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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Guolian Securities Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2023. This announcement, containing the full text of the 2023 interim 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 interim results. The printed version of the Company’s 2023 interim 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.
Ge Xiaobo
Chairman

Wuxi, Jiangsu Province, the PRC
29 August 2023

As of the date of this announcement, the executive Director of the Company is Mr. Ge Xiaobo; the non-executive Directors of the Company are Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Wu Weihua, Ms. Li Suo and Mr. Liu Hailin; and the independent non-executive Directors of the Company are Mr. Wu Xingyu, Mr. Chu, Howard Ho Hwa and Mr. Gao Wei.

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Company Information

COMPANY NAME

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

LEGAL REPRESENTATIVE

Mr. Ge Xiaobo

DIRECTORS

Executive Director

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

Non-executive Directors

Mr. Hua Weirong
Mr. Zhou Weiping
Mr. Wu Weihua
Ms. Li Suo
Mr. Liu Hailin

Independent Non-executive Directors

Mr. Wu Xingyu
Mr. Chu, Howard Ho Hwa
Mr. Gao Wei

SUPERVISORS

Mr. Xu Faliang (Chairman)
Mr. Xu Kan
Ms. Xu Jingyan
Ms. Wu Lingyun
Mr. Zhou Min

BOARD COMMITTEES

Strategy Committee

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

Remuneration and Nomination Committee

Mr. Gao Wei (Chairman)
Mr. Wu Xingyu
Mr. Hua Weirong

Audit Committee

Mr. Wu Xingyu (Chairman)
Mr. Chu, Howard Ho Hwa
Mr. Gao Wei

Risk Control Committee

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

SECRETARY OF THE BOARD

Mr. Wang Jie

JOINT COMPANY SECRETARIES

Ms. Hui Yu, Ms. Zhang Xiao

AUTHORIZED REPRESENTATIVES

Mr. Ge Xiaobo, Ms. Zhang Xiao

HEADQUARTERS IN THE PRC

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Website of the Company: www.glsc.com.cn
E-mail: glsc-ir@glsc.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUDITORS

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

LEGAL ADVISOR AS TO HONG KONG LAWS

Clifford Chance

STOCK CODE

HK Stock Exchange H Shares Stock Code: 01456
Shanghai Stock Exchange A Shares Stock Code: 601456

SHARE REGISTRARS

Share Registrar for A Shares:
China Securities Depository and Clearing Corporation Limited
Shanghai Branch
Share Registrar for H Shares:
Computershare Hong Kong Investor Services Limited

Financial Highlights

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

PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	Six months ended 30 June 2023	Six months ended 30 June 2022	Variance in comparison with the corresponding period of last year (%)
Operating results (RMB'000)			
Total revenue, gains and other income	2,521,247	1,945,197	29.61
Profit before income tax	758,959	545,652	39.09
Interim profit – attributable to shareholders of the Company	600,313	437,237	37.30
Net cash from/(used in) operating activities	2,946,717	-1,761,497	N/A
Earnings per share (RMB/share)			
Basic earnings per share	0.21	0.15	40.00
Diluted earnings per share	0.21	0.15	40.00
Profitability index			
Weighted average returns on net assets ^(note 1) (%)	3.48	2.63	Increased by 0.85 percentage point

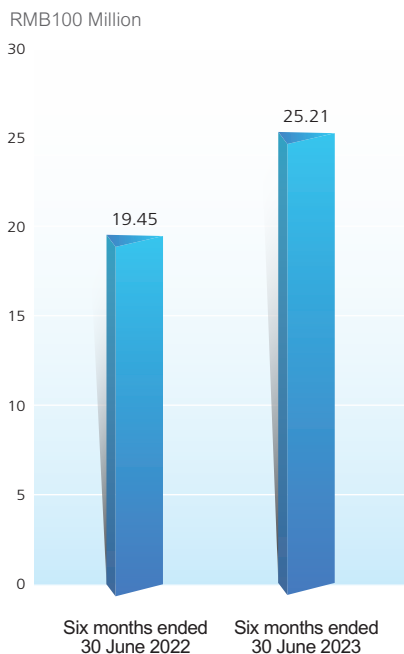
Items	As of 30 June 2023	As of 31 December 2022	Variance in comparison with the end of last year (%)
Scale indicators (RMB'000)			
Total assets	86,160,832	74,381,997	15.84
Total liabilities	68,059,041	57,621,443	18.11
Accounts payable to brokerage clients	9,981,488	10,797,281	-7.56
Equity attributable to shareholders of the Company	17,749,424	16,760,554	5.90
Share capital ('000 shares)	2,831,773	2,831,773	0.00
Net asset value per share attributable to shareholders of the Company (RMB/share)	6.27	5.92	5.91
Gearing ratio ^(note 2) (%)	76.24	73.64	Increased by 2.60 percentage points

Notes:

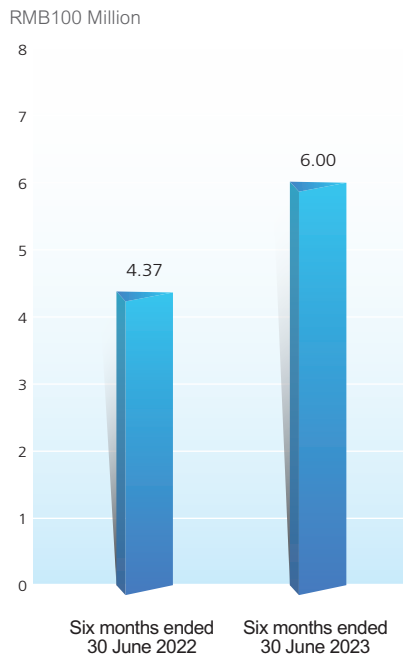
- Prepared in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and Disclosures for the Returns on Net Assets and Earnings per Share" (as amended in 2010) issued by the CSRC.
- Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients).

Financial Highlights

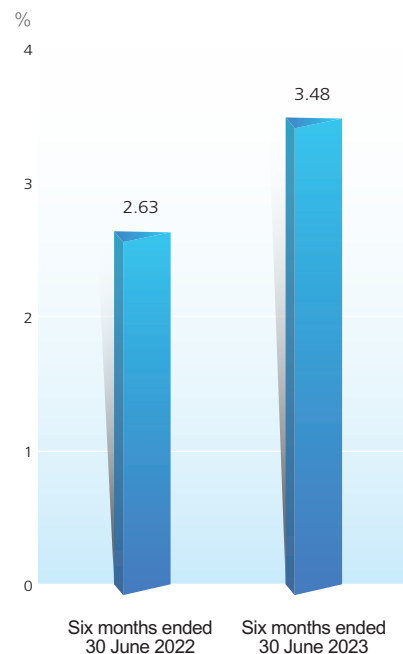
Revenue, gains and other income



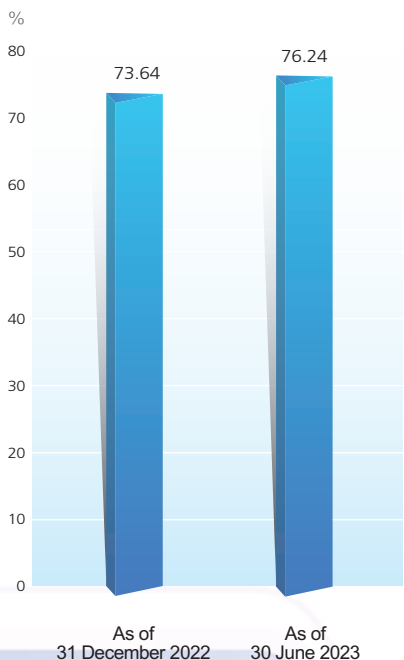
Interim profit – attributable to shareholders of the Company



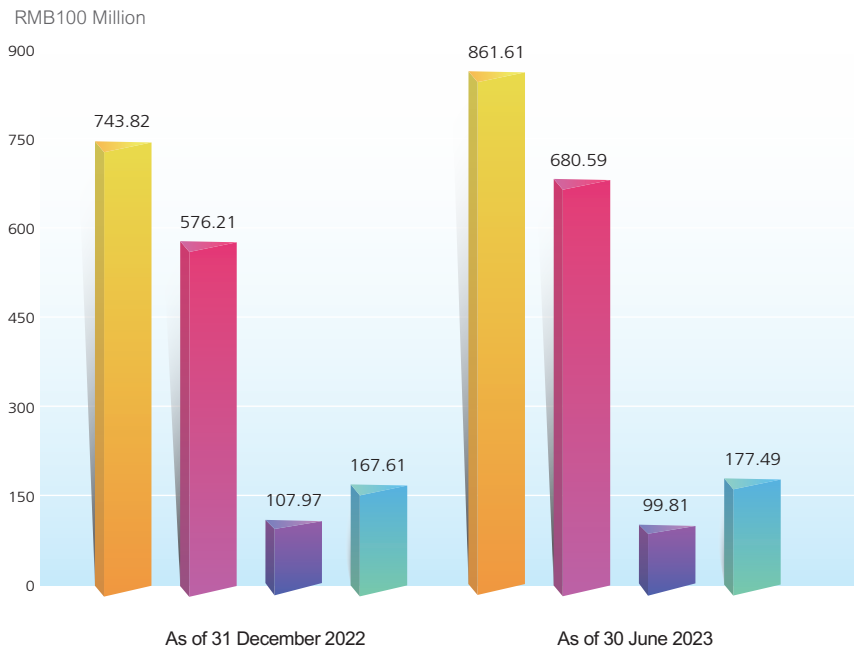
Weighted average returns on net assets



Gearing ratio



Scale indicators



- Total assets
- Total liabilities
- Accounts payable to brokerage clients
- Equity attributable to shareholders of the Company

Management Discussion and Analysis

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD¹

In the first half of 2023, the global economy gradually recovered from the hit of the epidemic and the Russo-Ukrainian war. Supply chain disruptions were mitigated, disruptions in energy and food markets caused by the war were gradually receding, and global inflation went down. However, global economic growth remained under tremendous pressure, with challenges including a tighter financial environment steered by the FED, geopolitical tensions, high debt levels, and inflation. According to the latest World Economic Outlook Report released by the IMF in 2023, it forecasts a further slowdown in global economic growth this year or a drop from 3.4% last year to 2.8% this year, before a recovery of 3% next year. Policymakers in various countries also strived to take various proactive measures to cope with the pressure in growth, including facilitating structural reforms, strengthening financial supervision, and maintaining financial stability.

As the world's second-largest economy, China is a key engine of global economic recovery. The IMF expects that China's economy will grow by 5.2% in 2023, which will continue to catalyze global economic growth steadily in 2023. China and India will drive the economic growth rate to 4.6% in the Asia-Pacific region in 2023, which also implies that the Asia-Pacific region's contribution to global economic growth this year will be as high as about 70%, and China will excel within the Asia-Pacific region in terms of its contributions to global economic growth.

China's economy experienced a relatively strong rebound in the first quarter following its re-opening at the end of last year, but its recovery pace slowed down in the second quarter. The cyclical watershed of real estate, local debt pressure, complicated and acute foreign trade situation, and lack of consumer confidence are all the important factors constraining current economic recovery. Looking ahead into the second half of the year, "growth stabilization, reform facilitation, structural adjustment, and people's livelihood improvement" are still expected to become the main policy direction and more monetary, fiscal, and industrial policies are expected to launch to support the economic recovery.

