company constantly improved the effective cadre cultivation and development mechanism; seek, develop and cultivate back-up management in a reasonable manner, uphold the decent guidance on personnel placement to select a number of talents with high comprehensive quality into the management back-up of the Company through open recommendation, organize excursion and open job competition; greatly promote the introduction of high-end talents through headhunters and internal referrals so as to bolster the diversity of staff structures and provide intellectual support for corporate development. At present, the management of the Company holding either bachelor degrees or above has accounted for approximately 94% of the total, representing a high quality pool of human resources with well-educated background and strong market competitiveness.

Section 10 Environmental, Social and Governance Report

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

Indicators	Unit	2018
Total staff	Employees	1,374
Among which: (by work location)		
Domestic	Employees	1,374
Overseas	Employees	0
Among which: (by labour contract type)		
Indefinite term	Employees	572
Fixed term	Employees	802
A term until completion of certain work	Employees	0
Among which: (by age group)		
29 or below	Employees	426
30-39	Employees	660
40-49	Employees	214
50-54	Employees	47
55 or above	Employees	27
Among which: (by gender)		
Male	Employees	724
Female	Employees	650
New employees during the Reporting Period	Employees	239
Staff loss ratio during the year	%	20.9%

Section 10 Environmental, Social and Governance Report

(II) Health and Safety

The Company implements its safety production management system and fire safety management system, strengthens employees' occupational safety education and safe production supervision over the projects under construction, focuses on the special rectification of fire control facilities and equipment, safe evacuation passageway, electrical line equipment, door head advertising, etc., concentrates on eliminating hidden dangers, and effectively prevents and controls safety accidents. The Company carries out traffic safety education activities to raise traffic safety awareness, strictly abides by traffic safety rules, and prohibits all kinds of traffic violations. The Company firmly adheres to working on shifts during holidays and strengthens patrol inspection. During the Reporting Period, the Company operated safely without any major safety accidents.

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

The Company assures the legitimate vacation rights and benefits of its female staff during pregnancy, birth-giving and lactation period. To help mitigating common office diseases and helping employees to foster daily healthcare awareness, the Company organizes free Chinese medical consultation campaign and invites traditional therapists to give gratuitous treatment to its staff.

The Company strictly complies with the relevant occupational health and safety regulations including "Measures on Identification of Work-related Injuries" (《工傷認定辦法》) and "Regulations of Insurance for Work-related Injuries" (《工傷保險條例》).

(III) Development and Training

The Company keeps on improving its target-oriented and performance-based performance assessment mechanism. Based on annual work tasks, the Company sets up key performance indicators for departments and branch offices and conducts a comprehensive assessment on annual work performance and important tasks fulfillment of departments through an all-round assessment and evaluation of compliance management. The Company keeps on deepening the implementation of the MD ranking system and reinforces the assessment on staff work performance through formulating the ancillary execution management methods and internal performance assessment rules of all departments. The results of the annual performance assessment serve as an important basis of staff promotion and remuneration adjustment.

Section 10 Environmental, Social and Governance Report

In order to adapt to the trend of innovative development of the industry and personnel development and training, constantly improve the comprehensive qualities of the Company's staff and ensure continuous development of the Company's operation, the Company attaches great importance to staff trainings and keeps on improving and optimizing staff training system. The first measure is to improve the training management regulation system. On the basis of the original training system, the Company revised "Management Measures on Online Learning" (《在線學習管理辦法》) and "Internal Lecturer Management System" (《內部講師管理制度》) according to the actual needs of training, which provided a normative and well-organized regulation guarantee for the Company. The second measure is to organize and implement various types of face-to-face training activities, such as organizing a twelve-stage Guolian securities lecture hall seminar, a three-stage internal lecture training and qualification certificate, a two-stage new employee induction training, a two-stage management training classes, and micro class competitions, HR position business exchange meetings, advanced deeds exchange meetings, etc. Meanwhile, the Company organized and designated staff to participate in 22 comprehensive financial training sessions and 7 special training sessions. The third measure is to intensify online training and learning, accomplish 188 key courses learning according to the business development of the Company in which over 10,000 employee-headcount have participated and post-education remote trainings for all staff in which 1,248 employees have participated, 12 online trainings for new staff in which approximately 200 employees have attended and organized 26 online examinations and surveys with nearly 5,000 employees involved. The fourth measure is to continue to promote staff external learning, such as selecting approximately 500 employees by category and by batch to take part in various learning activities held by superior departments, professional institutions and renowned colleges and universities according to the business requirements and training programs of the Company. The fifth measure is to strengthen the establishment of online learning platform and management system of the Company. OA knowledge central function is improved. At present, there are 644 pieces of learning documents in total with a total number of over 54,000 employee-headcount participated in learning. Through the full utilization of E-learning learning platform, the learning efficiency can be improved. There are altogether 542 internal courses in the platform with approximately 289 E courses newly launched in 2018, with 41 annual learning courses per capita and 32 online learning hours per capita. In addition, the Company encourages employees to have aggressive self-development mentality according to the requirements of business development and individual career development plans, such as taking part in various studies and further education after office hours and update professional knowledge in a timely manner to constantly improve their comprehensive qualities.

Section 10 Environmental, Social and Governance Report

The Company has established multi-level training systems, such as the new employee induction trainings, executive management trainings, professional skills trainings, professional qualification examinations, post-vocational trainings, continued education for staff on qualifications/degrees, professional qualification trainings (including technical titles), etc., in which they have improved the comprehensive qualities of employees of each level efficiently.

During the Reporting Period, the Company carried out various methods of education trainings, such as face-to-face trainings, online study and external trainings, and organized various trainings with a total of 20,020 employee-headcount who have participated in such trainings. The investment in trainings was RMB2,400,000. During the Reporting Period, the statistics of the Company relating to training performance was summarized as follows:

Indicators	Unit	2018
Total training hours	Hours	60,078
Number of employee-headcount participating in trainings (by training content)		
Online study	Hours	43,672
External trainings	Hours	16,116
Face-to-face trainings	Hours	290
Average training hours per employee-headcount participating in training	Hours	44.5

(IV) Labour Standard

The Company strictly complies with the management policies set out in the relevant standards, rules and regulations prevailing across the world as well as of the country and locations of operation with respect to the prevention of child labor or forced labor. The Company prohibits any employment of child labor and forced labor and adheres to normative employment under the laws. In order to further implement the above laws and regulations, the Company revised regulations in the “Human Resources Management Systems” (《人力資源管理制度》) and “Staff Handbook” (《員工手冊》) of the Company according to the changes of internal and external objective conditions, and passed for review in the employee representatives meeting, thereby establishing a foundation of harmonious labor relationship. During the Reporting Period, the Company did not have any non-compliance with the relevant standards, rules and regulations prevailing across the world as well as of the country and locations of operation in connection with child labor and forced labor.

Section 10 Environmental, Social and Governance Report

(V) Product Liability¹

Service Quality

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

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

The Company stringently implemented the moderate management requirements of investors and established smooth customer communication and coordination mechanism and sound complaint system arrangement. During 2018, the Company received a total of 12 customer complaints, which were properly handled through timely coordination by business center and branch tracking service. Customer satisfaction was improving and interests of investors were sufficiently safeguarded.

Customer Privacy

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

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

Section 10 Environmental, Social and Governance Report

Investor Education

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

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

(VI) Anti-corruption

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

Section 10 Environmental, Social and Governance Report

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

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

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

Indicators	Unit	2018
Number of corruption and bribery cases	Cases	0
Number of employees punished for corruption and bribery	Employees	0
Times of anti-corruption and anti-money laundering education publicity	Times	1
Number of employees participating in anti-corruption and anti-money laundering education	Employees	202,183
Times of disciplinary inspection and supervision business training	Times	7
Number of employees participating in disciplinary inspection and supervision business training	Employees	189
Total hours of disciplinary inspection and supervision business training	Hours	370

Section 10 Environmental, Social and Governance Report

(VII) Community Investment

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

The Company carried out activities of helping those in need and caring for staff. Throughout the year, the Company has provided assistance to 51 employees, with a total expenditure of RMB225,800 and showed our concerns to over 100 employees with a total expenditure of RMB130,000 to help solving their practical difficulties and enhance their sense of gaining. The Labor Union actively organized our staff to donate RMB163,800 to the "Red Cross Humanity Donation by Ten Thousand People" activity organized by the Wuxi Municipal Propaganda Department, Municipal Civilization Office, Municipal Labor Committee and Municipal Red Cross. Guolian Securities further donated a total of RMB94,000 to the "Warming Heart and Offering Love" charitable and donating activity jointly organized by Wuxi Municipal Propaganda Department, Municipal Civilization Office, Municipal Charity Association, Working Committee of Municipal Authorities, Municipal Bureau of Civil Affairs and Municipal General Labor Union and other departments. The Company continued to carried out the "one company for one county" poverty support activity. The Company and its wholly-owned subsidiary Hua Ying Securities have signed supporting agreements with five state-level poverty counties including Susong County, Anhui Province, Pingchang County, Sichuan Province, Hezhang County, Guizhou Province, Badong County, Hubei Province and Poyang County, Jiangxi Province to carry out financial poverty alleviation and public welfare poverty alleviation, so as to promote the implementation of precise poverty alleviation projects.

Section 10 Environmental, Social and Governance Report

The Company focuses on financial poverty alleviation and takes multiple measures to deepen targeted poverty alleviation. The Company visited the representative enterprises in the regions in need to have an understanding of their development needs and provide financial consultancy. The Company organized “training sessions on industrial development and poverty alleviation”, “economic situation analysis sessions” and “a lesson for investors” and other activities jointly with government agencies and enterprises in the assisted regions to actively integrate into local economic construction and contribute to poverty alleviation. Throughout the year, the Company invested RMB307,500 as education funds for poverty alleviation and donated all kinds of winter clothing, books, computers and other supplies, with 182 poverty students being assisted directly. The Company won the “2018 China’s Securities and Futures Industry Poverty Alleviation Work Contribution Award” granted by SAC and China Futures Association at the poverty alleviation work exchange conference titling “We Are In Action”.

Independent Auditor's Report

Deloitte.

德勤

To the Shareholders of Guolian Securities Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Guolian Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 180 to 320, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

Key audit matter

Consolidation of Structured Entities

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

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

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

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

How our audit addressed the key audit matter

Our procedures in relation to this key audit matter included:

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

Independent Auditor's Report

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

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

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

As at 31 December 2018, the Group held margin accounts receivable of RMB2,963,836 thousands, less impairment allowance of RMB10,019 thousands as disclosed in Note 31 and equity securities held under resale agreements of RMB5,743,874 thousands, less impairment allowance of RMB181,746 thousands as disclosed in Note 27.

Our procedures in relation to ECL assessment of margin accounts receivable and equity securities held under resale agreements included:

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

Other Information

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

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

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

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

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

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

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

Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report

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

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

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

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 27 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue			
Commission and fee income	6	660,961	793,813
Interest income	7	883,729	757,869
Net investment (losses)/gains	8	(54,502)	235,472
Other income	9	6,627	5,649
Total revenue, net gains and other income		1,496,815	1,792,803
Commission and fee expenses	10	(109,239)	(154,642)
Interest expenses	11	(406,758)	(274,350)
Staff costs	12	(477,079)	(466,663)
Depreciation and amortization	13	(64,357)	(57,152)
Other operating expenses	14	(223,388)	(218,712)
Impairment losses, net of reversal	15	(153,892)	(7,365)
Total expenses		(1,434,713)	(1,178,884)
Share of results of associates		(11,514)	(80,912)
Other gains/(losses), net	16	21,064	(16,329)
Profit before income tax		71,652	516,678
Income tax expense	17	(21,064)	(143,030)
Profit for the year		50,588	373,648
Attributable to:			
Shareholders of the Company		50,588	361,492
Non-controlling interests	18	–	12,156
		50,588	373,648
Earnings per share (Expressed in RMB per share)			
– Basic	19	0.03	0.19

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	50,588	373,648
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	–	1,136
Available-for-sale financial assets		
– Changes in fair value	–	122,284
– Amounts reclassified to profit or loss upon disposal or impairment of available-for-sale financial assets	–	(199,679)
– Income tax effect	–	19,349
Other comprehensive expense for the year, net of tax	–	(56,910)
Total comprehensive income for the year	50,588	316,738
Attributable to:		
Shareholders of the Company	50,588	304,582
Non-controlling interests	–	12,156
	50,588	316,738

Consolidated Statement of Financial Position

As at 31 December 2018

	NOTES	2018/12/31 RMB'000	2017/12/31 RMB'000
Assets			
Non-current assets			
Property and equipment	21	95,452	98,599
Goodwill		–	–
Intangible assets	22	35,894	26,582
Investments in associates	24	113,562	125,448
Other non-current assets	25	40,097	29,173
Available-for-sale financial assets	26	–	161,104
Financial assets held under resale agreements	27	799,536	1,461,393
Financial assets at fair value through profit or loss	32	159,012	–
Deferred income tax assets	28	80,117	21,477
Refundable deposits	29	72,494	106,290
Total non-current assets		1,396,164	2,030,066
Current assets			
Other current assets	30	68,442	309,579
Available-for-sale financial assets	26	–	899,211
Margin accounts receivable	31	2,953,817	4,609,341
Financial assets held under resale agreements	27	6,598,885	4,591,780
Financial assets at fair value through profit or loss	32	2,826,918	2,362,037
Clearing settlement funds	33	2,030,925	2,656,833
Cash held for brokerage clients	34	4,027,017	4,655,092
Cash and bank balances	35	1,381,608	1,952,059
Total current assets		19,887,612	22,035,932
Total assets		21,283,776	24,065,998
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	36	1,902,400	1,902,400
Share premium	37	2,178,478	2,178,478
Reserves	37	1,760,002	1,719,074
Retained earnings		1,808,304	1,792,620