In the long run, facilitating Chinese-style modernization with high-quality development will be the main tune of China's future economy. High-quality development is mainly reflected in full essential elements productivity improvement, realization of self-reliance and self-improvement of high-standard science and technology, enhancement of the resilience and security standard of the industrial chain and supply chain, and industry expansion toward high-end value chain while making up for shortcomings, thereby creating an independent, controllable, secure, reliable and highly competitive modern industrial regime. Among these, science and technology are of top priority. The development of the high-end, intelligent, and green manufacturing industry is the general trend. The new generation segments such as information technology, artificial intelligence, biotechnology, new energy, new materials, high-end equipment, and green environmental protection are expected to lead a new round of growth.

Note:

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

Management Discussion and Analysis

A high-quality capital market provides indispensable and important support for high-quality economic development. To support self-reliance and self-improvement of high-standard science and technology, help build a modern industrial regime, and propel high-standard circulation of science and technology, capital, and the real economy, it is necessary to accelerate the construction of a modern capital market with Chinese characteristics, improve resources allocation efficiency, strengthen financing support in key areas, and provide precise empowerment for the real economy. On the other hand, under the influence of various factors such as changes in the demographic structure of China, “houses are for living in, not for speculation”, and continuous decline in deposit interest rates, wealth allocation has ushered in a turning point. A decline in residents’ willingness to deploy assets to deposits and real estate is seen, and equity investment is expected to usher in a golden period. All the above factors are expected to open up room for the development of the securities industry.

In recent years, competition in the securities industry has intensified, leading to a sharp drop in brokerage commission rates, diminishing benefits of holding licenses for light-capital businesses, and heavy capitalization is an obvious trend. The demand for capital-driven businesses such as margin financing and securities lending, derivatives, and direct investments continues to increase. The main licensed businesses of securities companies have basically formed a consensus on transformation: from channel-type investment banking to industrial-type investment banking, using industrial thinking to promote corporate capital operations; from brokerage business to wealth management, to meet the growing needs of customers for investment and wealth inheritance; from channel asset management to active management, giving play to the function of value discovery; and from self-operating mode to transaction intermediary, to become a supplier of market liquidity and solutions. During this process, with multiple advantages in branding, financing, and channels, leading securities companies may continue to increase their concentration, and small and medium-sized securities companies may continue to experience pressure.

The registration system reform greatly optimizes the issuance conditions and transforms the substantive thresholds under the approval system into information disclosure requirements as much as possible. It strengthens the requirements of possessing comprehensive capabilities for intermediary agencies, promotes the accelerated development of investment banking business, and also facilitates the extension of the business chain of investment banks through business collaboration. Therefore, leading investment banks with rich project experience and stronger comprehensive service capabilities have obvious advantages, while some small and medium-sized investment banks focusing on “cultivating subdivided segments intensively” and “possessing location advantages” also develop rapidly, presenting a diversified competitive landscape, and are expected to usher in good opportunities for developing as regional securities companies.

II. GENERAL OPERATING SITUATION

As of 30 June 2023, total assets of the Group were RMB86.161 billion, representing an increase of 15.84% as compared to 31 December 2022; and equity attributable to shareholders of the Company was RMB17.749 billion, representing an increase of 5.90% as compared to 31 December 2022. During the Reporting Period, the Group achieved total revenue, gains and other income amounting to RMB2.521 billion, representing a year-on-year increase of 29.61%; and net profit attributable to shareholders of the Company was RMB600 million, representing a year-on-year increase of 37.30%.

The revenue generated from the brokerage and wealth management business was RMB494 million, representing a year-on-year decrease of 5.78%; the revenue generated from the investment banking business was RMB305 million, representing a year-on-year increase of 12.12%; the revenue generated from the asset management and investment business was RMB162 million, representing a year-on-year increase of 60.48%; the revenue generated from the credit transaction business was RMB363 million, representing a year-on-year decrease of 1.32%; and the revenue generated from the proprietary trading business was RMB1.060 billion, representing a year-on-year increase of 89.00%.

III. ANALYSIS OF PRINCIPAL BUSINESS

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

(I) Brokerage and Wealth Management Business

Market Environment

The securities market recovered in the first half of 2023 with major indices showing a differentiated trend. According to the information from the Shanghai and Shenzhen Stock Exchanges, the trading volume of stocks and funds in the Shanghai and Shenzhen markets was RMB124.70 trillion, representing a year-on-year increase of 0.11%, and the average daily turnover of stocks and funds was RMB1,056.8 billion, down by 0.74% year-on-year. During the Reporting Period, the SSE Composite Index rose by 3.65% and the SZSE Component Index went up by 0.10%.

Management Discussion and Analysis

Actions and Achievements

During the Reporting Period, by adopting a customer-focused approach, the Company optimized the organizational structure of wealth management and built a refined service regime and management system with the hierarchical classification of customers and employees, with a view to promoting the deepening transformation of wealth management. It focused on the deployment business by using the fund investment advisory business as a base, and comprehensively transformed it into a buy-side investment advisory business. The Company launched the Good Doctor of the Way to Wealth service, established a total closed-loop online business of “customer acquisition-conversion-service”, and explored a new model of online marketing. It adhered to the positioning of the “Small and medium-sized Businesses, Large Customers” customer group, enhanced the institutional customer service capabilities, broadened the dimensions of wealth management, continued to strengthen team size and capability building, and strengthened team training management.

In the first half of 2023, the net income from agency sales of securities business of the Company was RMB194 million, representing a year-on-year decrease of 9.98%. The transaction volume from the agency sales of securities of the Company (stocks and funds) was RMB1,174.982 billion, representing a year-on-year decrease of 6.91%, with a market share of 0.47%, down by 7.84% year-on-year. As at the end of the Reporting Period, our total number of customers was 1,686,100, representing a year-on-year increase of 13.47%.

During the Reporting Period, the sales scale of the Company's financial products (excluding “Xianjintianli”, the cash management product) amounted to RMB11.249 billion, representing a year-on-year increase of 14.95%. As at the end of the Reporting Period, the total number of contracted accounts for fund investment advisory business of the Company was 281,800, with the asset size of authorised accounts amounting to RMB6.965 billion, representing a slight increase as compared with the beginning of the year.

Outlook in the Second Half of 2023

In the second half of 2023, the Company will continue to improve its wealth management business ecosystem by focusing on the core elements of wealth management, consolidating its offline retail system and strengthening the professional capabilities of its team. It will arrange the institutional customer development service system to achieve the extension of the customer channel and service system. It will rely on the Good Doctor of the Way to Wealth service to enhance the ability to acquire customers on a stable and sustainable basis and develop a distinctive wealth management service system. It will also focus on asset deployment to push forward the formation of scale advantages in the deployment business based on the fund investment advisory business, and establish a wealth management support and promotion system with a focus on the construction of a digital central control platform.

Management Discussion and Analysis

(II) Investment Banking Business

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

1. Equity Financing Business

Market Environment

The reform of the stock issuance registration system was fully implemented in the first half of 2023, and China's capital market entered a historical milestone stage of comprehensive registration system. The overall pace of issuance in the A share primary market was stable, with the number of IPOs and refinancing issuance increased slightly year-on-year, but the financing amount declined. According to the statistics from Wind Information, in the first half of 2023, 394 equity financing projects were completed in the Shanghai and Shenzhen A share markets, representing a year-on-year increase of 14, with a total financing amount of RMB600.466 billion, down by 12.87% year-on-year. In particular, there were 184 IPOs issuance, representing a year-on-year increase of 8, with the financing amount of RMB218.720 billion, representing a year-on-year decrease of 15.90%. There were 210 refinancing issuance projects, representing a year-on-year increase of 6, with the financing amount of RMB381.747 billion, representing a year-on-year decrease of 11.04%.

Actions and Achievements

In the first half of 2023, Hua Ying Securities seized the historical opportunity of the comprehensive registration system reform to effectively serve the development of the real economy by taking the business model featuring the "investment banking +" characteristics as the threshold. The number and scale of underwriting and sponsorship projects showed double-digit growth. It completed 2 IPO projects with an underwriting amount of RMB1.471 billion, ranking 18th in the industry for the first time in terms of the number of IPO sponsorship projects. Among which, the IPO of Tianjian Shares on the ChiNext was the first transaction in the old revolutionary base region in Southern Jiangxi where the Central Red Army's Long March started, and RMB741 million were oversubscribed. The IPO of Haidar on the Beijing Stock Exchange was the first newly listed company on the Beijing Stock Exchange in Wuxi in 2023. In addition, there were 3 projects with applications that passed the review. 5 projects with applications under review, and 11 tutoring projects, achieving a virtuous circle in equity business.

Management Discussion and Analysis

The refinancing business accelerated its pace and Hua Ying Securities completed 2 projects with an underwriting amount of RMB1.588 billion. Among these, the private placement project of General Science was the first issuance project for specific subscribers in Wuxi after the comprehensive registration system reform. The convertible bond project of Chunqiu Electronic was the second occasion in three years that the company provided services for the issuer's refinancing. In addition, there were 4 private placement projects and 2 convertible bond projects with applications under review.

The table below shows the details of equity underwriting and sponsorship business in the first half of 2023:

Currency: RMB

Items	First half of 2023		First half of 2022	
	Underwriting amount (In 100 million)	Number of issuances (Unit)	Underwriting amount (In 100 million)	Number of issuances (Unit)
Initial public offering	14.71	2	10.38	1
Refinancing issuance	15.88	2	0	0
Others	0	0	0	0
Total	30.59	4	10.38	1

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

Outlook in the Second Half of 2023

In the second half of 2023, Hua Ying Securities will continue to take serving the high-quality development of the real economy as its mission, sustain the scale expansion of its equity business and strengthen project portfolio in its Wuxi base. It will fully utilize the synergy of its comprehensive financial business, broaden the business path through the business model featuring the "investment banking+" characteristics and provide full lifecycle capital market services for enterprise customers. It will focus on the projects of the Science and Technology Innovation Board and the Beijing Stock Exchange, effectively promote the listing of "professionalized, refined, specialized and novelty" high-quality enterprises, optimize the business structure of investment banks, and continue to build high-quality investment banks and featuring investment banks characteristics.

Management Discussion and Analysis

2. Bond Financing Business

Market Environment

In the first half of 2023, the issuance and financing scale of the domestic bond market increased steadily as compared to the same period of last year, the primary bond market bottomed out, and the net financing scale showed a significant improvement. The overall recovery of the credit bond market caused credit spreads to astringe to recent lows in the first half of the year, and the scale of credit bond defaults also shrunk simultaneously. According to the data released by the People's Bank of China, a total of RMB34.33 trillion of various bonds were issued in the bond market in the first half of the year, including RMB18.42 trillion of financial bonds, RMB7.15 trillion of credit bonds and RMB8.76 trillion of other types of bonds.

Actions and Achievements

In the first half of 2023, Hua Ying Securities focused on product development and achieved new breakthroughs under stringent risk control for its bond business, and strived to use its professional capability in bond product financing to support the development of the real economy. It completed a total of 67 bond underwriting projects and 13 government bond sub-underwriting projects, with a total underwriting amount of RMB27.834 billion, and the number and scale of underwriting increased by 48.89% and 34.35% respectively year-on-year. In addition, it had 46 bond projects which had already obtained approvals and were pending issuance, and 30 bond projects under review, with a pending issuance amount exceeding RMB100 billion. Among the completed projects, there were several benchmark projects with outstanding market influence, such as the "23 Weinan Green Bonds", which were the first green enterprise bond in the central and western regions in 2023, setting the largest issuance scale, longest issuance period and lowest issuance interest rate among the bonds of the same rating and variety in North-western China; and the "23 Xingyang Special Bonds", which were the first special bond issued by Hua Ying Securities for rural industrial development to strongly support the high-quality development of the local region.

Management Discussion and Analysis

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

Currency: RMB

Items	First half of 2023		First half of 2022	
	Underwriting amount (In 100 million)	Number of issuances (Unit)	Underwriting amount (In 100 million)	Number of issuances (Unit)
Enterprise bonds	10.70	2	10.00	1
Corporate bonds	261.94	64	187.08	43
Financial bonds	0	0	2.00	1
Exchangeable bonds	0	0	0	0
Local government bonds	5.70	13	8.10	17
Others	0	1	0	0
Total	278.34	80	207.18	62

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

Outlook in the Second Half of 2023

In the second half of 2023, Hua Ying Securities will continue to increase the reserve of bond projects and enhance the professional ability of bond services. It will fortify the strengths of the bond underwriting business in Wuxi, and further expand the share of the bond market in the entire Jiangsu region. It will strengthen the maintenance of investment institutions, expand the bond sales network, and enhance bond sales capabilities. Besides, it will devote more efforts to bond innovation and enhance service features in complementing national strategies.

Management Discussion and Analysis

3. Financial Advisory Business

Market Environment

In the first half of 2023, the recovery of the global mergers and acquisitions market was relatively slow, and China's mergers and acquisitions market was also affected to a certain extent. According to the statistics from Wind Information, the number of announced transactions in China's mergers and acquisitions and restructuring market (excluding overseas mergers and acquisitions) in the first half of 2023 was 3,848, representing a year-on-year decrease of 886, with a transaction amount of RMB743.544 billion, decreased by 34.72% as compared to the same period of last year. The number of completed transactions was 1,675, representing a year-on-year decrease of 1,008, with a transaction amount of RMB124.234 billion, down by 76.11% as compared to the same period of last year.

Actions and Achievements

Hua Ying Securities provided high-quality financial advisory services to customers by matching customer resources and strengthening business synergy. During the Reporting Period, Hua Ying Securities completed 25 financial advisory projects, 2 recommended NEEQ listing projects, 4 issuance projects, and ongoing supervision for 88 enterprises.

Outlook in the Second Half of 2023

In the second half of 2023, Hua Ying Securities will adhere to customer-focused measures and perform a good job in customer service. It will promote the development of mergers and acquisitions and restructuring business by the refinancing business and comprehensive financial business. It will conduct in-depth industry research and analysis to identify business opportunities for mergers and acquisitions and commit to serving the real economy to further improve the comprehensive service capabilities of financial advisory.

Management Discussion and Analysis

(III) Asset Management and Investment Business

1. Securities Asset Management Business

Market Environment

With the top-end design such as “new asset management regulations” and financial opening-up as well as the continuous deepening reform of the industry system, a multi-level capital market system and a new industry layout of orderly competition and cooperation in the asset management industry are underway at an accelerated pace. The innovation of products and models drives the diversification of investment strategies, the expansion of wealth management subsidiaries of banks and asset management subsidiaries of securities companies promotes the enrichment of participants, and the high-level opening of the capital market accelerates the two-way opening up of the asset management industry. The pension market has ushered in development opportunities, and the reduction in product fee charges has become an industry trend. Asset management institutions need to seize key opportunities such as the upgrade in demand for customized services and the redeployment of residents' wealth, intensive practicing of inclusive finance, facilitating financial services to the real economy, and enhancing the transformation of the business ecology to high-quality development.

Actions and Achievements

In the first half of 2023, the Company seized the development opportunities of wealth management transformation in terms of its asset management business, adhered to professional values, and focused on customer needs to create and strengthen investment and research capabilities with industry competitiveness. It built a product system covering the entire life cycle and matched different risk preferences, which met the continuously diversified and in-depth wealth management needs of investors through professional asset deployment and diversified strategy output, and formed a good brand effect in the industry and among the clients with various products striking a balance between excellent performance and scale expansion.

As of the end of the Reporting Period, the entrusted funds scale of the asset management business of the Company amounted to RMB111.433 billion, representing a year-on-year increase of 7.18%. During the Reporting Period, operating income amounted to RMB80.0166 million was recorded, representing a year-on-year increase of 9.33%.

Management Discussion and Analysis

Among which, there were 4 public offered funds (including large-scale fund collections), with an asset size of RMB6.537 billion; 73 Collective Asset Management Schemes, with an asset size of RMB16.647 billion; 149 Single Asset Management Schemes, with an asset size of RMB52.315 billion; 49 Specialized Asset Management Schemes, with an asset size of RMB35.934 billion.

Category	Size of asset management (In RMB100 million)		Operating income ¹ (In RMB ten thousand)	
	End of the first half of 2023	End of the first half of 2022	First half of 2023	First half of 2022
	Public Offered Funds	65.37	58.84	1,696.64
Collective Asset Management Scheme	166.47	131.31	2,244.49	2,728.96
Single Asset Management Scheme	523.15	487.85	2,061.95	2,390.68
Specialized Asset Management Scheme	359.34	361.72	1,998.58	1,446.95
Total	1,114.33	1,039.72	8,001.66	7,318.60

Note 1: According to the standards of SAC.

Outlook in the Second Half of 2023

The Company will continue to adhere to professional values in terms of its asset management business, fulfill social responsibilities, and serve the overall economic development of the country in the second half of 2023. Under the new market environment, the Company will continue to improve both internally and externally, perform well in dynamic asset deployment, and further consolidate its active management capabilities in five major segments including fixed income, fixed income+, FOF deployment, equity and derivatives and ABS. It will continue to improve customer development capabilities and comprehensive financial service standards to develop the characteristics of its own wealth management. At the same time, the Company will strengthen the construction of internal control compliance and operation system, and actively promote the preparations for the establishment of asset management subsidiary.

Management Discussion and Analysis

2. Public Offered Fund Management Business

In order to make up for the shortfall of the public offered fund license, grasp the strategic industry development opportunities, deepen the transformation of wealth management, and improve the ability of comprehensive financial services, the Company acquired the 75.5% equity interests in ZhongRong Fund during the Reporting Period. On 1 August, ZhongRong Fund was renamed as Guolian Fund, embarking on a new journey of development.

Market Environment

The year 2023 marks the 25th anniversary of the establishment of the public offered fund industry, which is also the inaugurated year for public offered funds to promote high-quality development. Driven by factors such as the continuous growth of the retail wealth management market, the accelerated top-end pension reform, the deepening reform of the capital market, and the accelerated two-way opening up of the capital market, the scale and volume hit a new high, once exceeding RMB27.7 trillion in the first half of the year.

Actions and Achievements

In the first half of 2023, using customer needs as the threshold, Guolian Fund focused on strengthening investment research team building, and optimizing investment philosophy, investment research working methods and investment research communication mechanisms and others to continuously improve customer service standards, and optimized product layout. As of the end of the Reporting Period, the total asset management scale of Guolian Fund was RMB142.017 billion, of which, the non-monetary management scale was RMB81.170 billion, among the top 1/3 in terms of industry ranking, with 82 public offered funds under management. According to the data of China Galaxy Securities Fund Research Center, Guolian Fund ranked 12th among 110 fund companies in terms of the active stock investment management ability in the past two years; and ranked 23rd among 100 fund companies in terms of the active bond investment management ability in the past three years.

Outlook in the Second Half of 2023

In the second half of 2023, Guolian Fund will fully leverage the Company's advantages in resources, geographical location and professionalism to facilitate product strategies diversification according to customer demand. It will deepen its investment and research capabilities to enhance core competitiveness. Besides, It will adhere to the concept of long-term and value investment to implement the mission of inclusive finance and fulfill social responsibilities to drive high-quality development actively.

Management Discussion and Analysis

3. Private Equity Investment Business

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

Market Environment

In the first half of 2023, the domestic private equity market showed a growth trend in general. According to the statistics from CVSource, a total of 3,933 funds were newly established in the private equity market of China, raising funds of US\$356.2 billion in the first half of the year. The policy funds from various local governments have gradually become the main force of investments, and the clusters of local parent funds and guiding funds have become more and more popular. In terms of industry, it is mainly concentrated in the IT, manufacturing and medical health sectors. At the same time, people's awareness of the artificial intelligence industry is increasing, and the attention to related projects in the upstream and downstream of the automotive, energy and mining, chemical industry, and hard technology industry chains is also increasing day by day.

Actions and Achievements

In the first half of 2023, Guolian Capital constantly optimized its business structure system, continued to strengthen industry research, and enhanced the in-depth deployment of key sectors. It continued to explore high-quality projects in the industry, and continuously make a sufficient reserve of investment business projects. By continuously enhancing its cooperation with listed companies and industry groups, it achieved stable growth in management scale. As of the end of the Reporting Period, Guolian Capital had 16 subsisting filing funds, with a subsisting management scale of RMB5.455 billion.

Outlook in the Second Half of 2023

Guolian Capital will strengthen internal and external business cooperation and coordination, explore high-quality project resources through multiple channels, deepen its advantageous areas and continuously improve market foresight, and expand and strengthen its equity fund management business. It will continue to consolidate the achievements in organizational construction, implement the requirements on compliance and risk control management, and improve the post-investment management system. Besides, Guolian Capital will further explore post-investment value-added service capabilities, and rely on its full business chain advantages to create a comprehensive and three-dimensional capital asset service system.

Management Discussion and Analysis

(IV) Credit Transaction Business

1. Margin Financing and Securities Lending Business

Market Environment

In the first half of 2023, with the implementation of the comprehensive registration system, the Shanghai Stock Exchange and Shenzhen Stock Exchange conducted supporting amendments to the implementation rules for margin financing and securities lending transactions, and China Securities Finance reduced the fee rate difference for refinancing securities and lowered the margin ratio of securities companies, which promoted the further development of the margin financing and securities lending business. As of the end of the Reporting Period, the balance of margin financing and securities lending in the entire market amounted to RMB1,588.497 billion, representing a year-on-year decrease of 0.93%, of which the balance of margin financing was RMB1,495.50 billion and the balance of securities lending was RMB92.997 billion.

Actions and Achievements

During the Reporting Period, the Company focused on expanding the number of high-net-worth clients and professional investors through the precise and effective implementation of the promotional programme for the margin financing and securities lending business, resulting in a significant improvement in client structure. By strengthening internal and external cooperation, actively expanding the channels of securities sources and improving the efficiency of business processing, the Company was able to provide differentiated and precise services to various types of customers, enhancing the investment experience of customers and facilitating the rapid increase in the scale of securities lending. As at the end of the Reporting Period, the total number of credit accounts of the Company was 26,200, representing a year-on-year increase of 6.20%. The total credit amount of margin financing and securities lending was RMB72.837 billion, representing a year-on-year increase of 7.87%. The balance of margin financing and securities lending was RMB10.341 billion, representing a year-on-year increase of 9.57%. The market share in terms of business scale was 6.51%, representing a year-on-year increase of 10.60%, presenting a favourable growing trend.