Consolidated Statement of Financial Position

As at 31 December 2018

	NOTES	2018/12/31 RMB'000	2017/12/31 RMB'000
Total equity attributable to shareholders of the Company		7,649,184	7,592,572
Non-controlling interests		–	–
Total equity		7,649,184	7,592,572
Liabilities			
Non-current liabilities			
Bonds in issue	38	4,200,000	3,800,000
Deferred income tax liabilities	28	3,342	–
Total non-current liabilities		4,203,342	3,800,000
Current liabilities			
Other current liabilities	39	286,579	355,402
Current income tax liabilities		6,897	13,947
Bonds in issue	38	2,373,522	2,820,000
Contract liabilities	41	7,512	–
Due to other financial institutions	42	–	600,000
Derivative financial liabilities	43	940	–
Financial assets sold under repurchase agreements	44	10,014	297,910
Financial liabilities at fair value through profit or loss	45	1,151,165	1,707,115
Accounts payable to brokerage clients	46	5,594,621	6,879,052
Total current liabilities		9,431,250	12,673,426
Total liabilities		13,634,592	16,473,426
Total equity and liabilities		21,283,776	24,065,998

The consolidated financial statements on pages 180 to 320 were approved and authorised for issue by the Board of Directors on 27 March 2019 and signed on behalf by:

Yao Zhiyong

Chairman of the Board and non-Executive Director

Peng Yanbao

Executive Director and President

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to shareholders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000		
Balance at 31 December 2017	1,902,400	2,178,478	1,719,074	1,792,620	7,592,572	-	7,592,572
Adjustment (see Note 2)	-	-	(3,414)	9,438	6,024	-	6,024
Balance at 1 January 2018	1,902,400	2,178,478	1,715,660	1,802,058	7,598,596	-	7,598,596
Profit for the year	-	-	-	50,588	50,588	-	50,588
Total comprehensive income for the year	-	-	-	50,588	50,588	-	50,588
Dividends recognized as distribution	-	-	-	-	-	-	-
Appropriation to general reserves	-	-	44,342	(44,342)	-	-	-
Balance at 31 December 2018	1,902,400	2,178,478	1,760,002	1,808,304	7,649,184	-	7,649,184
Balance at 1 January 2017	1,902,400	2,178,478	1,672,232	1,816,033	7,569,143	327,027	7,896,170
Profit for the year	-	-	-	361,492	361,492	12,156	373,648
Other comprehensive expense for the year	-	-	(56,910)	-	(56,910)	-	(56,910)
Total comprehensive (expense) income for the year	-	-	(56,910)	361,492	304,582	12,156	316,738
Dividends recognized as distribution	-	-	-	(266,336)	(266,336)	-	(266,336)
Appropriation to general reserves	-	-	118,569	(118,569)	-	-	-
Acquisition of non-controlling interests	-	-	(14,817)	-	(14,817)	(339,183)	(354,000)
Balance at 31 December 2017	1,902,400	2,178,478	1,719,074	1,792,620	7,592,572	-	7,592,572

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Profit before income tax	71,652	516,678
Adjustments for:		
Depreciation and amortisation	64,357	57,152
Impairment losses	153,892	7,365
Net (gains)/losses on disposal of property and equipment and other intangible assets	(45)	226
Unrealised fair value change of financial instruments at fair value through profit or loss	42,678	64,016
Foreign exchange (gains)/losses	(13,605)	24,971
Share of loss of associates	11,514	80,912
Interest expense of bonds in issue	349,966	209,546
Realised gains from disposal of financial instruments at fair value through profit or loss	(16,486)	–
Realised gains from disposal of available-for-sale financial assets	–	(192,080)
Dividends and interest income from available-for-sale financial assets	–	(23,968)
Dividends and interest income from financial instruments at fair value through profit or loss	(6,541)	–
Operating cash flows before movements in working capital	657,382	744,818
Net decrease/(increase) in margin accounts receivable	1,797,661	(256,930)
Net decrease in financial assets at fair value through profit or loss	626,301	359,082
Net increase in financial assets held under resale agreements	(634,688)	(4,294,248)
Net decrease/(increase) in refundable deposits	33,796	(26,074)
Net decrease in cash held for brokerage clients	628,075	2,118,594
Net decrease in clearing settlement funds	567,434	617,046
Net increase in other assets	(37,386)	(38,193)
Net decrease in accounts payable to brokerage customers	(1,284,431)	(2,747,012)
Net decrease in financial assets sold under repurchase agreements	(288,262)	(584,330)
Net (decrease)/increase in due to other financial institutions	(608,925)	600,000
Net increase/(decrease) in other liabilities	98,078	(102,480)
Net decrease in financial liabilities at fair value through profit or loss and derivative financial liabilities	(550,891)	(133,250)
Cash generated/(used in) from operations	1,004,144	(3,742,977)
Income taxes paid, net	(84,424)	(190,432)
Net cash generated/(used in) by operating activities	919,720	(3,933,409)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTE	2018 RMB'000	2017 RMB'000
Cash flows from investing activities			
Dividends and interest received from investments		6,541	23,968
Dividends received from investments in associates		–	14,032
Proceeds on disposal of property and equipment, and other intangible assets		817	2,256
Purchase of property and equipment, intangible assets and other long-term assets		(82,219)	(60,612)
Cash paid for purchase of financial instruments at fair value through profit or loss		(830,192)	–
Cash paid for purchase of available-for-sale financial assets		–	(430,592)
Cash received from disposal of available-for-sale financial assets		–	1,154,900
Cash received from disposal of financial instruments at fair value through profit or loss		688,228	–
Net cash (used in)/generated by investing activities		(216,825)	703,952
Cash flows from financing activities			
Dividends paid		–	(266,336)
Cash received from additional bonds in issue		3,000,000	5,120,600
Cash paid from repayment of bonds in issue		(3,200,000)	(1,800,600)
Interest expense of bonds in issue		(290,233)	(190,598)
Acquisition of non-controlling interest of a subsidiary		–	(354,000)
Net cash (used in)/generated by financing activities		(490,233)	2,509,066
Effect of exchange rate changes on the balance of cash held in foreign currencies		13,605	(24,971)
Net increase/(decrease) in cash and cash equivalents		212,662	(720,391)
Cash and cash equivalents at the beginning of the year		3,043,286	3,788,648
Cash and cash equivalents at the end of the year	47	3,269,553	3,043,286

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. General information

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

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

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

As at 31 December 2018, the registered capital of the Company is RMB1,902,400 thousand. The Company holds the securities institution license No.13120000 and business license No.91320200135914870B. The registered address of the Company is No.8 Jinrong One Street, Wuxi, Jiangsu Province, PRC.

As of December 31, 2018, the Company has established a total of 100 affiliated agency, including 13 branches and 87 business divisions, which are mainly located in Jiangsu province.

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

These consolidated financial statements were authorised for issue by the Board of Directors (the “Board”) on 27 March 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to IFRS 9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. 1 January 2019.

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years or on the disclosures set out in these consolidated financial statements.

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

2.1 IFRS 15 Revenue from Contracts with Customers – continued

The Group provides various types of financial services as disclosed in Note 6 and is engaged in other services as disclosed in Note 9.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Note 3.

The application of IFRS 15 has had no material impact on retained earnings or consolidated statement of financial position at 1 January 2018 from initial application of IFRS 15.

2.2 IFRS 9 Financial Instruments and the related amendments

Since 1 January 2018, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets, and other items and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. I.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other comprehensive income, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

2.2 IFRS 9 Financial Instruments and the related amendments – continued

2.2.1 Summary of effects arising from initial application of IFRS 9

	Cash and bank balances	Margin accounts receivable	Financial assets held under resale agreements	Financial assets at FVTPL under IAS39/IFRS9	Available-for-sale financial assets	Accounts receivable	Interest receivable	Interest payable	Investments in associates	Others	Financial liabilities at amortised cost	Deferred tax assets	FVTOCI reserve	Retained earnings
Closing balance at 31 December 2017 – IAS 39	6,607,151	4,609,341	6,053,173	2,362,037	1,060,315	39,385	220,896	103,080	125,448	78,471	7,517,910	21,477	3,414	1,792,620
Effect arising from initial application of IFRS 9	3,707	137,320	10,943	1,138,448	(1,060,315)	(12)	(220,896)	(103,080)	(372)	(668)	103,080	(2,131)	(3,414)	9,438
Reclassification														
From available-for-sale ^(a)	-	-	-	1,060,315	(1,060,315)	-	-	-	-	-	-	-	(2,430)	2,430
From interest receivable/interest payable ^(a)	3,707	138,349	18,606	60,234	-	-	(220,896)	(103,080)	-	-	103,080	-	-	-
Remeasurement														
Impairment under ECL model ^(a)	-	(1,029)	(7,663)	-	-	(12)	-	-	-	(668)	-	2,344	-	(7,028)
From cost less impairment to fair value ^(a)	-	-	-	17,899	-	-	-	-	-	-	-	(4,475)	-	13,424
Others ^(a)	-	-	-	-	-	-	-	-	(372)	-	-	-	(864)	612
Opening balance at 1 January 2018	6,610,858	4,746,661	6,064,116	3,500,485	-	39,373	-	-	125,076	77,803	7,620,990	19,346	-	1,802,058

(a) Available-for-sale investments

From Available-for-sale investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments, funds, bonds, asset management schemes and trust products under IAS 39 amounted to RMB1,060,315 thousand and were reclassified from available-for-sale investments to financial assets at FVTPL, among which unlisted equity investment measured at cost under IAS 39 amounted to RMB103,235 thousand and were remeasured at fair value and result in an increase of RMB17,899 thousand of the carrying amount. The fair value loss of RMB2,430 thousand (after tax) relating to those investments previously carried at fair value were transferred from investment revaluation reserve of available-for-sale financial assets to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

2.2 IFRS 9 Financial Instruments and the related amendments – continued

2.2.1 Summary of effects arising from initial application of IFRS 9 – continued

(b) *Impairment under ECL model*

The Group applies the IFRS 9 and used ECL model to measure impairment. As at 1 January 2018, the additional credit loss allowance of RMB7,028 thousand (after tax) has been recognised against retained earnings.

All loss allowances for financial assets including margin accounts receivable, financial assets held under resale agreements, accounts receivable and other accounts receivable at amortised cost as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Margin accounts receivable	Financial assets held under resale agreements	Accounts receivable	Other accounts receivable
At 31 December 2017				
– IAS 39	13,901	15,562	–	872
Amounts remeasured through opening retained earnings	1,029	7,663	12	668
As 1 January 2018	14,930	23,225	12	1,540

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

2.2 IFRS 9 Financial Instruments and the related amendments – continued

2.2.1 Summary of effects arising from initial application of IFRS 9 – continued

(c) *Investments in associate*

The net effects arising from the initial application of IFRS9 resulted in an decrease in the carrying amounts of interests in associates of RMB372 thousand with corresponding adjustments to retained earnings and FVTOCI reserve by increasing RMB612 thousand and decreasing RMB984 thousand respectively.

(d) *Interest receivable and interest payable*

At the date of initial application of IFRS 9, the interests accrued on financial instruments of the Group are included in the carrying amounts of the corresponding financial assets/liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited)	IFRS 9	1 January 2018 (Restated)
Non-current assets			
Property and equipment	98,599	–	98,599
Goodwill	–	–	–
Intangible assets	26,582	–	26,582
Interests in associates	125,448	(372)	125,076
Other non-current assets	29,173	–	29,173
Available-for-sale financial assets	161,104	(161,104)	–
Deferred tax assets	21,477	(2,131)	19,346
Financial assets held under resale agreements	1,461,393	(3,677)	1,457,716
Financial assets at fair value through profit or loss	–	179,003	179,003
Refundable deposits	106,290	–	106,290
Total non-current assets	2,030,066	11,719	2,041,785
Current assets			
Other current assets	309,579	(221,576)	88,003
Available-for-sale investments	899,211	(899,211)	–
Margin accounts receivable	4,609,341	137,320	4,746,661
Financial assets held under resale agreements	4,591,780	14,620	4,606,400
Financial assets at fair value through profit or loss	2,362,037	959,445	3,321,482
Clearing settlement funds	2,656,833	–	2,656,833
Cash held for brokerage clients	4,655,092	–	4,655,092
Cash and bank balances	1,952,059	3,707	1,955,766
Total current assets	22,035,932	(5,695)	22,030,237
Total assets	24,065,998	6,024	24,072,022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation – continued

	31 December 2017 (Audited)	IFRS 9	1 January 2018 (Restated)
Current liabilities			
Other current liabilities	355,402	(103,080)	252,322
Accounts payable to brokerage clients	6,879,052	–	6,879,052
Bonds in issue	2,820,000	35,877	2,855,877
Current income tax liabilities	13,947	–	13,947
Financial liabilities at fair value through profit or loss	1,707,115	–	1,707,115
Derivative financial liabilities	–	–	–
Financial assets sold under repurchase agreements	297,910	366	298,276
Due to other financial institutions	600,000	8,925	608,925
Total current liabilities	12,673,426	(57,912)	12,615,514
Net current assets	9,362,506	52,217	9,414,723
Total assets less current liabilities	11,392,572	63,936	11,456,508
Equity			
Share capital	1,902,400	–	1,902,400
Share premium	2,178,478	–	2,178,478
Reserves	1,719,074	(3,414)	1,715,660
Retained earnings	1,792,620	9,438	1,802,058
Equity attributable to shareholders of the Company	7,592,572	6,024	7,598,596
Total equity	7,592,572	6,024	7,598,596
Non-current liabilities			
Bonds in issue	3,800,000	57,912	3,857,912

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

New and revised IFRSs issued but not yet effective

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

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

Except for the following new IFRSs, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

New and revised IFRSs issued but not yet effective – continued

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB210,052 thousand as disclosed in Note 49. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of new and revised international financial reporting standards – continued

New and revised IFRSs issued but not yet effective – continued

IFRS 16 Leases – continued

In addition, the Group currently considers refundable rental deposits paid of RMB10,550 thousand as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

3. Significant accounting policies and basis of preparation

Statement of compliance

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

Basis of preparation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Basis of preparation – continued

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. Significant accounting policies and basis of preparation – continued

Basis of consolidation – continued

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Basis of consolidation – continued

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. Significant accounting policies and basis of preparation – continued

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Business combinations – continued

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Investments accounted for using equity method

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Investments accounted for using equity method – continued

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Property and equipment

Property and equipment including leasehold land (classified as finance lease) and buildings held for use in the supply of services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Buildings	0 – 5%	30 years
Motor vehicles	0 – 5%	6 years
Electronics and other equipment	0 – 5%	2 – 5 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as finance lease, and accounted for as property and equipment.

Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Contributions to pension schemes and annuity plans

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Employee benefits – continued

Short-term benefit

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(ii) *Debt instruments classified as at FVTOCI*

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of change in equity. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) *Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the change in equity; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment gains" line item in profit or loss.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “net investment gains” line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9, including margin accounts receivable, financial assets held under resale agreements, debt instruments measured at amortised cost, account receivable deposits with exchanges and financial institutions, clearing settlement funds, cash and bank balances, and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for account receivable. The ECL on account receivable are assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- debtor fails to pay the principal and interest as per the due date of the contract and the number of days overdue;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(i) Significant increase in credit risk – continued

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor;
- significant deterioration in the value of collateral or quality of guarantee or credit enhancements provided by a third party. These changes are expected to reduce the debtor's financial incentive to repay the debt within the time limit specified in the contract or affect the probability of default.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(i) Significant increase in credit risk – continued

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(ii) Definition of default – continued

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) purchase or originate a financial asset at a substantial discount, which reflects the fact that a credit loss has occurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(iv) Measurement and recognition of ECL – continued

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments including account receivable are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(iv) Measurement and recognition of ECL – continued

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivable and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the debt investment revaluation reserve without reducing the carrying amounts of these debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial assets – continued

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as financial assets at FVTPL or debt instruments measured at amortized cost as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Securities lending

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from the cash collateral are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as financial assets at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities at FVTPL – continued

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including due to other financial institutions, accounts payable to brokerage clients, other payables, bonds in issue and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Derecognition and modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

3. Significant accounting policies and basis of preparation – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Revenue from contracts with customers – continued

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

3. Significant accounting policies and basis of preparation – continued

Revenue from contracts with customers – continued

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Revenue from contracts with customers – continued

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group's revenue mainly comes from the following types of business:

Commission and fee income

- (a) Commission and fee income arising from securities brokerage services is recognised on the date of the securities transaction;
- (b) Commission and fee income arising from investment banking services is recognised when the contractual obligations are fulfilled;
- (c) Commission and fee income arising from asset management services is recognized in accordance with the conditions and proportions agreed in the contract when management services meets the relevant revenue recognition conditions.

Other income

Other income is recognised when the contractual obligations are fulfilled.

3. Significant accounting policies and basis of preparation – continued

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies and basis of preparation – continued

Impairment on tangible and intangible assets other than goodwill and financial assets – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) or in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. Key sources of estimation uncertainty and critical accounting judgment

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group reviewed the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

Expected credit losses of advances to customers

The Group estimates the amount of loss allowance for ECL on its margin accounts receivable and financial assets held under resale agreements. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of margin accounts receivable and financial assets held under resale agreements. The assessment of the credit risk of margin accounts receivable and financial assets held under resale agreements involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

4. Key sources of estimation uncertainty and critical accounting judgment – continued

4.1 Key sources of estimation uncertainty – continued

Expected credit losses of advances to customers – continued

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Details of advances to customers are set out in Note 27 and 31.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 52 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 52 for more details on ECL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Key sources of estimation uncertainty and critical accounting judgment – continued

4.1 Key sources of estimation uncertainty – continued

Expected credit losses of advances to customers – continued

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 52 for more details.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 52 for more details.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 52 for more details.

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments and discounted cash flow analysis. To the extent practical market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

4. Key sources of estimation uncertainty and critical accounting judgment – continued

4.1 Key sources of estimation uncertainty – continued

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the deductible temporary differences are disclosed in Note 28.

4.2 Critical judgements in applying accounting policies

Consolidation of Structured Entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. Segment Analysis

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

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

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year ended 31 December 2018.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. Segment Analysis – continued

Year ended 31 December 2018

	Securities brokerage RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other Business RMB'000	Elimination RMB'000	Total RMB'000
Total revenue, net gains and other income	531,343	635,653	257,997	(14,688)	66,437	29,696	(9,623)	1,496,815
Commission and fee income								
– external	401,750	1,110	194,907	–	63,194	–	–	660,961
– internal	–	–	9,623	–	–	–	(9,623)	–
Interest income								
– external	129,323	634,543	30,551	49,132	16,841	23,339	–	883,729
– internal	–	–	–	–	–	–	–	–
Net investment gains								
– external	–	–	22,916	(63,820)	(13,598)	–	–	(54,502)
– internal	–	–	–	–	–	–	–	–
Other income								
– external	270	–	–	–	–	6,357	–	6,627
– internal	–	–	–	–	–	–	–	–
Total expenses	(460,228)	(538,492)	(187,914)	(3,243)	(26,755)	(220,006)	1,925	(1,434,713)
Operating profit/(loss)	71,115	97,161	70,083	(17,931)	39,682	(190,310)	(7,698)	62,102
Other gains/(losses), net								
– external	37	–	2,750	(96)	(248)	18,621	–	21,064
– internal	–	–	–	–	–	–	–	–
Share of losses of investments in associates	–	–	–	–	(2,203)	(9,311)	–	(11,514)
Profit/(Loss) before income tax	71,152	97,161	72,833	(18,027)	37,231	(181,000)	(7,698)	71,652
Total assets	5,360,314	9,240,650	1,036,678	2,920,801	1,621,604	2,191,474	(1,087,745)	21,283,776
Total liabilities	5,135,640	7,053,999	57,930	28,698	1,163,960	186,667	7,698	13,634,592
Supplemental information								
Investments in associates	–	–	–	–	14,732	98,830	–	113,562
Interest expense	25,863	373,910	7,620	7	1,283	–	(1,925)	406,758
Depreciation and amortisation	18,026	182	3,527	16	803	41,803	–	64,357
Impairment (losses)/reversal	–	(154,415)	74	–	639	(190)	–	(153,892)
Capital expenditure	28,028	–	8,518	399	4,280	40,994	–	82,219

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. Segment Analysis – continued

Year ended 31 December 2017

	Securities brokerage RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other business RMB'000	Elimination RMB'000	Total RMB'000
Total revenue, net gains and other income	727,760	482,636	250,216	217,754	76,129	52,742	(14,434)	1,792,803
Commission and fee income								
– external	568,728	–	166,490	–	58,595	–	–	793,813
– internal	–	–	14,434	–	–	–	(14,434)	–
Interest income								
– external	158,660	482,636	39,701	9,965	19,417	47,490	–	757,869
– internal	–	–	–	–	–	–	–	–
Net investment gains								
– external	–	–	29,591	207,789	(1,908)	–	–	235,472
– internal	–	–	–	–	–	–	–	–
Other income								
– external	372	–	–	–	25	5,252	–	5,649
– internal	–	–	–	–	–	–	–	–
Total expenses	(513,880)	(248,577)	(192,779)	10,362	(34,093)	(202,811)	2,894	(1,178,884)
Operating profit/(loss)	213,880	234,059	57,437	228,116	42,036	(150,069)	(11,540)	613,919
Other gains/(losses), net								
– external	(174)	–	1,596	–	2,166	(19,917)	–	(16,329)
– internal	–	–	–	–	–	–	–	–
Share of losses of investments in associates	–	–	–	–	(3,149)	(77,763)	–	(80,912)
Profit/(Loss) before income tax	213,706	234,059	59,033	228,116	41,053	(247,749)	(11,540)	516,678
Total assets	6,402,279	10,876,245	1,323,288	1,723,058	2,405,760	2,423,173	(1,087,805)	24,065,998
Total liabilities	6,292,781	7,835,454	272,103	48,772	1,790,282	222,494	11,540	16,473,426
Supplemental information								
Investments in associates	–	–	–	–	16,945	108,503	–	125,448
Interest expense	32,124	223,522	11,789	1,531	6,863	–	(1,479)	274,350
Depreciation and amortisation	24,201	1,585	2,225	578	2,514	26,049	–	57,152
Impairment (losses) reversal	(1)	(13,212)	(12,267)	19,700	(1,655)	70	–	(7,365)
Capital expenditure	16,627	24	2,559	14	65	41,323	–	60,612

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Commission and fee income

	2018	2017
	RMB'000	RMB'000
Securities brokerage	401,750	568,728
Underwriting and sponsorship ^(a)	123,163	118,104
Investment consultancy and financial advisory ^(a)	71,744	48,386
Asset management ^(b)	63,194	58,595
Others	1,110	—
	660,961	793,813

Note a: As at 31 December 2018, the Group's most contracts with customers have original expected duration of less than one year.

Note b: The Group provides asset management services in respect of various asset management schemes. Performance obligation is satisfied over the term of respective asset management schemes. Management fees of asset management schemes are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, management fees of asset management schemes can only be recognised when they are determinable based on actual performance measurement.

7. Interest income

	2018	2017
	RMB'000	RMB'000
Interest income from margin financing	288,671	322,669
Interest income from bank deposits	190,863	255,967
Interest income from financial assets held under resale agreements	404,195	179,233
	883,729	757,869

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

8. Net investment (losses)/gains

	2018 RMB'000	2017 RMB'000
Net realised gains from disposal of available-for sale financial assets	–	192,080
Dividends and interest income from available-for sale financial assets	–	23,968
Net realised (losses)/gains from disposal of financial assets		
at fair value through profit or loss	(53,809)	88,192
Distribution to interest holders of consolidated SEs	(41,822)	(139,206)
Dividends and interest income from financial assets		
at fair value through profit or loss	100,505	133,223
Net realised (losses)/gains from derivative financial instruments	(16,698)	1,231
Unrealised fair value change of financial instruments		
at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(43,409)	(11,030)
– Derivative financial instruments	(4,329)	(99)
– Financial liabilities at fair value through profit or loss	5,060	(52,887)
	(54,502)	235,472

9. Other income

	2018 RMB'000	2017 RMB'000
Rental income	6,106	5,420
Others	521	229
	6,627	5,649

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

10. Commission and fee expenses

	2018	2017
	RMB'000	RMB'000
Securities brokerage	107,128	150,493
Underwriting and sponsorship	94	2,212
Asset management	2,017	1,937
	109,239	154,642

11. Interest expense

	2018	2017
	RMB'000	RMB'000
Interest expense of bond in issue	349,966	209,546
Interest expense of financial assets sold under repurchase agreement	8,862	20,075
Interest expense of accounts payable to brokerage clients	25,910	32,232
Interest expenses of due to other financial institutions	22,020	12,497
	406,758	274,350

12. Staff costs (including directors' and supervisors' remuneration)

	2018	2017
	RMB'000	RMB'000
Salaries and bonus	340,455	335,458
Pension	72,509	68,131
Other social security	38,214	35,971
Labour union funds and employee education funds	6,371	7,576
Other welfares	19,530	19,527
	477,079	466,663

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

12. Staff costs (including directors' and supervisors' remuneration) – continued

12.1 The five highest paid individuals

For the year ended 31 December 2018, the five highest paid individuals do not include any of the directors or supervisors of the Company.