Management Discussion and Analysis

Outlook in the Second Half of 2023

In the second half of 2023, the Company will further optimise its client structure by focusing on the concept of wealth management transformation and development, aiming to increase the scale of its margin financing and securities lending business, with a focus on expanding the number of high-net-worth clients and professional investors. The Company will provide differentiated, precise and integrated services to its customers by segmenting its target customer base. At the same time, the Company will accelerate the facilitation of the tiered management system for guaranteed securities to enhance its risk management standards.

2. Stock Pledged Repurchase Business

Market Environment

Currently, the stock pledged repurchase business of Shanghai Stock Exchange and Shenzhen Stock Exchange is running smoothly. The overall business scale of the market maintains a gradually declining trend, and the default risk faced has been marginally improved. Currently, the interest rates of major securities companies for stock pledged financing has declined, the credit of privately listed companies has been eased, the polarisation is more obvious, and the new businesses mainly concentrate on high-quality companies with better profitability.

Actions and Achievements

During the Reporting Period, the Company further clarified the development strategies of the stock pledged repurchase business according to market conditions and conducted business under the premise of strictly controlling business risks. The stock pledged repurchase business achieved stable development. As of the end of the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB3.266 billion, representing a decrease of 15.32% as compared with RMB3.857 billion as at the end of 2022. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB1.735 billion, representing a decrease of 19.94% as compared with RMB2.167 billion as at the end of 2022, with an average performance guarantee ratio of 330.59%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB1.531 billion, representing a decrease of 9.41% as compared with RMB1.690 billion as at the end of 2022, with an average performance guarantee ratio of 228.00%.

Management Discussion and Analysis

Outlook in the Second Half of 2023

In the second half of 2023, the Company will continue to perform well in credit risk management and control of its stock pledged repurchase business and select high-quality projects stringently to carry out incremental business prudently. In line with the promotion of its equity incentive business, the Company will give full play to the role of stock pledged comprehensive financial instruments, provide customised integrated investment and financing solutions for listed companies and their employees, and expand multi-dimensional service business.

(V) Proprietary Trading Business

Market Environment

China's economy fully resumed normal operation in the first half of the year. In the first quarter, domestic market demand recovered rapidly with economic growth better than expected and the market continued its rebound sentiment since the end of last year, with daily turnover enlarging successively and industry differentiation becoming more obvious. Among these, AI-related industries and low-valued state-owned enterprises continued to gain market capital attention and experienced a significant increase. However, since the second quarter, affected by the weaker-than-expected domestic economy recovery and the continuous depreciation of the Renminbi exchange rate, the market as a whole showed a fluctuating downward trend. In facing the risk of an economic downturn, macroeconomic policies have been adopted to respond proactively by stepping up counter-cyclical adjustments. For monetary policy, the deposit reserve ratio was lowered by 0.25 percentage point at the end of March, and the policy interest rate was lowered by 10BP in mid-June, while the 1-year and 5-year LPR rates were also adjusted downward by 10BP, and the repo rate was stable at a low level. For fiscal policy, certain tax reduction and exemption policies were continued. For industrial policy, many cities continued to relax their housing policies to meet rigid and improved housing demand under the keynotes of "region-specific regulatory policies". Against the above-mentioned economic and policy background, bond yields generally trended downwards in the first half of 2023, with credit spreads narrowing on the back of deployment intensity.

Management Discussion and Analysis

Actions and Achievements

For equity proprietary trading business, the Company has all along been taking absolute return as its target and adhering to its principle of value investment, adopted fundamental research as starting point, focused on undervalued industries and companies or those had good growth potential, and developed the business steadily while taking risks and returns into consideration. In the first half of 2023, the equity proprietary trading business has effectively responded to the market adjustment since the second quarter through beforehand layout planning, fully captured the market rebound in the first quarter, timely adjustment of position types, and achieving stable returns overall, with the yield rate outperforming that of the CSI 300 index significantly.

For the fixed income business, the Company has always adhered to the business philosophy of prudent investment and customer demand as the core. For investment transactions, the Company has achieved stable returns through flexibility in position adjustment and diversity in strategies under the premise of strictly controlling credit risks and prudent exposure to duration risk. Meanwhile, the Company's fixed income business continued to observe stable growth in trading volume and increasing market influence. For the capital intermediary business, the Company strengthened its business synergies, increased client coverage, and continued to enhance its comprehensive capabilities of product creation and design and customer service.

For the equity derivatives business, the Company continued to propagate business model innovation and further expanded the linked targets of OTC business. With an increasingly flexible business structure, it effectively met the diversified investment and hedging needs of clients, and the size of OTC derivatives business increased at a steady pace. Our quantitative strategies were stable with a steady increase in the investment size of proprietary funds and a favourable net worth trend.

Outlook in the Second Half of 2023

For the equity proprietary trading business, the Company will continue to strengthen market research and judgment, strengthen fundamental research, and enhance the construction of its investment research and risk control system to develop a stock investment business steadily. In the second half of the year, opportunities in the domestic A share market will outweigh challenges as the indices have already absorbed the impact of the weaker-than-expected economic recovery and the depreciation of the Renminbi exchange rate, and the market will gradually return to matching valuations with fundamentals in the future. The Company will focus on the layout of medium and long-term opportunities and further select growing individual stocks, supplementing with strategic investment models such as private placement and convertible bonds, while flexibly using position adjustments, futures hedging and other methods to achieve a balance between risks and returns and carry out stock investment business steadily.

Management Discussion and Analysis

For fixed income business, the domestic and foreign macroeconomic environment in the second half of the year is still complicated and volatile, with increased policy uncertainty. The Company will strengthen the depth of investment and research, enrich strategy categories, continue to reinforce credit risk screening and control credit risk exposure stringently to continuously improve profitability and stability of profitability. At the same time, the Company will further deepen the fixed income feature of “seller”, actively promote the application for new business qualifications, seek business opportunities in segmented markets, and leverage its own resources to actively engage in customer demand-oriented business innovation.

For equity derivatives business, the Company will continue to adhere to creating top-notch products and services in niche areas, and build a diversified quantitative portfolio and quantitative private equity ecosystem in a bid to provide liquidity to the exchange market and form an exchange product ecosystem. At the same time, the Company will actively promote the qualification application of stock options market-making business, constantly improve its trading and pricing capability, strengthen the construction of sales system and product deployment, and continuously improve business governance.

IV. PROSPECTS AND FUTURE PLANS

Looking forward into the future, the Company will focus on further serving the real economy and strive to become a leading customer-oriented investment bank providing comprehensive financial solutions and the most important investment and financing arranger, transaction organizer, wealth manager and liquidity provider in local regional markets and even the national market (in certain sectors), thus contributing to the economic and social development of Wuxi and Southern Jiangsu regions.

V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2023, the equity attributable to shareholders of the Company was RMB17.749 billion, representing an increase of 5.90% as compared with RMB16.761 billion at the end of 2022.

Management Discussion and Analysis

During the Reporting Period, the domestic macro-economy recovered moderately, the securities market as a whole showed a turbulent trend and structural market conditions, with the major indices displaying a divergent trend and the market volume basically remaining flat. The Group co-ordinated its strategic mergers and acquisitions and capital operation to further promote the business transformation and development, with total assets size increasing by 15.84% as compared with the end of 2022, while the quality of assets and liquidity remaining sound. Due to strong liquidity business nature of the Group, the balance sheet mainly includes current assets and current liabilities. As at the end of the Reporting Period, cash assets accounted for 18.82% of total assets; financial investment assets (including interests in associates and financial assets investment, mainly investment in financial assets with strong liquidity) accounted for 56.74% of total assets; financing assets (including margin accounts receivable and financial assets held under resale agreements) accounted for 17.99% of total assets; and other property and equipment, intangible assets, right-of-use assets and other operational assets accounted for 6.45% of total assets. The Group's total self-owned assets (total assets less accounts payable to brokerage clients) was RMB76.179 billion, representing an increase of RMB12.595 billion, or 19.81%, as compared with the end of 2022.

The overall level of the gearing ratio of the Company remained stable. As at the end of the Reporting Period, the gearing ratio of the Group (both total assets and total liabilities less accounts payable to brokerage clients) was 76.24%, representing an increase of 2.60 percentage points as compared with 73.64% at the end of 2022. The Group's operating leverage (total assets less accounts payable to brokerage clients divided by equity attributable to shareholders of the Company) was 4.29 times, representing an increase of 13.19% as compared to the 3.79 times at the end of 2022. The Group has developed stringent risk management measures for net capital and other risk control indicators. A stress test will be conducted on the general liquidity and other financial indicators before making any material capital investment.

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

VI. ESTABLISHMENT OF BRANCHES

As at the end of the Reporting Period, the Company had 15 branch offices and 85 securities branches. During the Reporting Period, the Company didn't newly establish branches, and de-registered Jiangyin Changjing Hongqiao North Road Securities Branch (江陰長涇虹橋北路證券營業部) and Jiangyin Qingyang Fuqian Road Securities Branch (江陰青陽府前路證券營業部).

Management Discussion and Analysis

VII. MAJOR INVESTMENT AND FINANCING ACTIVITIES

(I) Major Investment Activities

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

(II) Major Financing Activities

1. Equity Financing

The Company convened the twenty-eighth meeting of the fourth session of the Board, the first extraordinary general meeting and the shareholders class meeting for the year 2022 on 28 September 2022 and 20 October 2022, respectively, which considered and approved the relevant resolutions on the issuance of A shares to specific subscribers by the Company. On 17 February 2023, the CSRC officially promulgated the rules of the system relating to the full implementation of the registration system for share issuance, projects that accepted by the CSRC were transferred to the exchange registration system for review. The Company completed the translation of the project in strict compliance with the requirements, and the application for the issuance of A shares to specific subscribers was accepted by the Shanghai Stock Exchange on 2 March 2023. In response to the regulatory initiatives and to give better play to the functional role of securities companies in the high-quality development of the real economy, the tenth meeting of the fifth session of the Board of the Company was held on 9 June 2023, at which the relevant resolutions in relation to the reduction of the total amount of proceeds raised from the issuance of A shares to specific subscribers by the Company and the adjustment of the issuance plan were considered and approved. Currently, the Company is actively moving forward the process of issuance of A shares to specific subscribers.

Management Discussion and Analysis

2. Debt Financing

In the first half of 2023, the cumulative additional debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB10.451 billion, and the cumulative principal repayment of debt financing matured amounted to RMB6.155 billion. The remaining principal amount of outstanding debt financing of the Company as at 30 June 2023 was RMB24.551 billion. In addition, there was an outstanding inter-bank credit borrowing of RMB2.05 billion.