Details of the remuneration for the five highest paid individuals for the relevant year are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries allowances and other welfares	8,526	5,714
Bonus	4,231	18,811
	12,757	24,525

The remuneration of the five highest paid individuals by range:

	Number of Employees	
	2018	2017
HKD1,000,001 to HKD3,000,000	4	–
HKD3,000,001 to HKD5,000,000	1	4
HKD5,000,001 to HKD7,000,000	–	1
	5	5

The Group has not provided any compensations to any of the directors and supervisors of the Company or the five highest paid individuals as incentive for them to join the Group, rewarding for joining the Group or for leaving the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

12. Staff costs (including directors' and supervisors' remuneration) – continued

12.2 Directors' and supervisors' emoluments

The remuneration of directors and supervisors of the Company is set out below:

For the year ended 31 December 2018

Name	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
Executive Director							
Peng Yanbao (appointed on 16 June 2016)	–	600	29	43	89	235	996
Non-executive Directors							
Yao Zhiyong (Chairman) (appointed on 8 March 2017)	–	–	–	–	–	–	–
Hua Weirong (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhou Weiping (appointed on 16 June 2016)	–	–	–	–	–	–	–
Liu Hailin (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhang Weigang (appointed on 16 June 2016)	–	–	–	–	–	–	–
Wu Xingyu (appointed on 8 November 2018)	20	–	–	–	–	–	20
Chen Qingyuan (appointed on 16 June 2016 and retired on 8 November 2018)	100	–	–	–	–	–	100
Lee Pak Hay (appointed on 5 July 2016)	120	–	–	–	–	–	120
Lu Yuanzhan (appointed on 10 March 2017)	120	–	–	–	–	–	120
Supervisors							
Jiang Zhiqiang (appointed on 10 March 2017)	–	480	29	43	82	171	805
Zhou Weixing (appointed on 16 June 2016)	–	–	–	–	–	–	–
Ren Jun (appointed on 10 March 2017)	–	–	–	–	–	–	–
Sheng Yin (appointed on 16 June 2016)	–	127	27	37	25	65	281
Yu Lei (appointed on 16 June 2016)	–	170	29	43	38	100	380
	360	1,377	114	166	234	571	2,822

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

12. Staff costs (including directors' and supervisors' remuneration) – continued

12.2 Directors' and supervisors' emoluments – continued

For the year ended 31 December 2017

Name	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
Executive Directors							
Peng Yanbao (appointed on 16 June 2016)	–	600	27	40	71	235	973
Yao Zhiyong (Chairman) (appointed on 16 June 2016 and retired on 8 March 2017)	–	50	4	6	13	–	73
Non-executive Directors							
Yao Zhiyong(Chairman) (appointed on 8 March 2017)	–	–	–	–	–	–	–
Hua Weirong (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhou Weiping (appointed on 16 June 2016)	–	–	–	–	–	–	–
Liu Hailin (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhang Weigang (appointed on 16 June 2016)	–	–	–	–	–	–	–
Chen Qingyuan (appointed on 16 June 2016)	120	–	–	–	–	–	120
Lee Pak Hay (appointed on 5 July 2016)	120	–	–	–	–	–	120
Lu Yuanzhan (appointed on 10 March 2017)	90	–	–	–	–	–	90
Wang wei (appointed on 16 June 2016) and retired on 10 March 2017)	30	–	–	–	–	–	30
Supervisors							
Jiang Zhiqiang (appointed on 10 March 2017)	–	480	27	40	75	188	810
Zhou Weixing (appointed on 16 June 2016)	–	–	–	–	–	–	–
Ren Jun (appointed on 10 March 2017)	–	–	–	–	–	–	–
Sheng Yin (appointed on 16 June 2016)	–	132	27	40	21	90	310
Yu Lei (appointed on 16 June 2016)	–	171	27	40	28	140	406
	360	1,433	112	166	208	653	2,932

12. Staff costs (including directors' and supervisors' remuneration) – continued

12.2 Directors' and supervisors' emoluments – continued

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company. The non-executive directors' emoluments shown above were for their services as directors of the Company.

In addition to the directors' remuneration disclosed above, certain directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

12.3 Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

13. Depreciation and amortisation

	2018	2017
	RMB'000	RMB'000
Depreciation of property, plant and equipment	26,252	22,977
Amortisation of intangible assets	24,887	24,532
Amortisation of long-term prepaid expense	13,218	9,643
	64,357	57,152

14. Other operating expenses

	2018	2017
	RMB'000	RMB'000
Tax and surcharges	9,126	9,742
Rentals	69,667	59,168
Office expenses	22,772	17,910
Marketing and distribution expenses	17,430	18,535
Securities investors protection fund	10,556	18,634
Travelling expenses	17,121	22,152
Consulting expenses	8,217	9,789
Professional service expenses	7,937	7,647
Auditor's remuneration		
– audit services (Note)	2,766	1,860
Others	57,796	53,275
	223,388	218,712

Note: Auditor's remuneration for statutory audit of the Group for the year ended 31 December 2018 was included in auditor's remuneration (2017: the same). The statutory financial statements were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (2017: the same).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

15. Impairment losses (Reversal)

	2018	2017
	RMB'000	RMB'000
Available-for-sale financial assets	–	(5,920)
Margin accounts receivable	(4,815)	802
Accounts receivable and other receivables	185	124
Financial assets held under resale agreements	158,522	12,359
	153,892	7,365

16. Other gains/(losses), net

	2018	2017
	RMB'000	RMB'000
Foreign exchange gains/(losses)	13,605	(24,971)
Others	7,459	8,642
	21,064	(16,329)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

17. Income tax expense

	2018 RMB'000	2017 RMB'000
Current income tax expense		
– Mainland China	78,493	136,553
Deferred taxation		
– Mainland China (Note 28)	(57,429)	6,477
Income tax		
– Mainland China	21,064	143,030

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 Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	71,652	516,678
Tax calculated at applicable statutory tax rate of 25%	17,913	129,170
Income not subject to tax	(1,795)	(2,450)
Expense/loss not deductible for tax purposes	4,859	25,378
Adjustment in respect of prior years	87	(9,068)
	21,064	143,030

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

18. Profit attributable to non-controlling interests

	2018	2017
	RMB'000	RMB'000
Hua Ying Securities Co., Ltd.	—	12,156

Upon completion of the Company's acquisition of the 33.3% equity interest in Hua Ying Securities from RBS, Hua Ying Securities became a wholly-owned subsidiary of the Company. On 22 September 2017, Hua Ying Securities completed the business registration for the change of shareholders. As at 31 December 2018, there was no non-controlling interests for the Group.

19. Earnings per share

19.1 Basic earnings per share

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

	2018	2017
Profit attributable to shareholders of the Company (RMB'000)	50,588	361,492
Weighted average number of ordinary shares in issue (in thousand)	1,902,400	1,902,400
Basic earnings per share (in RMB)	0.03	0.19

19.2 Diluted earnings per share

For the year ended 31 December 2018, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share (2017: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

20. Dividends

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB0.05 (2017: Nil) per ordinary share, in an aggregate amount of RMB95,120 thousand (2017: Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting (2017: Nil).

Under the “Company Law” of the PRC, the Company’s Articles of Association and in accordance with the requirements of CSRC, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (1) Making up cumulative losses from prior years, if any;
- (2) 10% of the Company’s profit is appropriated to the non-distributable statutory surplus reserve;
- (3) 10% of the Company’s profit is appropriated to the non-distributable general reserve;
- (4) 10% of the Company’s profit is appropriated to the non-distributable transaction risk reserve;
- (5) 10% of the Company’s management fee income from the large aggregate asset management plan is appropriated to the non-distributable transaction risk reserve;
- (6) Appropriations to the discretionary surplus reserve with approval from the General Meeting of Shareholders. These funds form part of the shareholders’ equity.

In accordance with the relevant regulations, upon the occurrence of certain events, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (1) the retained earnings determined in accordance with the People’s Republic of China Generally Accepted Accounting Principles (“PRC GAAP”) and (2) the retained profit determined in accordance with IFRSs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

21. Property and equipment

	Buildings RMB'000	Motor vehicles RMB'000	Electronics and other equipment RMB'000	Total RMB'000
Cost				
1 January 2018	155,303	8,753	163,443	327,499
Additions	–	–	23,878	23,878
Disposals	–	(286)	(8,536)	(8,822)
31 December 2018	155,303	8,467	178,785	342,555
Accumulated depreciation				
1 January 2018	(89,599)	(8,215)	(131,086)	(228,900)
Additions	(5,530)	(355)	(20,367)	(26,252)
Disposals	–	286	7,763	8,049
31 December 2018	(95,129)	(8,284)	(143,690)	(247,103)
Carrying amount				
31 December 2018	60,174	183	35,095	95,452

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

21. Property and equipment – continued

	Buildings RMB'000	Motor vehicles RMB'000	Electronics and other equipment RMB'000	Total RMB'000
Cost				
1 January 2017	155,303	9,419	162,055	326,777
Additions	–	–	18,485	18,485
Disposals	–	(666)	(17,097)	(17,763)
31 December 2017	155,303	8,753	163,443	327,499
Accumulated depreciation				
1 January 2017	(84,069)	(8,102)	(129,034)	(221,205)
Additions	(5,530)	(746)	(16,701)	(22,977)
Disposals	–	633	14,649	15,282
31 December 2017	(89,599)	(8,215)	(131,086)	(228,900)
Carrying amount				
31 December 2017	65,704	538	32,357	98,599

For the year ended 31 December 2018, gains/(losses) from disposal of property and equipment amounted to RMB45 thousand (2017: RMB (226) thousand).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

22. Intangible assets

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
Cost			
1 January 2018	600	112,724	113,324
Additions	–	34,199	34,199
Disposals	–	(16,963)	(16,963)
31 December 2018	600	129,960	130,560
Accumulated amortisation			
1 January 2018	(400)	(86,342)	(86,742)
Additions	(60)	(24,827)	(24,887)
Disposals	–	16,963	16,963
31 December 2018	(460)	(94,206)	(94,666)
Carrying amount			
31 December 2018	140	35,754	35,894

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

22. Intangible assets – continued

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
Cost			
1 January 2017	600	105,224	105,824
Additions	–	23,489	23,489
Disposals	–	(15,989)	(15,989)
31 December 2017	600	112,724	113,324
Accumulated depreciation			
1 January 2017	(340)	(77,859)	(78,199)
Additions	(60)	(24,472)	(24,532)
Disposals	–	15,989	15,989
31 December 2017	(400)	(86,342)	(86,742)
Carrying amount			
31 December 2017	200	26,382	26,582

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

23. Principal subsidiaries

23.1 General information of principal subsidiaries

The following were principal subsidiaries of the Group as at 31 December 2018. The equity interests in these subsidiaries were all ordinary shares and directly held by the Company and the percentage of ownership held by the Group represented the voting rights of the Group. The registered addresses were also their business locations.

Name of subsidiary	Date of establishment	Place of Registration	Registered capital	Equity interests held by the Group		Principal
				31 December 2018	31 December 2017	
Hua Ying Securities Co., Ltd.	April 2011	Wuxi, PRC	800,000	100.00%	100.00%	Underwriting and sponsor
Guolian Tongbao Capital Investment Co., Ltd.	January 2010	Wuxi, PRC	200,000	100.00%	100.00%	Investment holding

23.2 Material non-controlling interests

On 6 July 2017, the Company entered into the Equity Transfer Agreement with The Royal Bank of Scotland plc ("RBS"), pursuant to which, the Company had agreed to acquire, and RBS had agreed to sell, 33.3% of the equity interest in Hua Ying Securities Co., Ltd. ("Hua Ying Securities").

Upon completion of the Company's acquisition of the 33.3% equity interest in Hua Ying Securities from RBS, Hua Ying Securities became a wholly-owned subsidiary of the Company. On 22 September 2017, Hua Ying Securities completed the business registration for the change of shareholders. The consideration for the acquisition is RMB354 million, and the consideration was paid by the Company in cash.

As at 31 December 2018, there was no non-controlling interests for the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

24. Investments in associates

Set out below are the associates of the Group as at 31 December 2018, which, in the opinion of the directors of the Company, are material to the Group. Investments in associates as listed below are held directly by the Company; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2018

	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Management method
Zhonghai Fund Management Co., Ltd.	China	33.41%	Note i	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.)	China	33.33%	Note ii	Equity

Note i: Zhonghai Fund Management Co., Ltd., invested by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

Note ii: Wuxi Guolian Lingxiang SME investment Company (L.P.) is a Limited Liability Partnership invested by Guolian Tongbao Capital Investment Co., Ltd, mainly operates in investment in small and medium enterprises.

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

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

	2018 RMB'000	2017 RMB'000
Balance at beginning of the year (Note)	125,076	219,256
Share of loss	(11,514)	(80,912)
Share of other comprehensive income	—	1,136
Dividend received	—	(14,032)
Balance at end of the year	113,562	125,448

Note: As at 1 January 2018, the net effects arising from the initial application of IFRS 9 resulted in a decrease in the carrying amounts of investments in associates of RMB372 thousand with corresponding adjustments to retained earnings and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

24. Investments in associates – continued

The results of the Group's principal associates, and their aggregated assets (including goodwill) and liabilities, are as follows:

Zhonghai Fund Management Co., Ltd.		
	2018	2017
	RMB'000	RMB'000
Carrying amount of total assets	396,153	707,745
Carrying amount of net assets	322,885	351,266
Amounts of the Group's share thereon	98,830	108,503
Loss for the year	(25,435)	(226,288)
Other comprehensive income	–	3,400
Amounts of the Group's share of loss for the year	(9,311)	(77,763)
Amounts of the Group's share of other comprehensive income	–	1,136

Wuxi Guolian Lingxiang SME Investment Company (L.P.)		
	2018	2017
	RMB'000	RMB'000
Carrying amount of total assets	44,187	50,850
Carrying amount of net assets	44,196	50,836
Amounts of the Group's share thereon	14,732	16,945
Loss for the year	(6,649)	(9,169)
Other comprehensive income	–	–
Amounts of the Group's share of loss for the year	(2,203)	(3,149)
Amounts of the Group's share of other comprehensive income	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

25. Other non-current assets

	2018	2017
Long-term prepaid assets:	RMB'000	RMB'000
Balance at beginning of the year	29,173	20,178
Additions	24,142	18,638
Amortisation	(13,218)	(9,643)
Balance at end of the year	40,097	29,173

26. Available-for sale financial assets

Non-current assets

	2017/12/31
	RMB'000
At cost	
Investments in unlisted companies	103,235
At fair value	
Debt instruments	15,922
Collective asset management schemes	41,947
	161,104
Analysed as	
Unlisted	161,104

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

26. Available-for sale financial assets – continued

Current assets

	2017/12/31 RMB'000
At fair value	
Equity securities	637,437
Investment funds	142,660
Collective asset management schemes	119,114
	899,211
Analysed as	
Listed in Hong Kong	259,358
Listed outside Hong Kong	472,091
Unlisted	167,762
	899,211

(1) As at 31 December 2017, available-for-sale financial asset for the Group included securities lent to clients of RMB17,148 thousand.