The remaining amount of various indebtedness was as follows:

- (1). The new public issuance of corporate bonds to professional investors was RMB3.9 billion during the Reporting Period, with the principal of RMB1.5 billion being repaid. The outstanding public issuance of corporate bonds to professional investors as at 30 June 2023 was RMB12.5 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of	100,000	2021/3/15	2024/3/15	1,096
corporate bonds to	150,000	2021/5/12	2024/5/12	1,096
professional investors	100,000	2021/6/28	2024/6/28	1,096
	100,000	2021/8/30	2024/8/30	1,096
	100,000	2022/3/23	2027/3/23	1,826
	100,000	2022/4/28	2027/4/28	1,826
	110,000	2022/6/7	2025/6/7	1,096
	100,000	2022/11/11	2025/11/11	1,096
	260,000	2023/2/9	2024/12/9	669
	130,000	2023/4/25	2026/3/18	1,058

- (2). The principal of private issuance of corporate bonds of RMB2.3 billion was repaid during the Reporting Period. The outstanding private issuance of corporate bonds as at 30 June 2023 was RMB3.5 billion, the particulars of the remaining amounts were as follows:

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

- (3). The principal of private issuance of subordinated bonds of RMB700 million was repaid during the Reporting Period. The outstanding subordinated bonds as at 30 June 2023 was RMB0 billion.

Management Discussion and Analysis

- (4). The new public issuance of subordinated bonds was RMB1.0 billion during the Reporting Period. The remaining amount of the outstanding private issuance of subordinated bonds as at 30 June 2023 was RMB3.5 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of subordinated bonds	100,000	2022/2/24	2025/2/24	1,096
	150,000	2022/8/11	2025/8/11	1,096
	100,000	2023/4/17	2026/4/17	1,096

- (5). The new public issuance of short-term corporate bonds was RMB3.0 billion during the Reporting Period. The remaining amount of the outstanding public issuance of short-term corporate bonds as at 30 June 2023 was RMB3.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of short-term corporate bonds	150,000	2023/1/16	2023/12/12	330
	150,000	2023/3/8	2023/11/8	245

- (6). The new issuance of fixed-income type income certificates was RMB1.861 billion during the Reporting Period, with the principal of RMB1.205 billion being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 30 June 2023 was RMB1.361 billion, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Income certificates – fixed-income type	2,000	2023/2/9	2023/11/8	273
	10,000	2023/2/9	2024/2/7	363
	20,000	2023/2/9	2023/8/9	181
	3,000	2023/2/10	2023/8/8	180
	5,000	2023/2/10	2024/2/18	374
	1,000	2023/2/10	2024/2/18	374
	1,000	2023/2/14	2024/2/18	370
	1,000	2023/2/14	2024/2/18	370
	1,100	2023/2/17	2023/8/15	180
	6,000	2023/2/17	2023/8/17	181
	2,000	2023/2/21	2024/2/20	364
	10,000	2023/2/22	2023/8/17	176
	4,000	2023/2/23	2024/2/21	364
	6,000	2023/2/24	2024/2/21	363
	4,000	2023/2/28	2023/8/15	168
	60,000	2023/6/29	2023/7/6	7

Management Discussion and Analysis

- (7). The additional refinancing was RMB690 million during the Reporting Period, with the principal of RMB450 million being repaid. The remaining amount of the outstanding refinancing as at 30 June 2023 was RMB690 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Refinancing	1,000	2023/3/21	2023/9/19	182
	6,000	2023/3/28	2023/9/26	182
	1,000	2023/5/9	2023/11/7	182
	2,000	2023/5/30	2023/11/28	182
	2,000	2023/6/6	2023/12/5	182
	17,000	2023/6/13	2023/12/12	182
	40,000	2023/6/27	2023/12/26	182

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

On 14 February 2023, the Company entered into the Equity Transfer Agreement Regarding ZhongRong Fund Management Company Limited (《關於中融基金管理有限公司的股權轉讓協議》) with Shanghai Rongsheng Investment Co., Ltd. (hereinafter referred to as “Shanghai Rongsheng”) to acquire 24.5% of the 49% equity interests in ZhongRong Fund held by Shanghai Rongsheng at a price of RMB722,408,544. On 16 February 2023, the Company acquired the 51% equity interests in ZhongRong Fund held by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) (hereinafter referred to as “Zhongrong Trust”) through bidding. The bidding transaction price is RMB1,503,789,213. The Company signed the Property Rights Transaction Contract (《產權交易合同》) and the Supplementary Contract to the Property Rights Transaction Contract (《產權交易合同之補充合同》) with Zhongrong Trust. At present, the equity transfer of the above transactions have been completed, and ZhongRong Fund has been renamed as Guolian Fund, in which the Company holds 75.5% equity interests.

For details, please refer to the relevant announcements of the Company published on the HKEXnews website of the HK Stock Exchange on 7 February 2023, 14 February 2023, 16 February 2023 and 22 February 2023.

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

Management Discussion and Analysis

IX. ISSUANCE OF SHARES AND USE OF PROCEEDS

Non-public issuance of A Shares in 2022

The Company convened the twenty-eighth meeting of the fourth session of the Board, the first extraordinary general meeting and the shareholders class meeting for the year 2022 on 28 September 2022 and 20 October 2022, respectively, which considered and approved the relevant resolutions on the issuance of A shares to specific subscribers by the Company.

On 17 February 2023, the CSRC officially promulgated the rules of the system relating to the full implementation of the registration system for share issuance, projects that accepted by the CSRC were transferred to the exchange registration system for review. The Company completed the translation of the project in strict compliance with the requirements, and the application for the issuance of A shares to specific subscribers was accepted by the Shanghai Stock Exchange on 2 March 2023.

In response to the regulatory initiatives and to give better play to the functional role of securities companies in the high-quality development of the real economy, the tenth meeting of the fifth session of the Board of the Company was held on 9 June 2023, at which the relevant resolutions in relation to the reduction of the total amount of proceeds raised from the issuance of A shares to specific subscribers by the Company and the adjustment of the issuance plan were considered and approved.

Currently, the Company is actively moving forward with the process of issuance of A shares to specific subscribers. The issuance of shares to specific subscribers is subject to the consideration and approval by Shanghai Stock Exchange and the approval of the CSRC for registration.

For details, please refer to the relevant announcements of the Company published on the HKEXnews website of the HK Stock Exchange on 28 September 2022, 20 October 2022, 2 March 2023 and 9 June 2023.

X. EMPLOYEES, REMUNERATION POLICIES AND TRAINING PROGRAMS

As of 30 June 2023, the number of staff was 3,169 (including 161 brokers), of which the number of staff of parent company was 2,449 (including 161 brokers).

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

Integrating the Company's human resources management work with the Company's development, the Company completed the optimization of the measures in relation to ranking and compensation management to better assist business development. The Company has also completed the adjustment of the Company's headquarters staff's fixed salary and branch staff's fixed salary in accordance with the Company's MD ranking management measures and branch staff management measures, and based on the results of the 2022 employee appraisal, closely linked the results of employee appraisal with their rankings and salaries adjustment, so as to fully reflect the appraisal principle of equivalence between contribution and income, and encouraging employees to create value. In the second half of the year, the Company will closely follow regulatory requirements to implement a sound remuneration system, proactively optimize the internal income distribution structure, effectively balance the income distribution among employees at all levels, and promote the Company's sound operation.

In order to adapt to the innovative development trend of the industry and talent cultivation, the Company continued to improve and optimize the talent training system to constantly improve the comprehensive qualities of the Company's staff. In the first half of the year, the Company organized various training activities according to business development needs and the requirements for improving staff quality, including business lecture hall seminars covering all staff, potential star (潛力星) training, energy star (能量星) training, navigation star (領航星) training, team leadership empowerment training for managers at all levels, new staffs online courses training for newly recruited staffs, as well as training and expatriate training for various business lines. In the second half of the year, the Company will continue to promote training for newcomers, morning star (啟明星) training and management team training according to the training plan, and further explore the needs to carry out training for improvement of various business and professional skills and continue to cultivate valuable talents for the Company.

Management Discussion and Analysis

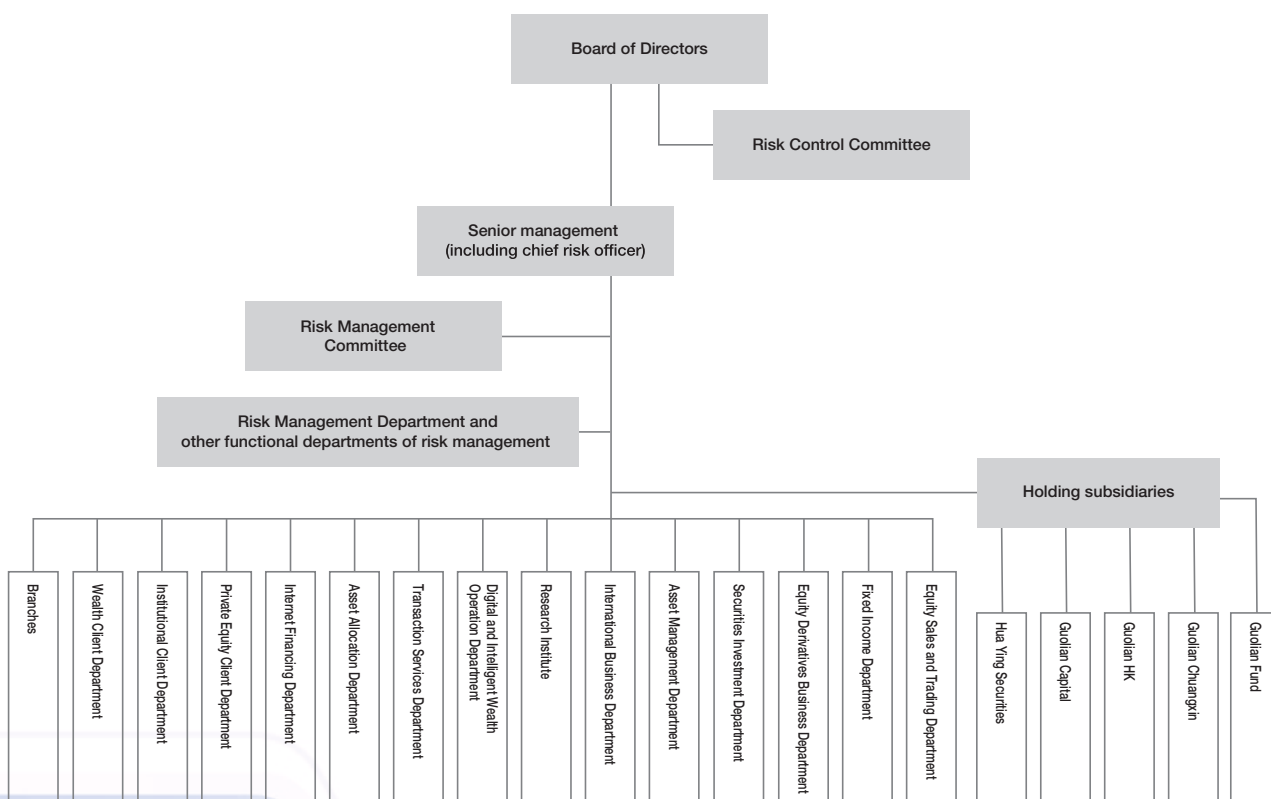
XI. RISK MANAGEMENT OVERVIEW

(I) General Description

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

(II) Risk Management Organizational Structure

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



Management Discussion and Analysis

1. Board of Directors and Risk Control Committee

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

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

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

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

Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

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

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

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

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

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

Management Discussion and Analysis

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

1. Market Risk

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

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

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

2. Credit Risk

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

Management Discussion and Analysis

The Company has assessed the credit ratings of counterparties or issuers through its internal credit rating system, measured its risk with methods such as stress test and sensitivity analysis, and managed credit risks by means of access and concentration. Meanwhile, the Company has established a credit risk management system to conduct monitoring and analysis in a timely manner, keep track of the changes in the credit risk qualifications of various businesses and transaction counterparties, carry out pre-warning and reporting, and adjust its credit limits in a timely manner.

3. Liquidity Risk

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

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

4. Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or problematic internal procedures, personnel and information technology systems, as well as external events. The Company continuously optimizes the internal control mechanism, carries out targeted identification and effectiveness assessment on operational risk, and standardizes business processes through new business assessment, business process rationalizing and system review to prevent risks from occurring. It also continuously collects and sorts out internal and external risk events to supplement operational risk event database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk control culture. It also improves emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the operational risk caused by information system failure.

Management Discussion and Analysis

5. Compliance Risk

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

The Company has established an effective and impeccable compliance risks management system and compliance management and organization system. At the same time, the Company exerts an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance monitoring, compliance inspection, compliance investigation, compliance supervision and compliance training, etc.

6. Reputation Risk

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

I. DIVIDENDS

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

II. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at the end of the Reporting Period, based on the information available to the Company and to the knowledge of the Directors, the interest or short positions of Directors, Supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under those provisions of the SFO), or (ii) which were required to be recorded in the equity register kept pursuant to Section 352 of the SFO, or (iii) which were required to be notified to the Company and HK Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Types of shares	Number of shares (Note 2)	Percentage of total issued shares (%) (Note 3)	Approximate percentage of total issued share capital of H shares (%) (Note 3)
Ge Xiaobo	Chairman, President	H shares	1,340,478 (L)	0.0473	0.3028
Xu Faliang	Chairman of the Supervisory Committee	H shares	134,047 (L)	0.0047	0.0303
Wu Lingyun	Employee Representative Supervisor	H shares	53,619 (L)	0.0019	0.0121
Zhou Min	Employee Representative Supervisor	H shares	13,404 (L)	0.0005	0.0030

Note 1: Mr. Ge Xiaobo, Mr. Xu Faliang, Ms. Wu Lingyun and Mr. Zhou Min were deemed to have interests in the H shares of the Company, respectively due to their participation in the employee stock ownership plan of the Company for the year 2022.

Note 2: (L) denotes long positions.

Note 3: As of 30 June 2023 and the date of this report, the Company issued 2,389,133,168 A shares and 442,640,000 H shares in total. The total number of shares is 2,831,773,168.

Other Information

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

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

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

Name of Shareholders	Class of shares	Nature of interest	Number of shares (Note 1)	Percentage of total number of issued shares of the Company (Note 4)	Percentage of total number of issued shares in the relevant class of shares of the Company (Note 4)
Guolian Group (Note 2)	A shares	Beneficial owner and interest in controlled corporation	1,376,336,123 (L)	48.60%	57.61%
Guolian Trust	A shares	Beneficial owner	390,137,552 (L)	13.78%	16.33%
Guolian Industrial (Note 3)	A shares	Interest in controlled corporation	266,899,445 (L)	9.43%	11.17%
Wuxi Electric	A shares	Beneficial owner	266,899,445 (L)	9.43%	11.17%
Shanghai Wealspring Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	H shares	Investment manager	23,987,500 (L)	0.85%	5.42%

Notes:

(1) (L) denotes long positions.

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

- (3) Guolian Industrial is deemed to have interests in the 266,899,445 A shares of the Company held by Wuxi Electric, its wholly-owned subsidiary.
- (4) As at the end of the Reporting Period, the Company issued 2,389,133,168 A shares and 442,640,000 H shares, a total of 2,831,773,168 shares.

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

IV. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

V. CORPORATE GOVERNANCE

The Company has operated in strict compliance with the laws, regulations and normative documents, and kept committed to maintaining and improving its sound social image. Pursuant to the Company Law, the Securities Law and other applicable laws, regulations and regulatory provisions, the Company has formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee, and the management have their respective authorities and duties and are with checks and balances, so as to ensure the regulated operation of the Company. The convening and voting procedures for general meetings and meetings of the Board and the Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and is disclosed in time and completely; the management of investor relations is efficient and practical; and the corporate governance is based on scientific, rigorous and normative procedures. During the Reporting Period, the Company has strictly complied with the CG Code, complied with other applicable code provisions other than code provision C.2.1 and satisfied with most of the requirements of the recommended best practices specified in Part 2 of the CG Code.

Pursuant to code provision C.2.1, the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual. Mr. Ge Xiaobo, the chairman of the Company, concurrently serves as the president of the Company, which has enhanced the implementation of the Company's development strategies and facilitated the communication between the Board and the senior management, despite deviating from code provision C.2.1 in Part 2 of the CG Code, under the supervision of the Board which comprises of one executive Director, five non-executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its Shareholders.

Other Information

VI. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

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

VII. OPERATING OF THE BOARD AND THE BOARD COMMITTEES

(1) Composition of the Board

As at the end of the Reporting Period, the Board of the Company comprised nine Directors, including one executive Director, namely Mr. Ge Xiaobo (Chairman of the Board, President), five non-executive Directors, namely Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Wu Weihua, Ms. Li Suo and Mr. Liu Hailin, and three independent non-executive Directors, namely Mr. Wu Xingyu, Mr. Chu, Howard Ho Hwa and Mr. Gao Wei.

During the Reporting Period, all Directors performed their statutory duties honestly and diligently and protected the interests of the Shareholders of the Company as a whole, especially the interests of minority Shareholders, in accordance with the relevant provisions of laws, regulations and articles of association of the Company. During the Reporting Period, the Board convened a total of 3 general meetings for its Shareholders to consider and approve 13 resolutions, and convened 7 Board meetings, which considered and approved 38 resolutions.

(2) Board Committees

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

Special Committees	Chairman	Members
Strategy Committee	Ge Xiaobo	Hua Weirong, Zhou Weiping, Wu Weihua, Chu, Howard Ho Hwa
Remuneration and Nomination Committee	Gao Wei	Hua Weirong, Wu Xingyu
Audit Committee	Wu Xingyu	Chu, Howard Ho Hwa, Gao Wei
Risk Control Committee	Ge Xiaobo	Hua Weirong, Zhou Weiping, Liu Hailin, Wu Xingyu

During the Reporting Period, the Strategy Committee convened a total of 3 meetings, which considered and approved 5 resolutions. The Audit Committee convened a total of 2 meetings, which considered and approved 10 resolutions. The Remuneration and Nomination Committee convened a total of 2 meetings, which considered and approved 2 resolutions. The Risk Control Committee convened a total of 2 meetings, which considered and approved 5 resolutions.

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

Other Information

VIII. OPERATION OF THE SUPERVISORY COMMITTEE

As at the end of the Reporting Period, the Supervisory Committee of the Company comprised 5 Supervisors, among which there are three shareholder representative supervisors (namely, Mr. Xu Faliang (Chairman of Supervisory Committee), Mr. Xu Kan and Ms. Xu Jingyan) and two employee representative supervisors (namely, Ms. Wu Lingyun and Mr. Zhou Min).

During the Reporting Period, the Supervisory Committee convened a total of 4 meetings, which considered 20 resolutions. The Supervisors earnestly performed their duties and supervised the standard operation of the Company and safeguarded the legal rights and interests of the Company, Shareholders and investors in accordance with the relevant provisions of the Company Law and Securities Law and other relevant laws and regulations and the articles of association of the Company.

IX. MAJOR LITIGATIONS

Progress of outstanding cases during the Reporting Period

As at the end of the Reporting Period, there was no further progress for the time being in respect of the stock pledged repurchase transaction dispute case between the Company and Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership) (廣州匯垠華合投資企業(有限合夥)) and Zhang Guizhen, and the dispute case over the liability for misrepresentation of securities between Hua Ying Securities, a subsidiary of the Company, and Shandong Longlive Bio-Technology Co., Ltd. The foregoing matters had already been disclosed in the Company's previous periodical reports.

X. INFORMATION RELATING TO THE COMPANY'S CONTROLLING SHAREHOLDERS

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

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

During the Reporting Period, Guolian Capital received 2 letters of intent from the Controlling Shareholders of the Company or their controlled entities regarding the referral of its new Direct Investment Business. After the evaluation by the investment decision committee of Guolian Capital, it was unanimously agreed to give up the options, the reasons of which were that these new business investment opportunities were subject to fierce competition in the business in which they operate, high valuation, etc., which did not meet the investment projects review standards of Guolian Capital.

Other Information

XI. CHANGES OF INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, Mr. Ge Xiaobo has ceased to be a director of Zhonghai Fund since May 2023, and has been a director of Guolian Fund since May 2023. Mr. Wu Weihua has been a director of Guolian Life Insurance Co., Ltd. since April 2023, and a director of Guolian Trust since June 2023. Mr. Wang Jie has been a director of Guolian Fund since May 2023. Mr. Yin Lei has been a director of Hua Ying Securities since May 2023, and a director of Zhonghai Fund since July 2023. Mr. Jiang Zhiqiang has been a director of Hua Ying Securities since May 2023. Mr. Wang Jinling has ceased to be the chief information officer of the Company since April 2023.

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

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

The actual number of participants in the employee stock ownership plan was 342, including directors, supervisors, senior management, employees at VP level and above and other core backbone personnel of the Company or its controlling subsidiaries. The total subscription amount was RMB68,110,000 and the number of subject shares associated with the employee stock ownership plan units held by any individual holder shall not, in aggregate, exceed 0.1% of the total share capital of the Company.

The term of the employee stock ownership plan shall be 5 years with effect from the date of consideration and approval by the general meeting of the Company.

The employee stock ownership plan purchased a total of 18,260,000 H shares of the Company in the secondary market, accounting for approximately 0.6448% of the total share capital of the Company. The total consideration was HK\$73,759,900 (excluding transaction fees), and the remaining funds was used for liquidity purposes. The lock-up period of the target shares purchased under the employee stock ownership plan of the Company shall be 12 months effective from the date on which the Company announced that the latest purchased subject shares had been transferred and registered, being from 23 December 2022 to 22 December 2023.