(2) As at 31 December 2017, the fair value of securities of the Group which have been placed as collateral is RMB142,499 thousand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

27. Financial assets held under resale agreements

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Non-current assets		
Analysed by asset type:		
– Equity securities	814,974	1,465,790
Less: Impairment allowance	(15,438)	(4,397)
	799,536	1,461,393
Analysed by market:		
– Shanghai Stock Exchange	29,716	841,458
– Shenzhen Stock Exchange	769,820	619,935
	799,536	1,461,393
Current assets		
Analysed by asset type:		
– Equity securities	4,928,900	3,721,455
– Debt securities	1,836,294	881,490
Less: Impairment allowance	(166,309)	(11,165)
	6,598,885	4,591,780
Analysed by market:		
– Interbank market	595,481	237,790
– Shanghai Stock Exchange	1,928,339	3,503,200
– Shenzhen Stock Exchange	4,075,065	850,790
	6,598,885	4,591,780

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

27. Financial assets held under resale agreements – continued

The Group received equity securities and debt securities as collaterals in connection with the purchase of assets under resale agreements. Certain of these collaterals can be resold or re-pledged. As at 31 December 2018, there is no collaterals accepted by the Group that can be resold or re-pledged for financial assets sold under repurchase agreement (31 December 2017: Nil).

The following table shows reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018 – As restated	19,139	4,086	–	23,225
Changes in the loss allowance:				
– Transfer to Stage 1	730	(730)	–	–
– Transfer to Stage 2	(3,609)	3,609	–	–
– Transfer to Stage 3	–	(4,623)	4,623	–
– Charged to profit or loss	580	8,780	149,162	158,522
As at 31 December 2018	16,840	11,122	153,785	181,747

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

27. Financial assets held under resale agreements – continued

The table below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

As at 31 December, 2018

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	6,030,017	1,131,236	418,915	7,580,168

28. Deferred income tax assets and liabilities

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

	2018/12/31 RMB'000	2017/12/31 RMB'000
Deferred tax assets	80,117	21,477
Deferred tax liabilities	(3,342)	–
	76,775	21,477

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

28. Deferred income tax assets and liabilities – continued

(2) The gross movements in deferred income tax assets during the year are as follows:

	Impairment losses RMB'000	Changes in fair value of financial assets at fair value through profit or loss RMB'000	Other RMB'000	Total RMB'000
As at 1 January 2017	34,662	–	21,162	55,824
(Charge)/credit to profit or loss	(15,676)	2,510	(8,196)	(21,362)
At 31 December 2017	18,986	2,510	12,966	34,462
Adjustment (Note 2)	(9,060)	6,119	–	(2,941)
As at 1 January 2018	9,926	8,629	12,966	31,521
Credit/(charge) to profit or loss	38,450	15,835	(4,248)	50,037
At 31 December 2018	48,376	24,464	8,718	81,558

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

28. Deferred income tax assets and liabilities – continued

(3) The gross movements in deferred income tax liabilities during the year are as follows:

	Changes in fair value of available-for- sale financial assets RMB'000	Changes in fair value of financial assets at fair value through profit or loss RMB'000	Changes in fair value of derivatives RMB'000	Other RMB'000	Total RMB'000
As at 1 January 2017	20,155	248	25	26,791	47,219
Credit to profit or loss	–	(248)	(25)	(14,612)	(14,885)
Credit to other comprehensive income	(19,349)	–	–	–	(19,349)
At 31 December 2017	806	–	–	12,179	12,985
Adjustment (Note 2)	(806)	–	–	(4)	(810)
As at 1 January 2018	–	–	–	12,175	12,175
Credit to profit or loss	–	3,902	–	(11,294)	(7,392)
At 31 December 2018	–	3,902	–	881	4,783

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

29. Refundable deposits

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	36,481	76,738
– Shenzhen Stock Exchange	21,736	27,645
– China Beijing Equity Exchange	400	1,907
Deposits to futures brokers		
– Guolian Futures Co., Ltd. ("Guolian Futures")	13,877	–
	72,494	106,290

30. Other current assets

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Interest receivable (Note i)	–	220,896
Accounts receivable (Note ii)	25,118	39,385
Prepaid expenses	20,105	31,048
Other receivables (Note iii)	13,659	19,122
Others	11,297	–
Less: Impairment allowance	(1,737)	(872)
	68,442	309,579

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

30. Other current assets – continued

Note i: Interest receivable

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Interest receivable from margin financing and financial assets held under resale agreements	-	156,955
Interest receivable from bonds	-	60,234
Interest receivable from deposits	-	3,707
	-	220,896

Since 1 January 2018, interests of financial instruments accrued based on effective interest method have been included in the carrying amount of corresponding financial instruments.

Note ii: Account receivable

The aging analysis of accounts receivable based on the date of rendering services is as follows:

	2018/12/31		2017/12/31	
	Amount	Impairment allowance	Amount	Impairment allowance
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	24,926	27	37,928	-
1 to 2 years	192	-	1,457	-
	25,118	27	39,385	-

In accordance with the requirements of IFRS 9, the group adopts a simplified method to measure the expected credit loss for account receivable, that is, the Group always recognizes lifetime ECL for account receivable.

Note iii: Other receivables

Other receivables of the Group mainly include refundable rental deposits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

30. Other current assets – continued

The table below details the credit risk exposures of the Group's other receivables, which are subject to ECL assessment.

As at 31 December, 2018

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	7,934	4,769	956	13,659

The following table shows reconciliation of loss allowances that has been recognised for other receivables.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018 – As restated	1,540	–	–	1,540
Changes in the loss allowance:				
– Transfer to Stage 1	–	–	–	–
– Transfer to Stage 2	(1,272)	1,272	–	–
– Transfer to Stage 3	–	(861)	861	–
– Charged to profit or loss	26	49	95	170
As at 31 December 2018	294	460	956	1,710

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

31. Margin accounts receivable

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Margin accounts receivable	2,963,836	4,623,242
Less: Impairment allowance	(10,019)	(13,901)
	2,953,817	4,609,341

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 31 December 2018, impairment allowance amounting to RMB10,019 thousand was provided (31 December 2017: RMB13,901 thousand).

Margin accounts receivable as at 31 December 2018 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB7,937,066 thousand (31 December 2017: RMB13,626,700 thousand).

The following table shows reconciliation of loss allowances that has been recognised for margin accounts receivable.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018 – As restated	1,946	340	12,644	14,930
Changes in the loss allowance:				
– Transfer to Stage 1	4	(4)	–	–
– Transfer to Stage 2	(198)	202	(4)	–
– Transfer to Stage 3	–	(88)	88	–
– Write-offs	–	–	(96)	(96)
– Charged to profit or loss	1,754	315	(6,884)	(4,815)
As at 31 December 2018	3,506	765	5,748	10,019

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

31. Margin accounts receivable – continued

The table below details the credit risk exposures of the Group's margin accounts receivable, which are subject to ECL assessment.

As at 31 December, 2018

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
Gross carrying amount	2,829,777	110,474	23,585	2,963,836

32. Financial assets at fair value through profit or loss

Non-current assets

	2018/12/31 RMB'000	2017/12/31 RMB'000
Financial assets mandatorily measured at fair value through profit or loss under IFRS 9		
Investment in unlisted companies	118,245	—
Debt instruments	13,811	—
Collective asset management schemes	26,956	—
Total non-current assets	159,012	—
Analysed as:		
Unlisted	159,012	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

32. Financial assets at fair value through profit or loss – continued

Current assets

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Financial assets held for trading		
Debt securities	–	2,120,482
Equity securities	–	69,693
Investment funds	–	121,862
	–	2,312,037
Financial assets designated at fair value through profit or loss		
Asset backed securities	–	50,000
	–	50,000
Financial assets mandatorily measured at fair value through profit or loss under IFRS 9		
Debt securities	1,744,022	–
Equity securities	702,125	–
Investment funds	307,061	–
Asset backed securities	23,657	–
Collective asset management schemes	50,053	–
Total current assets	2,826,918	–
	2,985,930	2,362,037

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

32. Financial assets at fair value through profit or loss – continued

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Analysed as:		
Financial assets held for trading		
Listed outside Hong Kong	–	2,312,037
	–	2,312,037
Financial assets designated at fair value through profit or loss		
Listed outside Hong Kong	–	50,000
	–	50,000
Financial assets mandatorily measured at fair value through profit or loss under IFRS 9		
Listed in Hong Kong	70,833	–
Listed outside Hong Kong	2,406,047	–
Unlisted	350,038	–
	2,826,918	–

As at 31 December 2018, the fair value of securities of the Group which have been placed as collateral was RMB10,515 thousand (31 December 2017: RMB716,237 thousand).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

33. Clearing settlement funds

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Clearing settlement funds held for clients	1,705,172	2,272,606
Proprietary clearing settlement funds	325,753	384,227
	2,030,925	2,656,833

34. Cash held for brokerage clients

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

35. Cash and bank balances

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Bank balances	1,378,661	1,952,059
	1,378,661	1,952,059

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

36. Share capital

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

	2018/12/31	2017/12/31
Issued and fully paid ordinary share of RMB1 each (in thousand)		
Domestic shares	1,459,760	1,459,760
H shares	442,640	442,640
	1,902,400	1,902,400
Share Capital (RMB'000)		
Domestic shares	1,459,760	1,459,760
H shares	442,640	442,640
	1,902,400	1,902,400

On 6 July 2015, the Company completed its initial public offering of 402,400 thousand H shares on the Main Board of the Hong Kong Stock Exchange.

The excess of RMB2,042,840 thousand over the par value of RMB402,400 thousand for the 402,400 thousand ordinary shares issued, net of the relevant incremental costs of RMB94,922 thousand directly contributed to the newly issued shares, was credited to "share premium".

According to the relevant PRC requirements, existing shareholders of the state-owned shares of the Company have converted an aggregate of 40,240 thousand shares into H shares on a one-for-one basis. Total amount of RMB253,995 thousand from the proceeds of such shares has been paid to the National Council for Social Security Fund of the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

37. Share premium and reserves

	Share Premium	Surplus reserve ⁽¹⁾	General reserve ⁽²⁾	Transaction risk reserve ⁽²⁾	Share of other Comprehensive Income of investments in associates	Available-for- sale Financial assets revaluation reserve ⁽³⁾	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	2,178,478	446,098	601,977	563,833	(152)	60,476	–	3,850,710
Amounts recognized in other comprehensive income	–	–	–	–	1,136	(58,046)	–	(56,910)
Appropriation to surplus reserve	–	39,523	–	–	–	–	–	39,523
Appropriation to general reserve	–	–	39,523	–	–	–	–	39,523
Appropriation to transaction risk reserve	–	–	–	39,523	–	–	–	39,523
Acquisition of non-controlling interests	–	–	–	–	–	–	(14,817)	(14,817)
As at 31 December 2017	2,178,478	485,621	641,500	603,356	984	2,430	(14,817)	3,897,552
Adjustment (Note 2)	–	–	–	–	(984)	(2,430)	–	(3,414)
As at 1 January 2018	2,178,478	485,621	641,500	603,356	–	–	(14,817)	3,894,138
Appropriation to surplus reserve	–	14,751	–	–	–	–	–	14,751
Appropriation to general reserve	–	–	14,840	–	–	–	–	14,840
Appropriation to transaction risk reserve	–	–	–	14,751	–	–	–	14,751
As at 31 December 2018	2,178,478	500,372	656,340	618,107	–	–	(14,817)	3,938,480

(1) Surplus reserve

Pursuant to the Company Law of the PRC, the Company's Articles of Association and resolutions of the Board, the Company is required to appropriate 10% of its profit net of the previous years' losses to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

37. Share premium and reserves – continued

(2) General reserve and transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Company appropriates 10% of its profit to the general risk reserve.

In accordance with the requirements of the CSRC's guidance about regulating financial institutions in the asset management business for collective asset management business of securities and interim measures on the supervision and administration of risk reserves of securities investment funds publicly raised, the Company appropriates 10% from its management fee income from the collective asset management schemes to the transaction risk reserve since November 2018.