Definitions

“Beijing Stock Exchange”	the Beijing Stock Exchange
“Board”	the board of Director(s) of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
“China”, “PRC”	the People’s Republic of China
“China Securities Finance”	China Securities Finance Corporation Limited
“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
“Company”, “our Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司)
“Company Law”	the Company Law of the PRC
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Guolian Group, Guolian Trust, Wuxi Electric, Minsheng Investment, Yimian Textile, Huaguang Environment, Guolian Industrial and Guolian Financial Investment
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Direct Investment Business”	a business in which the subsidiary set up by the securities firm leverages on its own professional advantage to search for and find quality investment projects and make equity investment or equity related debt investment with its own or raised funds, so as to obtain income from equity interest or debts
“end of the Reporting Period”	30 June 2023

Definitions

“Good Doctor of the Way to Wealth”	a set of investment advisory service system based on customer’s perspective launched by the Company
“Group”	our Company and its subsidiaries
“Guolian Fund”	Guolian Fund Management Co., Ltd. (國聯基金管理有限公司), 75.5% of the equity interest of which is held by the Company
“Guolian Capital”	Guolian Capital Co., Ltd. (國聯通寶資本投資有限責任公司), a limited liability company established in the PRC on 18 January 2010 and a wholly-owned subsidiary of our Company
“Guolian Chuangxin”	Wuxi Guolian Chuangxin Capital Company Limited (無錫國聯創新投資有限公司), a wholly-owned subsidiary of the Company
“Guolian Financial Investment”	Wuxi Guolian Financial Investment Group Co., Ltd. (無錫國聯金融投資集團有限公司), a wholly-owned subsidiary of Guolian Group
“Guolian Group”	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)
“Guolian HK”	Guolian Securities (Hong Kong) Limited (國聯證券(香港)有限公司)
“Guolian Industrial”	Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司)
“Guolian Trust”	Guolian Trust Co., Ltd. (國聯信託股份有限公司)
“HK Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaguang Environment”	Wuxi Huaguang Environment & Energy Group Co., Ltd. (無錫華光環保能源集團股份有限公司), 72.15% of the equity interest of which is held by Guolian Group, which holds 1.03% of the shares of the Company and was renamed from Wuxi Huaguang Boiler Co., Ltd. (無錫華光鍋爐股份有限公司)
“Hua Ying Securities”	Hua Ying Securities Co., Ltd. (華英證券有限責任公司), a wholly-owned subsidiary of the Company

Definitions

“IFRS”	include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“IPO”	initial public offering
“Listing Rules”	the Rules Governing the Listing of Securities on the HK Stock Exchange
“Minsheng Investment”	Wuxi Minsheng Investment Co., Ltd. (無錫民生投資有限公司), a wholly-owned subsidiary of Guolian Financial Investment, which holds 2.60% of the shares of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuer contained in Appendix 10 of the Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Non-competition Agreement”	the non-competition agreement dated 15 June 2015 entered into among the Company and Guolian Group, Guolian Trust, Wuxi Electric, Guolian Textile, Guolian Environmental and Guolian Industrial
“Reporting Period”	the period for the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shareholders”	holders of the shares of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Single Asset Management Scheme”	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client’s name

Definitions

“Small and medium-sized Businesses, Large Customers”	Small and medium-sized financial institutions such as small and medium banks and quantitative private equity fund as well as high-net-worth clients
“Specialized Asset Management Scheme”	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account
“SSE Composite Index”	Shanghai Stock Exchange Composite Index, reflecting changes of price of shares listed on Shanghai Stock Exchange
“Supervisor(s)”	the Supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“SZSE Component Index”	Shenzhen Stock Exchange Composite Index, comprehensively reflecting changes of price of A and/or B shares listed on Shenzhen Stock Exchange
“Wind Information”	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock limited liability company incorporated in the PRC and a service provider of financial data, information and software
“Wuxi Electric”	Wuxi Guolian Municipal Electric Power Co., Ltd. (無錫市國聯地方電力有限公司), a wholly-owned subsidiary of Guolian Industrial, which holds 9.43% of the shares of the Company, previously known as “Wuxi Municipal Electric Power Company” (無錫市地方電力公司)
“Yimian Textile”	Wuxi Yimian Textile Group Co., Ltd. (無錫一棉紡織集團有限公司), a wholly-owned subsidiary of Guolian Group, which holds 2.57% of the shares of the Company and was renamed from Wuxi Guolian Textile Group Co., Ltd. (無錫國聯紡織集團有限公司)
“ZhongRong Fund”	ZhongRong Fund Management Company Limited (中融基金管理有限公司), which has been renamed as Guolian Fund Management Co., Ltd. (國聯基金管理有限公司)

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

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

To the Board of Directors of Guolian Securities Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Guolian Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 50 to 118, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 August 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Revenue			
– Commission and fee income	5	868,075	761,026
– Interest income under effective interest method	6	689,128	611,845
Total revenue		1,557,203	1,372,871
Net investment gains	7	961,975	571,011
Other income	8	2,069	1,315
Total revenue, gains and other income		2,521,247	1,945,197
Commission and fee expenses	9	(124,802)	(142,141)
Interest expenses	10	(601,159)	(541,694)
Staff costs	11	(724,449)	(500,485)
Depreciation and amortization		(118,687)	(92,508)
Other operating expenses	12	(214,711)	(144,606)
Impairment losses under expected credit loss model, net of reversal	13	8,695	7,644
Total expenses		(1,775,113)	(1,413,790)
Share of results of associates	19	511	5,309
Other gains, net	14	12,314	8,936
Profit before income tax		758,959	545,652
Income tax expense	15	(157,915)	(108,415)
Profit for the period		601,044	437,237
Attributable to:			
Shareholders of the Company		600,313	437,237
Non-controlling interests		731	–
Earnings per share			
(Expressed in RMB per share)			
– Basic	16	0.21	0.15

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Profit for the period		601,044	437,237
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Fair value gain on:			
– investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)		375,697	56,553
Income tax relating to items that will not be reclassified to profit or loss		(93,924)	(14,138)
Subtotal		281,773	42,415
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		5,679	9,857
Fair value gain/(loss) on:			
– debt instruments measured at FVTOCI		135,180	(35,018)
Provision of impairment losses for debt instruments at FVTOCI included in profit or loss		(373)	(1,681)
Income tax relating to items that may be reclassified subsequently to profit or loss		(33,702)	9,175
Subtotal		106,784	(17,667)
Other comprehensive income for the period, net of tax		388,557	24,748
Total comprehensive income for the period		989,601	461,985
Attributable to:			
Shareholders of the Company		988,870	461,985
Non-controlling interests		731	–

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Assets			
Non-current assets			
Property and equipment	18	94,304	81,440
Right-of-use assets	18	219,463	155,921
Goodwill	43	1,142,579	–
Intangible assets	43	571,389	65,608
Interests in associates	19	97,317	96,806
Financial assets held under resale agreements	25	468,664	–
Derivative financial assets	35	712,730	457,279
Financial assets at fair value through profit or loss	26	869,344	545,001
Equity instruments at fair value through other comprehensive income	27	3,354,991	2,926,193
Debt instruments at fair value through other comprehensive income	28	5,552,307	8,363,285
Deferred tax assets	21	29,650	21,589
Refundable deposits	22	370,647	592,226
Construction in progress		–	2,436
Other non-current assets	20	678,150	668,878
Total non-current assets		14,161,535	13,976,662
Current assets			
Margin accounts receivable	24	10,084,051	8,815,670
Financial assets held under resale agreements	25	4,950,457	3,263,816
Derivative financial assets	35	496,428	522,600
Financial assets at fair value through profit or loss	26	36,842,503	31,890,842
Debt instruments at fair value through other comprehensive income	28	963,132	–
Clearing settlement funds	29	3,381,187	2,994,739
Other current assets	23	2,814,287	2,884,873
Cash held for brokerage clients	30	7,650,915	7,964,935
Cash and bank balances	31	4,816,337	2,067,860
Total current assets		71,999,297	60,405,335
Total assets		86,160,832	74,381,997
Current liabilities			
Tax liabilities		36,982	6,474
Bonds in issue	33	9,156,684	6,596,082
Lease liabilities		91,283	86,791
Contract liabilities		19,726	15,705
Due to other financial institutions		2,741,333	900,216
Financial liabilities at fair value through profit or loss	34	1,232,971	1,291,931
Derivative financial liabilities	35	420,164	475,781
Financial assets sold under repurchase agreements	36	16,084,157	14,992,681
Accounts payable to brokerage clients		9,981,488	10,797,281
Other current liabilities	32	8,473,079	3,544,680
Total current liabilities		48,237,867	38,707,622

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Net current assets		23,761,430	21,697,713
Total assets less current liabilities		37,922,965	35,674,375
Equity			
Share capital	37	2,831,773	2,831,773
Share premium		8,189,045	8,189,045
Reserves		2,942,880	2,532,678
Retained earnings		3,785,726	3,207,058
Equity attributable to shareholders of the Company		17,749,424	16,760,554
Non-controlling interest		352,367	–
Total equity		18,101,791	16,760,554
Non-current liabilities			
Deferred tax liabilities	21	515,603	201,167
Derivative financial liabilities	35	47,815	25,295
Lease liabilities		132,055	73,385
Financial liabilities at fair value through profit or loss	34	225,666	287,050
Bonds in issue	33	15,000,000	13,598,212
Other non-current liabilities	38	3,900,035	4,728,712
Total non-current liabilities		19,821,174	18,913,821
Total equity and non-current liabilities		37,922,965	35,674,375

The notes on pages 57 to 118 form an integral part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 50 to 118 were approved and authorized for issue by the Board of Directors on 29 August 2023 and signed on behalf by:

Ge Xiaobo

Chairman of the Board, Executive Director and President

Yin Lei

Vice President and Financial Officer

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company										
	Note	Reserves								Non-controlling interest	Total
		Share capital	Share premium	Surplus reserve	General reserve	Revaluation reserve	Translation reserve	Other reserve	Retained earnings		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2023 (audited)		2,831,773	8,189,045	763,323	1,811,705	(20,377)	(7,156)	(14,817)	3,207,058	-	16,760,554
Profit for the period		-	-	-	-	-	-	-	600,313	731	601,044
Other comprehensive income for the period		-	-	-	-	382,878	5,679	-	-	-	388,557
Total comprehensive income for the period		-	-	-	-	382,878	5,679	-	600,313	731	989,601
Appropriation to general reserve		-	-	-	9,738	-	-	-	(9,738)	-	-
Effect of acquisition of a subsidiary		-	-	-	-	-	-	-	-	351,636	351,636
Disposal of investments in equity instruments at FVTOCI		-	-	-	-	11,907	-	-	(11,907)	-	-
Balance at 30 June 2023 (unaudited)		2,831,773	8,189,045	763,323	1,821,443	374,408	(1,477)	(14,817)	3,785,726	352,367	18,101,791
Balance at 1 January 2022 (audited)		2,831,773	8,189,045	676,925	1,631,946	210,920	(28,254)	(14,817)	2,883,531	-	16,381,069
Profit for the period		-	-	-	-	-	-	-	437,237	-	437,237
Other comprehensive income for the period		-	-	-	-	14,891	9,857	-	-	-	24,748
Total comprehensive income for the period		-	-	-	-	14,891	9,857	-	437,237	-	461,985
Dividends recognized as distribution	17	-	-	-	-	-	-	-	(283,177)	-	(283,177)
Appropriation to general reserve		-	-	-	4,311	-	-	-	(4,311)	-	-
Disposal of investments in equity instruments at FVTOCI		-	-	-	-	(105,229)	-	-	105,229	-	-
Balance at 30 June 2022 (unaudited)		2,831,773	8,189,045	676,925	1,636,257	120,582	(18,397)	(14,817)	3,138,509	-	16,559,877