(3) Available-for-sale financial assets revaluation reserve

Fair value changes of available-for-sale financial assets for other comprehensive income are as below:

	For the year ended 31 December 2017		
	Pre-tax amount	Income tax effect	After-tax net amount
	RMB'000	(Note 28) RMB'000	RMB'000
Balance at beginning of year	80,636	(20,160)	60,476
Changes in fair value for available-for-sale financial assets	122,284	(30,571)	91,713
Amounts reclassified to profit or loss upon disposal or impairment provision of available-for-sale financial assets	(199,679)	49,920	(149,759)
Balance at end of year	3,241	(811)	2,430

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. Bonds in issue

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Current		
Corporate bonds with fixed rate – 2018	–	500,000
Corporate bonds with fixed rate – 2019 ^(a)	800,000	–
Corporate bonds with fixed rate – 2019 ^(b)	500,000	–
Income certificates ^(c)	300,000	–
Income certificates ^(d)	620,000	2,320,000
Interest payable	153,522	–
	2,373,522	2,820,000
Non-Current		
Subordinated bonds with fixed rate – 2021 ^(e)	1,500,000	1,500,000
Corporate bonds with fixed rate – 2020 ^(f)	1,000,000	1,000,000
Corporate bonds with fixed rate – 2020 ^(g)	700,000	–
Corporate bonds with fixed rate – 2020 ^(h)	1,000,000	–
Corporate bonds with fixed rate – 2019	–	800,000
Corporate bonds with fixed rate – 2019	–	500,000
	4,200,000	3,800,000
	6,573,522	6,620,000

- (a) On 14 September 2017, the company issued RMB800,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.95% paid annually.
- (b) On 16 November 2017, the company issued RMB500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.30% paid annually.
- (c) On 18 April 2018, the company issued RMB300,000 thousand of income certificate with a term of 547 days and bore interest rates of 5.70% per annum paid at maturity.
- (d) As at 31 December 2018, income certificates were with a maturity ranging from 1 to 12 months and bore interest rates ranging from 4.00% to 5.10% per annum paid at maturity (As at 31 December 2017, income certificates were with a maturity ranging from 1 to 12 months and bore interest rates ranging from 4.50% to 5.75% per annum paid at maturity).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. Bonds in issue – continued

- (e) On 29 July 2016, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.89% paid annually.
- (f) On 24 August 2017, the company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 5.00% paid annually.
- (g) On 6 February 2018, the company issued RMB700,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.65% paid annually.
- (h) On 25 April 2018, the company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.60% paid annually.

39. Other current liabilities

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Salaries, bonus, allowances and benefits payable (Note 40)	120,731	157,882
Interest payable (Note)	–	103,080
Accounts payable	116,992	25,154
Other taxes payable	23,190	37,899
Securities investor protection fund	4,116	9,815
Others	21,550	21,572
	286,579	355,402

Note: Since 1 January 2018, interests of financial instruments accrued based on effective interest method have been included in the carrying amount of corresponding financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

40. Payroll and welfare

	1 January 2018 RMB'000	Current year charge RMB'000	Current year payment RMB'000	31 December 2018 RMB'000
Salaries and bonus	156,516	340,455	(377,251)	119,720
Pension	564	72,509	(72,509)	564
Other social security	470	38,214	(38,249)	435
Other welfare	325	19,530	(19,855)	–
Labour union funds and employee education funds	7	6,371	(6,366)	12
	157,882	477,079	(514,230)	120,731

	1 January 2017 RMB'000	Current year charge RMB'000	Current year payment RMB'000	31 December 2017 RMB'000
Salaries and bonus	254,161	335,458	(433,103)	156,516
Pension	577	68,131	(68,144)	564
Other social security	510	35,971	(36,011)	470
Other welfare	–	19,527	(19,202)	325
Labour union funds and employee education funds	13	7,576	(7,582)	7
	255,261	466,663	(564,042)	157,882

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

41. Contract liabilities

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Investment banking service fees received in advance	7,512	—

42. Due to other financial institutions

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Due to other financial institutions	—	600,000
	—	600,000

43. Derivative financial instruments

	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Futures contracts	—	—	—	—
Listed options	—	940	—	—
	—	940	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

43. Derivative financial instruments – continued

(1) Futures contracts

	31 December 2018		31 December 2017	
	Contractual	Fair	Contractual	Fair
	value	value	value	value
	RMB'000	RMB'000	RMB'000	RMB'000
SIF	126,151	(4,326)	–	–
Less: Cash paid as settlement		4,326		–
Net position of SIF contracts		–		–

The future contracts of the Group mainly represent stock index futures contracts. The Group settles its gains or losses on stock index futures (“SIF”) position on a daily basis, with the corresponding receipts and payments as at 31 December 2018 included in “clearing settlement funds” (31 December 2017: there is no such derivative financial instruments).

(2) Listed options

The listed options of the Group mainly represent exchange traded funds (“ETF”) options which were traded at Shanghai Stock Exchange. As at 31 December 2018, the intrinsic value of the outstanding ETF options amounted to RMB2,420 thousand. (As at 31 December 2017, there is no outstanding ETF options).

44. Financial assets sold under repurchase agreement

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Analysed by asset type		
– Debt securities	10,014	297,910

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

44. Financial assets sold under repurchase agreement – continued

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Analysed by market		
– Interbank market	10,014	187,410
– Shanghai Stock Exchange	–	110,500
	10,014	297,910

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Analysed by transaction type:		
– Pledged	10,014	297,910

As at 31 December 2018 and 2017, the fair value of the financial assets at fair value through profit or loss that had been placed as financial assets sold under repurchase agreements of the Group were listed as below:

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Pledged		
Financial assets at fair value through profit or loss	10,515	690,432

45. Financial liabilities at fair value through profit or loss

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Interests of other holders in consolidated SEs	1,151,165	1,707,115

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

46. Accounts payable to brokerage clients

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates. The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collaterals received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collaterals stipulated are repayable on demand.

As at 31 December 2018, cash collaterals received from clients for margin financing and securities lending arrangements amounted to RMB487,950 thousand (31 December 2017: RMB617,854 thousand), and are included in the Group's accounts payable to brokerage clients.

47. CASH AND CASH EQUIVALENTS

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

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Bank balances (Note)	1,378,661	1,952,059
Proprietary clearing settlement funds	325,753	384,227
Cash equivalents		
– Financial assets held under resale agreements with original maturity less than 3 months	1,565,139	707,000
	3,269,553	3,043,286

Note: Bank balances do not include interest receivable from deposits.

48. Transfer of financial assets

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

(1) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to clients for them to sell, for which the clients are required to provide collaterals that could fully cover the credit exposure of the securities lent, and have the obligation to return the securities to the Group in accordance with the contracts. In certain circumstances, if the securities increase or decrease in value, the Group may require additional collaterals from the clients or have to return part of the collaterals it holds to the clients. In these instances, the Group believes that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

(2) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of these securities.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

48. Transfer of financial assets – continued

(2) Repurchase agreements – continued

The following table analyses the carrying amount of the above mentioned financial assets transferred to the third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	2018/12/31		2017/12/31	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	18,251	(10,014)	690,432	(297,910)
Available-for-sale financial asset	–	–	17,148	–
	18,251	(10,014)	707,580	(297,910)

49. Commitments and contingent liabilities

(1) Capital commitments

As at 31 December 2018, the Group was not involved in any material capital commitments (31 December 2017: same).

(2) Operating lease commitments

Considering the Group as a lessee, the total future minimum lease payments of buildings under irrevocable operating lease arrangements are as follows:

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Within 1 year	71,406	50,735
1 to 3 years	83,069	110,945
Over 3 years	55,577	41,190
	210,052	202,870

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

49. Commitments and contingent liabilities – continued

(3) Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities. As at 31 December 2018, the Group was not involved in any material legal, arbitration or administrative proceedings which the Group expects would have significant adverse impact on its financial position and operating results, should unfavourable rulings have been handed down (31 December 2017: the same).

50. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds in issue RMB'000	Total RMB'000
At 1 January 2018	6,713,789	6,713,789
Financing cash flows		
– Additional bonds in issue	3,000,000	3,000,000
– Repayment of bonds in issue	3,200,000	3,200,000
– Interest paid	(290,233)	(290,233)
Non-cash changes		
– Interest expenses	349,966	349,966
At 31 December 2018	6,573,522	6,573,522

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

51. Related party transactions

51.1 Transactions and balances with the Company's controlling shareholder – Guolian Group

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as “Guolian Group” together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,000,000 thousand. As at 31 December 2018, Guolian Group directly held 28.59% of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in Company through its subsidiaries of Guolian Trust Co., Ltd. (“Guolian Trust”), Wuxi Guolian Municipal Electric Power Company (“Wuxi Electric”), Wuxi Yi Mian Textile Group Co., Ltd. (“Yi Mian Textile”), Wuxi Min Sheng Investment Co., Ltd. (“Min Sheng Investment”) and Wuxi Huaguang Boiler Co., Ltd. (“Wuxi Huaguang Boiler”).

Guolian Trust is the subsidiary of Guolian Group who directly held 65.85% of the equity interest. As at 31 December 2018, Guolian Trust held 20.51% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 31 December 2018, Wuxi Electric held 14.03% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 31 December 2018, Yi Mian Textile held 3.83% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 31 December 2018, Min Sheng Investment held 3.86% of the equity interest in the Company.

Wuxi Huaguang Boiler is the subsidiary of Guolian Group who directly held 72.11% of the equity interest. As at 31 December 2018, Wuxi Huaguang Boiler held 1.53% of the equity interest in the Company.

Transactions during the year

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Income from providing securities brokerage services	1,061	<1
Income from providing asset management services	89	1,869
Income from providing bond underwriting services	5,660	–
Rental expenses	–	1,075

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

51. Related party transactions – continued

51.1 Transactions and balances with the Company's controlling shareholder – Guolian Group – continued

Balances at the end of the year

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Cash held for brokerage clients	7,522	20,372
Accounts Receivable	–	20

In addition to the related party transactions above, the Company provided asset management services for Wuxi Guolian Development (Group) Co., Ltd. As at 31 December 2018, the assets under investment management amounted to approximately RMB67,473 thousand (31 December 2017: RMB131,876 thousand). For the year ended 31 December 2018, the asset management fee income was RMB89 thousand (31 December 2017: RMB1,869 thousand).

51.2 Other related party transactions and balances

The table below lists the Group's other significant related parties and the Group's major shareholders as at 31 December 2018.

Significant related legal entities	The relationship with the Group
Guolian Trust	Fellow subsidiary
Guolian Futures	Fellow subsidiary
Wuxi Huaguang Boiler	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Fellow subsidiary
Wuxi Guolian Investment Co., Ltd.	Fellow subsidiary
Guolian Life Insurance Company Limited	Associate invested by the controlling shareholder of the Company
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Wuxi State-Owned Assets Supervision and Administration Committee ("Wuxi SASAC")	Controlling shareholder of Guolian Group

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

51. Related party transactions – continued

51.2 Other related party transactions and balances – continued

Transactions during the year

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Income from providing securities brokerage services		
– Guolian Trust	3,600	1,258
– Zhonghai Fund Management Co., Ltd.	3,721	3,524
– Guolian Futures	398	632
– Others	838	641
Income from providing fund distribution services		
– Zhonghai Fund Management Co., Ltd.	213	226
Income from providing financial advisory services		
– Wuxi Huaguang Boiler	5,811	1,887
– Wuxi Guolian Investment Co., Ltd.	2,547	–
– Wuxi SASAC	19	236
– Others	1,049	697
Income from providing asset management services		
– Others	567	236
Income from providing securities underwriting services		
– Wuxi Huaguang Boiler	–	12,264
Rental income		
– Guolian Life Insurance Company Limited	3,525	2,784
– Guolian Futures	1,065	1,062
– Guolian Property Management	61	–
Rental expense		
– Guolian Xincheng	12,054	11,642
– Guolian Life Insurance Company Limited	1,495	358
– Others	1,071	756
Expense for receiving services		
– Guolian Property Management	2,554	2,121
– Guolian Futures	620	494
– Others	287	147

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

51. Related party transactions – continued

51.2 Other related party transactions and balances – continued

Balances at the end of the year

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Accounts payable		
– Guolian Futures	80	80
– Guolian Life Insurance Company Limited	1,903	408
Accounts receivable		
– Others	–	8
Other receivable		
– Guolian Xincheng	611	–
Clearing settlement funds		
– Guolian Futures	33,797	15,732
Refundable deposits		
– Guolian Futures	13,877	–
Cash held for brokerage clients		
– Others	14,830	13,079

In addition to the related party transactions above, the Company provided asset management services for other related parties. As at 31 December 2018, the assets under investment management for other related party amounted to approximately RMB685,676 thousand (31 December 2017: RMB89,358 thousand). For the year ended 31 December 2018, the asset management fee income was RMB567 thousand (2017: RMB236 thousand).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

51. Related party transactions – continued

51.3 Key management personnel

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

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Short term employee benefits	5,604	6,525
Post-employment benefits	813	907
	6,417	7,432

52. Financial risk management

52.1 Summary

The Group's risk management objective is to establish a sound risk management system and effective management mechanism to ensure that the risk is controlled under a tolerable level, achieve a sustainable development and reduce the uncertainty of achieving business plans.

Based on the risk management objective, the Group's risk management strategy is to identify and analyse various risks faced by the Group, establish an appropriate risk tolerance bottom line for risk management and measure, monitor, report and respond to various risks in a timely and reliable manner to control risks within the limits set by the Group.

The risks involved in the daily operations of the Group mainly include credit risk, market risk and liquidity risk. The Group has established policies and procedures to identify and analyse these risks, and to set appropriate indicators, limits, policies and internal control processes to manage these risks through continuous monitoring by information systems.

The directors of the Company are ultimately responsible for the Group's risk management, and the risk control committee under the authority is responsible for the Group's risk management; the senior management of the Company assumes responsibility for organizing the implementation of comprehensive risk management in the daily operation, and authorizes the chief risk officer to lead and organise comprehensive risk management work; The Company's departments responsible for risk management include the compliance risk control department and functional departments. These departments are responsible for the establishment of the Group's risk management system, identifying and assessing the risks faced by the Group's business activities, monitoring daily risk level, conducting inspection and evaluation, and raising recommendation for improvements. The compliance risk control department supervises, evaluates and reports on the relevant work of the functional departments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.2 Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating. The Group's credit risks mainly come from financial assets which include bank balances, cash held for brokerage clients, clearing settlement funds, financial assets at fair value through profit or loss, financial assets held under resale agreements, margin accounts receivable, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited ("CSDCC"), with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or CSDCC, the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with acceptable credit rating. The Group invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on the coverage ratio of margin loans to underlying collaterals to ensure that the value of collateral assets is sufficient to cover the risk exposure. As at 31 December 2018, the Group's collateral value is sufficient to mitigate the credit risk in margin financing.

In terms of the Group's investment in debt instruments, the Group assesses the borrowers' business performance, repayment ability, and industrial outlook before making investment decisions, and renews the credit status of borrowers at least annually.

52. Financial risk management – continued

52.2 Credit risk – continued

Expected credit loss

Since 1 January 2018, the group has applied the ECL model to measure the expected credit losses for applicable financial asset.

The group has used the “3 stage” ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition.

- An asset moves to stage 1 where there has low risk of default or has not been a significant increase in credit risk and that are not credit impaired. The group will continuously monitor its credit risk.
- An asset moves to stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The group does not see it as an impairment loss occurred instrument.
- An asset moves to stage 3 when impairment losses occurred.
- The loss impairment for financial instruments in Stage 1 is anticipated credit losses for the next 12 months, which correspond to the amount of anticipated credit losses for the entire life time resulting from possible defaults within the next 12 months. In the second or third stage, the expected credit losses of financial instruments are measured for the entire life time and the expected credit losses are recorded.
- Financial assets purchased or incurred credit impairment refer to those with credit impairment since initial recognition. The loss of these assets is measured as the expected credit loss for the entire life time.

The factors the group considers whether credit risk increases significantly refer to Note 4. In particular, for margin accounts receivable and financial assets held under resale agreement, the group generally believes that when the the coverage ratio of risk exposure to underlying collateral reaches the warning line, the credit risk increases significantly and needs to be transferred to “stage 2”, and when the coverage ratio reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to “stage 3”.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.2 Credit risk – continued

Expected credit loss – continued

The Group uses Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) to measure credit risks.

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life.
- LGD is an estimate of the loss arising on default.

The expected credit losses are measured based on the probability weighted results of Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

During the year ended 31 December 2018, no significant changes were made in the estimated technology or key assumptions.

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility. Estimates of the predicted values and the likelihood of occurrence are highly inherently uncertain, so the actual results may differ significantly from the predictions. The Group believes that these projections reflect the best estimate of the group's possible results.

The Group has classified exposures with similar risk characteristics when calculating expected credit loss impairment in a portfolio. During the classification, the group obtained sufficient information to ensure its statistical reliability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.2 Credit risk – continued

Expected credit loss – continued

The Group's ECL allowance of financial instruments according to the stage of ECL are as follows:

Impairment and loss allowance	2018/12/31			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Margin accounts receivable	3,506	765	5,748	10,019
Financial assets held under resale agreements	16,840	11,122	153,785	181,747
Other receivables	294	460	956	1,710
Total	20,640	12,347	160,489	193,476

In accordance with the requirements of IFRS 9, the group adopts a simplified method to measure the expected credit loss for account receivable, that is, the Group always recognizes lifetime ECL for account receivable. As at 31 December 2018, the gross carrying amount of account receivable is RMB25,118, less impairment allowance of RMB27.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.2 Credit risk – continued

Expected credit loss – continued

The Group's credit risk also arises from the securities. If a customer fails to deposit sufficient trading funds, the Group may use their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before they settle on behalf of customers, so as to mitigate and manage the credit risk properly.

(1) *Maximum credit risk exposure*

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Refundable deposits	72,494	106,290
Other current assets	37,040	276,848
Margin accounts receivable	2,953,817	4,609,341
Available-for sale financial assets	–	15,922
Financial assets held under resale agreements	7,398,421	6,053,173
Financial assets at fair value through profit or loss		
– Debt securities	1,744,022	2,120,482
– Asset Backed Securities	23,657	50,000
– Debt instrument	13,811	–
Clearing settlement funds	2,030,925	2,656,833
Cash held for brokerage clients	4,027,017	4,655,092
Bank balances	1,381,608	1,952,059
	19,682,812	22,496,040

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.2 Credit risk – continued

Expected credit loss – continued

(2) Credit rating of debt investment

The Group monitors the credit risk profile of the debt securities portfolio held based on credit ratings, which are obtained from major rating agencies in the PRC where debt issuers are located.

	Financial assets at fair value through profit or loss RMB'000	Available-for- sale financial assets RMB'000
31 December 2018		
AAA	174,752	–
AA– to AA+	1,211,878	–
A– to A+	83,967	–
Unrated	310,893	–
	1,781,490	–
31 December 2017		
AAA	68,349	–
AA– to AA+	1,430,800	–
A– to A+	159,301	–
Unrated	512,032	15,922
	2,170,482	15,922

52.3 Market risk

Summary

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.3 Market risk – continued

52.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through optimising the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other. The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual repricing dates or their maturity dates (whichever are earlier):

As at 31 December 2018	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Financial assets						
Refundable deposits	-	-	-	-	72,494	72,494
Other current assets	-	-	-	-	37,040	37,040
Margin accounts receivable	952,396	2,001,421	-	-	-	2,953,817
Financial assets held under resale agreements	3,204,687	3,394,198	799,536	-	-	7,398,421
Financial assets at fair value through profit or loss	129,913	354,477	1,144,679	100,035	1,256,826	2,985,930
Clearing settlement funds	2,030,925	-	-	-	-	2,030,925
Cash held for brokerage clients	4,027,017	-	-	-	-	4,027,017
Cash and bank balances	1,381,608	-	-	-	-	1,381,608
	11,726,546	5,750,096	1,944,215	100,035	1,366,360	20,887,252
Financial liabilities						
Bonds in issue	(326,165)	(1,930,452)	(4,316,905)	-	-	(6,573,522)
Other current liabilities	-	-	-	-	(142,658)	(142,658)
Derivative financial liabilities	-	-	-	-	(940)	(940)
Financial assets sold under repurchase agreement	(10,014)	-	-	-	-	(10,014)
Financial liabilities at fair value through profit or loss	-	-	-	-	(1,151,165)	(1,151,165)
Accounts payable to brokerage clients	(5,594,621)	-	-	-	-	(5,594,621)
	(5,930,800)	(1,930,452)	(4,316,905)	-	(1,294,763)	(13,472,920)
Interest rate sensitivity gap	5,795,746	3,819,644	(2,372,690)	100,035	71,597	7,414,332

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.3 Market risk – continued

52.3.1 Interest rate risk – continued

As at 31 December 2017	Within 3 month RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Financial assets						
Refundable deposits	–	–	–	–	106,290	106,290
Other current assets	–	–	–	–	276,848	276,848
Margin accounts receivable	1,359,224	3,250,117	–	–	–	4,609,341
Available-for-sale financial assets	–	15,922	–	–	1,044,393	1,060,315
Financial assets held under resale agreements	1,789,207	2,802,572	1,461,394	–	–	6,053,173
Financial assets at fair value through profit or loss	243,013	488,994	1,264,925	173,550	191,555	2,362,037
Clearing settlement funds	2,656,833	–	–	–	–	2,656,833
Cash held for brokerage clients	4,655,092	–	–	–	–	4,655,092
Cash and bank balances	1,822,059	130,000	–	–	–	1,952,059
	12,525,428	6,687,605	2,726,319	173,550	1,619,086	23,731,988
Financial liabilities						
Bonds in issue	(670,000)	(2,150,000)	(3,800,000)	–	–	(6,620,000)
Other current liabilities	–	–	–	–	(157,843)	(157,843)
Due to other financial institutions	(300,000)	(300,000)	–	–	–	(600,000)
Financial assets sold under repurchase agreement	(297,910)	–	–	–	–	(297,910)
Financial liabilities at fair value through profit or loss	–	–	–	–	(1,707,115)	(1,707,115)
Accounts payable to brokerage clients	(6,879,052)	–	–	–	–	(6,879,052)
	(8,146,962)	(2,450,000)	(3,800,000)	–	(1,864,958)	(16,261,920)
Interest rate sensitivity gap	4,378,466	4,237,605	(1,073,681)	173,550	(245,872)	7,470,068

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.3 Market risk – continued

52.3.1 Interest rate risk – continued

Sensitivity analysis

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit and equity for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of the reporting period.

The sensitivity analysis on net profit and equity is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

	2018/12/31 RMB'000	2017/12/31 RMB'000
Net profit and equity		
Increase by 25 bps	16,262	13,581
Decrease by 25 bps	(16,236)	(13,525)

52. Financial risk management – continued

52.3 Market risk – continued

52.3.1 Interest rate risk – continued

Sensitivity analysis – continued

When conducting interest rate sensitivity analysis, the Group makes the following general assumptions in determining commercial terms and financial parameters:

- different interest-bearing assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- all assets and liabilities are repriced in the middle of relevant period;
- analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;
- impact of interest rate changes on customer behaviors not considered;
- interest rate of demand deposits moving in the same direction and extend; and
- necessary measures that may be adopted by the Group in response to interest rate changes not considered.

52.3.2 Currency risk

The Group operates principally in the PRC. The majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk

As at 31 December 2018, other than deposits with banks denominated in US dollar and Hong Kong dollar totalling RMB369,480 thousand (31 December 2017: RMB358,924 thousand), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should foreign currencies had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB3,695 thousand lower/higher for the year ended 31 December 2018 (2017: RMB3,589 thousand).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.3 Market risk – continued

52.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, exchangeable bonds, derivatives, collective asset management schemes and investment in a segregated managed account whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

Sensitivity analysis

The analysis below shows the impact on profit after income tax and equity due to change in the prices of financial assets, including stocks, funds, derivatives, collective asset management schemes and investment, in a segregated managed account by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit after income tax and shareholders' equity, while a negative result indicates otherwise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.3 Market risk – continued

52.3.3 Price risk – continued

Sensitivity analysis – continued

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Profit after income tax		
Increase by 10%	99,307	14,367
Decrease by 10%	(99,307)	(14,367)
Equity		
Increase by 10%	–	78,329
Decrease by 10%	–	(78,329)

52.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, large underwriting on a firm commitment basis, significant proprietary trading position, or an overly high ratio of long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be subject to penalties by the regulatory authorities in the form of restrictions on the Group's business operations, which would cause adverse impact on the Group's operations and reputation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.4 Liquidity risk – continued

The Group manages and controls its funds in a centralised manner. The Company's liquidity risk management principles are comprehensiveness, prudence and foreseeability and its overall objective is to build a sound liquidity risk management system so that it can effectively recognise, measure, monitor and control liquidity risk and ensure that its liquidity needs can be met timely with a reasonable cost. The Group's financial department organises and prepares the cash budget annually and make the financing plan based on the cash budget. Under the approval of the Company, the funds will be raised, scheduled and arranged uniformly in order to ensure the unity of funds demand and cost of the capital control.

Under the approval by the investment decision committee, the financial department confirm the scale and the structure for a high quality liquid assets reserve, by analysing the condition of the Company's business scale, total liability, financing ability, and duration of the asset and liability prudently, so that the liquidity and the risk resistance can be accordingly improved.

The Group invests surplus cash in negotiable bank deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at 31 December 2018 the Group held cash and cash equivalents of approximately RMB3,269,553 thousand (31 December 2017: RMB3,043,286 thousand) that is expected to readily generate cash inflows for managing liquidity risk. In addition, the Group held financial assets at fair value through profit or loss amounted to RMB2,826,918 thousand which was presented as current assets as at 31 December 2018 (31 December 2017: RMB2,312,037 thousand), and could be realised within one year to provide a further source of cash if the need arose.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.4 Liquidity risk – continued

The tables below present the cash flows payable by the Group for non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

As at 31 December 2018	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Over due/ Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities								
Other current liabilities	-	124,129	1,593	7,905	4,532	4,499	-	142,658
Bonds in issue	-	122,645	244,815	854,802	5,762,250	-	-	6,984,512
Financial assets sold under repurchase agreement	-	10,033	-	-	-	-	-	10,033
Financial liabilities at fair value through profit or losses	513,395	-	-	430,120	8,559	-	199,091	1,151,165
Accounts payable to brokerage clients	5,594,621	-	-	-	-	-	-	5,594,621
	6,108,016	256,807	246,408	1,292,827	5,775,341	4,499	199,091	13,882,989
Derivative financial instruments settled on a gross basis								
Total outflow	940	-	-	-	-	-	-	940
	940	-	-	-	-	-	-	940

As at 31 December 2017	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years	Over due/ Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities								
Other current liabilities	-	30,400	2,531	8,239	5,105	8,488	-	54,763
Bonds in issue	-	307,562	378,621	2,416,893	4,199,500	-	-	7,302,576
Due to banks and other financial institutions	-	307,735	-	307,735	-	-	-	615,470
Financial assets sold under repurchase agreement	-	298,472	-	-	-	-	-	298,472
Financial liabilities at fair value through profit or losses	491,018	-	-	769,789	15,067	-	431,241	1,707,115
Accounts payable to brokerage clients	6,879,052	-	-	-	-	-	-	6,879,052
	7,370,070	944,169	381,152	3,502,656	4,219,672	8,488	431,241	16,857,448

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. Financial risk management – continued

52.5 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- The ratio of core net capital divided by total assets shall be no less than 8%;
- The ratio of quality current assets divided by net cash used in next thirty days shall be no less than 100%;
- The ratio of stable funding available divided by stable funding required shall be no less than 100%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

53. Fair value of financial assets and liabilities

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

53.1 Financial instruments not measured at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statement of consolidated financial position approximate their fair values.

For financial instruments with a short maturity, including cash and bank balances, cash held for brokerage clients, clearing settlement funds, margin accounts receivable, financial assets held under resale agreements, due to other financial institutions, financial assets sold under repurchase agreements and accounts payable to brokerage clients, their fair value approximate their carrying amounts.

In accordance with the related regulations, the Group can put or redeem its refundable deposits with Stock Exchanges, Futures and Commodities Exchanges and China Securities Finance Corporation Limited. The Group assesses the fair value of refundable deposits approximates the carrying amount.

The aggregate fair value of bonds in issue is calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

53.2 Financial instruments measured at fair value

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. Fair value of financial assets and liabilities – continued

53.2 Financial instruments measured at fair value – continued

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018 and 2017.

Financial assets/liabilities	As at 31 December 2018	As at 31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss				
– Listed debt securities	1,744,022	2,120,482	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates at rates that reflects the credit risk of counterparty.
– Asset backed securities	23,657	50,000	Level 3	Discounted future cash flow estimated based on expected recoverable amounts at rates that reflect management's best estimation of the expected risk level.
– Equity securities and funds traded on stock exchanges	663,045	191,555	Level 1	Quoted bid price in an active market.
– Equity securities listed on National Equities Exchange and Quotation	39,080	–	Level 2	Recent transaction prices.
– Investment funds	7,076	–	Level 1	Quoted bid price in an active market.
– Investment funds	299,985	–	Level 2	Net asset value as published by the fund manager.
– Collective asset management schemes	4,065	–	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Collective asset management schemes	72,944	–	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Debt instruments	13,811	–	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.
– Unlisted equity investments	118,245	–	Level 3	an adjustment or discount for lack of marketability calculated by using asset-based approach or market approach.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. Fair value of financial assets and liabilities – continued

53.2 Financial instruments measured at fair value – continued

Financial assets/liabilities	As at 31 December 2018	As at 31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial instruments				
– Listed options liabilities	(940)	–	Level 1	Quoted bid prices in an active market.
Available-for-sale financial assets				
– Equity securities traded on stock exchanges	–	588,788	Level 1	Quoted bid prices in an active market.
– Equity securities listed on National Equities Exchange and Quotation	–	48,649	Level 2	Recent transaction prices.
– Investment funds	–	142,660	Level 1	Quoted bid prices in an active market.
– Collective asset management schemes	–	65,902	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Collective asset management schemes	–	95,159	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Debt instruments	–	15,922	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.
Financial liabilities at fair value through profit or loss	(1,151,165)	(1,707,115)	Level 3	Calculated based on the fair value of the underlying investments with fair value hierarchy categorized as level 3 for which an adjustment or discount for lack of marketability is applied.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. Fair value of financial assets and liabilities – continued

53.2 Financial instruments measured at fair value – continued

As at 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	663,045	39,080	118,245	820,370
– Debt securities	–	1,744,022	13,811	1,757,833
– Investment funds	7,076	299,985	–	307,061
– Collective asset management schemes	–	72,944	4,065	77,009
– Asset backed securities	–	–	23,657	23,657
	670,121	2,156,031	159,778	2,985,930
Liabilities				
Derivative financial liabilities	(940)	–	–	(940)
Financial liabilities at fair value through profit or loss	–	–	(1,151,165)	(1,151,165)
	(940)	–	(1,151,165)	(1,152,105)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. Fair value of financial assets and liabilities – continued

53.2 Financial instruments measured at fair value – continued

As at 31 December 2017	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	69,693	–	–	69,693
– Debt securities	–	2,120,482	–	2,120,482
– Investment funds	121,862	–	–	121,862
– Asset backed securities	–	–	50,000	50,000
Available-for-sale financial assets				
– Equity securities	588,788	48,649	–	637,437
– Collective asset management schemes	–	65,902	95,159	161,061
– Debt instrument	–	–	15,922	15,922
– Investment funds	142,660	–	–	142,660
	923,003	2,235,033	161,081	3,319,117
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	(1,707,115)	(1,707,115)
	–	–	(1,707,115)	(1,707,115)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. Fair value of financial assets and liabilities – continued

53.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2018 and 2017.

	Financial assets at fair value through profit or loss – Collective asset Management scheme RMB'000	Financial assets at fair value through profit or loss – Debt instruments RMB'000	Financial assets at fair value through profit or loss – Unlisted equity investments RMB'000	Financial assets at fair value through profit or loss – Asset Backed Securities RMB'000
Balance at 1 January 2018	95,159	15,922	121,134	50,585
Fair value change	(12,231)	882	5,031	–
Increase	–	–	–	8,237
Decrease	(78,863)	(2,993)	(7,920)	(35,165)
Balance at 31 December 2018	4,065	13,811	118,245	23,657
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the year under "Net investment gains"	(8,112)	910	911	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. Fair value of financial assets and liabilities – continued

53.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3 – continued

	Available-for-sale financial assets- Collective asset Management scheme	Available-for-sale financial assets - Debt instruments	Financial assets at fair value through profit or loss - Debt securities	Financial assets at fair value through profit or loss - Equity securities traded on stock exchanges with lock-up periods	Financial assets at fair value through profit or loss - Asset Backed Securities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	267,119	72,305	36,478	92,470	50,190
Fair value change	(11,517)	24,125	751	(3,557)	–
Increase	6,460	–	–	–	–
Decrease	(166,903)	(80,508)	(37,229)	(88,913)	(190)
Balance at 31 December 2017	95,159	15,922	–	–	50,000
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the year under "Net investment gains"/ "impairment losses"	–	24,125	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. Fair value of financial assets and liabilities – continued

53.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3 – continued

Financial liabilities at fair value through profit or loss RMB'000	
Balance at 1 January 2018	1,707,115
Consolidation of SEs	
Gains recognized in profit or loss	36,762
Purchase/issue	47,710
Settlements	(640,422)
Balance at 31 December 2018	1,151,165
Change in unrealized gains or losses for the year include in profit or loss for liabilities held at the end of the year under "Net investment gains"	5,060
Financial liabilities at fair value through profit or loss RMB'000	
Balance at 1 January 2017	1,787,478
Consolidation of SEs	100,000
Gains recognized in profit or loss	192,093
Purchase/issue	88,628
Settlements	(461,084)
Balance at 31 December 2017	1,707,115
Change in unrealized gains or losses for the year include in profit or loss for liabilities held at the end of the year under "Net investment gains"	80,417

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. Fair value of financial assets and liabilities – continued

53.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3 – continued

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Asset backed securities	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Expected future cash flow. - Discount rates that correspond to the expected risk level.	- The higher the future cash flow, the higher the fair value. - The lower the discount rate, the higher the fair value
Financial assets at fair value through profit or loss – Unlisted equity investments	Level 3	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability.	- Investee's assets and liabilities value or primary financial performance indicators. - Comparable listed companies' PE or PB ratios - Discount rates that correspond to lack of marketability.	- The higher the value of investee's assets after deduction of liabilities, the higher the fair value. The higher of investee's financial performance indicators, the higher the fair value. - The higher the value of comparable listed companies' PE or PB ratios, the higher the fair value. - The lower the discount rate, the higher the fair value.
Financial liabilities at fair value through profit or loss	Level 3	Calculated based on the fair value of the underlying investments with fair value hierarchy categorized as level 3 for which an adjustment or discount for lack of marketability is applied.	- Expected fair value of the underlying investments. - Discount rates that correspond to lack of marketability.	The higher the fair value of the underlying investments, the higher the fair value.
Financial assets at fair value through profit or loss – Debt instruments	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Expected future cash flow. - Discount rates that correspond to the expected risk level.	- The higher the future cash flow, the higher the fair value. - The lower the discount rate, the higher the fair value
Financial assets at fair value through profit or loss – Collective asset management scheme	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.	- Expected fair value of the underlying investments. - Discount rates that correspond to lack of marketability.	- The higher the fair value of the underlying investments, the higher the fair value. - The lower the discount rate, the higher the fair value

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

54. Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting agreements:

As at 31 December 2018					Net amount of
	Gross amounts of recognised financial assets RMB'000	Gross amounts of recognised financial liabilities RMB'000	Net amounts of financial assets/ (liabilities) RMB'000	Cash paid as settlement RMB'000	Financial assets/ (liabilities) presented in the statements of financial position RMB'000
Derivative financial instruments	–	4,326	(4,326)	4,326	–

The Group has entered into master netting arrangements with counterparties for the future contracts and also with clearing house for un-settled trades.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement, margin accounts receivable and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

55. Unconsolidated structured entities

Unconsolidated structured entities of the Group mainly include collective and targeted asset management schemes managed by the Group, and investment funds which the Group invests in but does not act as a manager.

Except for the structured entities that the Group has consolidated as detailed in Note 23, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group did not consider itself being the principal and consequently did not consolidate these structured entities.

The total assets of unconsolidated collective and targeted asset management schemes managed by the Group amounted to RMB22,577,706 thousand as at 31 December 2018 (31 December 2017: RMB23,954,502 thousand).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

55. Unconsolidated structured entities – continued

As at 31 December 2018, the interests in unconsolidated structured entities held by the Group included collective asset management schemes and investment funds that were classified as financial assets at fair value through profit or loss. As at 31 December 2017, the interests in unconsolidated structured entities held by the Group included collective asset management schemes and investment funds that were classified as available-for-sale financial assets or financial assets at fair value through profit or loss. The related carrying amounts and the maximum exposure were as follows:

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Available-for-sale financial assets	–	303,721
Financial assets at fair value through profit or loss	407,727	171,862
	407,727	475,583

For the years ended 31 December 2018 and 2017, the income from these unconsolidated structured entities held and/or managed by the Group was as follows:

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Net investment gains	16,456	18,550
Fee and commission income	63,194	58,595
	79,650	77,145

For the year ended 31 December 2018, the Group did not provide and had no plan to provide financial support to these unconsolidated structured entities (2017: no).

56. Subsequent events

Profit distribution resolution

On 27 March 2019, the board of directors of the Company proposed a profit distribution resolution, cash dividend of RMB0.5 per 10 shares (inclusive of tax) was distributed to all holders of domestic shares and H Shares whose names appear on the register of members of the Company on the record date. The total cash dividends to be distributed would be RMB95,120 thousand on the basis of a total share capital of 1,902,400 thousand domestic shares and H Shares in issue. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2018 and up to the date of approval of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

57. Statement of financial position and reserve movement of the company

Statement of financial position of the Company

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Assets		
Non-current assets		
Property and equipment	93,029	96,599
Intangible assets	35,754	26,382
Investments in subsidiaries	1,087,600	1,087,600
Investments in consolidated structured entities	146,127	241,267
Investment in associates	98,830	108,503
Other non-current assets	33,184	26,409
Available-for-sale financial investments	–	131,869
Financial assets held under resale agreements	799,536	1,461,393
Financial assets at fair value through profit or loss	128,682	–
Deferred income tax assets	83,923	36,771
Refundable deposits	72,074	105,840
Total non-current assets	2,578,739	3,322,633
Current assets		
Other current assets	43,371	230,237
Available-for-sale financial assets	–	645,547
Margin accounts receivable	2,953,817	4,609,341
Financial assets held under resale agreements	6,330,385	4,407,290
Financial assets at fair value through profit or loss	1,324,811	380,162
Clearing settlement funds	2,029,140	2,651,397
Cash held for brokerage clients	4,027,017	4,655,092
Cash and bank balances	676,682	910,263
Total current assets	17,385,223	18,489,329
Total assets	19,963,962	21,811,962

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

57. Statement of financial position and reserve movement of the company – continued

Statement of financial position of the Company – continued

	2018/12/31	2017/12/31
	RMB'000	RMB'000
Equity and liabilities		
Share capital	1,902,400	1,902,400
Share premium	2,177,342	2,177,342
Reserves	1,774,819	1,726,603
Retained earnings	1,704,766	1,607,049
Total equity	7,559,327	7,413,394
Liabilities		
Non-current liabilities		
Bond in issue	4,185,051	3,780,368
Total non-current liabilities	4,185,051	3,780,368
Current liabilities		
Other current liabilities	243,280	305,299
Current income tax liabilities	6,897	13,849
Bonds in issue	2,370,719	2,820,000
Contract liabilities	3,127	–
Derivative financial liabilities	940	–
Accounts payable to brokerage clients	5,594,621	6,879,052
Due to banks and other financial institutions	–	600,000
Total current liabilities	8,219,584	10,618,200
Total liabilities	12,404,635	14,398,568
Total equity and liabilities	19,963,962	21,811,962

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

57. Statement of financial position and reserve movement of the company – continued

Reserve movement of the Company

	Retained RMB'000	Reserve earnings RMB'000
Balance at 1 January 2017	1,665,892	1,596,725
Profit for the year	–	395,229
Other comprehensive expense for the year	(57,858)	–
Total comprehensive income	(57,858)	395,229
Dividends recognized as distribution	–	(266,336)
Appropriation to reserves	118,569	(118,569)
Balance at 31 December 2017	1,726,603	1,607,049
Adjustment	3,874	(5,454)
Balance at 1 January 2018	1,730,477	1,601,595
Profit for the year	–	147,513
Total comprehensive income	1,730,477	1,749,108
Dividends recognized as distribution	–	–
Appropriation to reserves	44,342	(44,342)
Balance at 31 December 2018	1,774,819	1,704,766