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Operating activities		
Profit before income tax	758,959	545,652
Adjustments for:		
Depreciation and amortization	118,687	92,508
Impairment losses under expected credit loss model, net of reversal	(8,695)	(7,644)
Net gains on disposal of property and equipment and other intangible assets	(323)	(304)
Unrealised fair value change of financial instruments at fair value through profit or loss	(188,956)	(597,193)
Foreign exchange gains	(1,157)	(814)
Share of results of associates	(511)	(5,309)
Interest income from debt instruments at fair value through other comprehensive income	(171,604)	(95,991)
Net gains arising from debt instruments at fair value through other comprehensive income	(2,291)	(45,558)
Dividends from equity instruments at fair value through other comprehensive income	(147,996)	(145,372)
Interest expense of bonds in issue	380,063	334,467
Interest expense of lease liabilities	3,089	3,327
Net realised gains from disposal of financial instruments at fair value through profit or loss	–	(62,679)
Dividends and interest income from financial instruments at fair value through profit or loss	–	(8,144)
Operating cash flows before movements in working capital	739,265	6,946
Net (increase)/decrease in margin accounts receivable	(1,264,868)	875,567
Net increase in financial assets at fair value through profit or loss	(3,604,111)	(11,860,206)
Net decrease in financial assets held under resale agreements	405,346	274,664
Net decrease/(increase) in refundable deposits	221,579	(278,072)
Net decrease/(increase) in cash held for brokerage clients	314,020	(954,236)
Net decrease in clearing settlement funds held for clients	5,081	417,553
Net decrease/(increase) in other assets	307,206	(974,145)
Net (decrease)/increase in accounts payable to brokerage clients	(815,793)	1,356,423
Net increase in financial assets sold under repurchase agreements	1,091,476	9,297,098
Net (increase)/decrease in due to other financial institutions	1,841,117	(400,210)
Net increase in other liabilities	3,783,505	695,936
Net decrease in financial liabilities at fair value through profit or loss	–	(137,069)
Cash from/(used in) operations	3,023,823	(1,679,751)
Income taxes paid	(77,106)	(81,746)
Net cash from/(used in) operating activities	2,946,717	(1,761,497)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Investing activities		
Dividends received from investments	19,296	153,516
Interest received from investments	169,982	112,798
Proceeds on disposal of property and equipment, intangible assets and other non-current assets	449	693
Purchase of property and equipment, intangible assets and other non-current assets	(92,511)	(29,643)
Purchase of		
– financial instruments at fair value through profit or loss	(241,976)	(289,557)
– debt instruments at fair value through other comprehensive income	(5,709,097)	(1,651,617)
– equity instruments at fair value through other comprehensive income	(136,396)	(378,533)
Proceeds from disposal of		
– financial instruments at fair value through profit or loss	–	636,050
– debt instruments at fair value through other comprehensive income	6,838,791	4,050,558
– equity instruments at fair value through other comprehensive income	87,264	511,057
Payment made on acquisition of a subsidiary, net of cash acquired	(2,212,761)	–
Net cash (used in)/from investing activities	(1,276,959)	3,115,322
Financing activities		
New bank loans raised	–	2,143
Cash received from additional bonds in issue	14,381,186	7,424,125
Repayments of leases liabilities	(52,228)	(44,798)
Cash paid for repayment of bonds in issue	(10,308,726)	(5,936,085)
Interest paid for bonds in issue	(651,865)	(427,658)
Net cash from financing activities	3,368,367	1,017,727
Net increase in cash and cash equivalents	5,038,125	2,371,552
Cash and cash equivalents at the beginning of the period	3,723,982	2,395,089
Effect of exchange rate changes on the balance of cash held in foreign currencies	3,491	3,990
Cash and cash equivalents at the end of the period	8,765,598	4,770,631
Net cash from/(used in) operating activities including:		
Interest received	1,011,426	802,935
Interest paid	(223,053)	(206,233)
Dividend received	25,516	13,848

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

1. General information

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

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

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

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

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

As at 30 June 2023, the registered capital of the Company is RMB2,831,773 thousand. The Company holds the securities institution licence and business license No.91320200135914870B. The registered address of the Company is No.8 Jinrong One Street, Wuxi, Jiangsu Province, PRC.

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

1. General information (continued)

As at 30 June 2023, the Company has established 100 branches, including 15 branch offices and 85 securities branches, which are mainly located in Jiangsu province.

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

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

These condensed consolidated financial statements were authorized for issue by the Board of Directors (the “Board”) of the Company on 29 August 2023.

2. Basis of preparation and principal accounting policies

(a) Basis of preparation

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

(b) Principal accounting policies

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

Other than additional accounting policies resulting from application of new International Financial Reporting Standards (“IFRSs”) and amendments to IFRSs and the accounting policies related to intangible assets, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of new IFRSs and amendments to IFRSs

In the current interim period, the Group has applied the following new IFRSs and amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

(b) Principal accounting policies (continued)

Impacts and changes in accounting policies and application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

The Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy to leasing transactions that occurred on or after January 1, 2022;
- (ii) the Group also, as at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

(b) Principal accounting policies (continued)

Impacts and changes in accounting policies and application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets and deferred tax liabilities on a gross basis but it has no impact on the retained earnings at the earliest period presented. As as January 1, 2022, the Group recognized deferred tax asset associated with and lease liabilities and deferred tax liability associated with right-of-use-assets amounted to RMB 41,339 thousand and RMB 41,084 thousand, respectively. As as December 31, 2022, the Group recognized deferred tax asset associated with and lease liabilities and deferred tax liability associated with right-of-use-assets amounted to RMB 38,005 thousand and RMB 37,210 thousand, respectively.

Intangible assets

Trade names shall be amortised over 10 years, software and others shall be amortised over 2 - 5 years, and customer relationships shall be amortised over expected beneficial life.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3. Significant accounting judgements and estimates

Other than the impairment of non-financial assets, the significant accounting estimates used in the present interim financial statements are consistent with the significant accounting estimates used in the Group's 2022 financial statements. The significant accounting estimates for the impairment of goodwill and intangible assets arising from the acquisition in the current period are as follows.

Impairment of non-financial assets

At the end of the reporting period, the carrying amount of non-financial assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, an impairment loss is provided. Goodwill and indefinite-lived intangible assets are tested annually for impairment.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the future cash flows and discounting rates, based on all relevant materials which can be obtained together with reasonable and supportable assumptions. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

4. Segment analysis

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

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

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the period ended 30 June 2023.

Guolian Fund Management Co., Ltd. ("Guolian Fund"), the subsidiary acquired in the current period, is included in the asset management and investment segment.

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

4. Segment analysis (continued)

	Six months ended 30 June 2023							Total
	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	
(Unaudited)								
Total revenue and other income								
Commission and fee income								
– External	400,032	32,142	285,213	1,972	148,716	–	–	868,075
– Internal	–	–	8,739	–	2,239	–	(10,978)	–
Interest income								
– External	93,959	331,108	4,200	164,065	3,380	92,416	–	689,128
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	6,564	894,055	7,560	53,796	–	961,975
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	407	–	–	–	–	1,662	–	2,069
– Internal	–	–	–	–	–	–	–	–
Total expenses (including impairment losses, net of reversal)	(432,271)	(246,804)	(238,391)	(390,180)	(148,638)	(319,561)	732	(1,775,113)
Segment operating profit/(loss)	62,127	116,446	66,325	669,912	13,257	(171,687)	(10,246)	746,134
Other gains, net								
– External	3,280	–	3,338	1,156	2,304	2,236	–	12,314
– Internal	–	–	–	–	–	–	–	–
Share of results of associates	–	–	–	–	–	511	–	511
Profit/(loss) before income tax	65,407	116,446	69,663	671,068	15,561	(168,940)	(10,246)	758,959
30 June 2023								
	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	Total
(Unaudited)								
Total assets	9,647,635	13,104,332	833,206	47,228,292	3,234,514	15,300,482	(3,187,629)	86,160,832
Total liabilities	8,890,346	15,054,395	454,306	38,353,741	340,601	4,959,875	5,777	68,059,041
Six months ended 30 June 2023								
(Unaudited)								
Supplemental information								
Interests in associates	–	–	–	–	–	97,317	–	97,317
Depreciation and amortization	57,298	520	11,234	4,348	17,153	28,134	–	118,687
Impairment losses under expected credit loss model, net of reversal	–	(8,719)	282	(472)	(170)	384	–	(8,695)
Capital expenditure	84,386	892	7,517	6,321	567,646	27,475	–	694,237

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

4. Segment analysis (continued)

	Six months ended 30 June 2022							
	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	Total
(Unaudited)								
Total revenue and other income								
Commission and fee income								
– External	427,405	6,908	251,092	–	75,621	–	–	761,026
– Internal	–	–	8,585	–	2,239	–	(10,824)	–
Interest income								
– External	97,322	361,202	7,023	82,484	6,690	57,124	–	611,845
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	5,067	478,399	16,334	71,211	–	571,011
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	–	–	–	–	–	1,315	–	1,315
– Internal	–	–	–	–	–	100	(100)	–
Total expenses (including impairment losses, net of reversal)	(395,278)	(213,160)	(217,649)	(305,391)	(58,454)	(224,675)	817	(1,413,790)
Segment operating profit/(loss)	129,449	154,950	54,118	255,492	42,430	(94,925)	(10,107)	531,407
Other gains, net								
– External	3,202	–	857	927	20	3,930	–	8,936
– Internal	–	–	–	–	–	–	–	–
Share of results of associates	–	–	–	–	–	5,309	–	5,309
Profit/(loss) before income tax	132,651	154,950	54,975	256,419	42,450	(85,686)	(10,107)	545,652
31 December 2022								
	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	Total
Total assets	10,008,435	12,719,632	650,148	42,057,372	434,909	9,472,932	(961,431)	74,381,997
Total liabilities	9,298,963	12,972,797	227,474	29,803,158	60,081	5,247,885	11,085	57,621,443
Six months ended 30 June 2022								
(Unaudited)								
Supplemental information								
Depreciation and amortization	51,072	631	10,253	2,846	3,695	24,011	–	92,508
Impairment losses under expected credit loss model, net of reversal	–	(4,340)	125	(1,821)	(1,378)	(230)	–	(7,644)
Capital expenditure	24,589	338	3,958	1,328	350	17,614	–	48,177

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

5. Commission and fee income

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Securities brokerage	371,625	394,738
Underwriting and sponsorship	263,030	225,635
Investment consultancy and financial advisory	52,561	58,251
Asset management	148,716	75,493
Others	32,143	6,909
	868,075	761,026

6. Interest income under effective interest method

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest income from margin financing	267,935	280,650
Interest income from bank deposits and clearing settlement funds	161,826	153,728
Interest income from financial assets held under resale agreements	87,763	81,476
Interest income from debt instruments at fair value through other comprehensive income	171,604	95,991
	689,128	611,845

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

7. Net investment gains

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Realised gains from disposal of financial assets at fair value through profit or loss	422,892	237,101
Realised gains from disposal of debt instruments at fair value through other comprehensive income	2,291	45,558
Realised losses from disposal of financial liability at fair value through profit or loss	(23,638)	(11,970)
Net realised losses from derivative financial instruments	(101,392)	(723,808)
Dividends income from equity instruments at fair value through other comprehensive income	147,996	145,372
Dividends and interest income from financial assets at fair value through profit or loss	324,870	284,757
Dividends to interest holders of financial liabilities at fair value through profit or loss	–	(3,192)
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(15,274)	113,808
– Derivative financial instruments	245,356	448,735
– Financial liabilities at fair value through profit or loss	(41,126)	34,650
	961,975	571,011

8. Other income

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Rental income	1,615	1,270
Others	454	45
	2,069	1,315

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

9. Commission and fee expenses

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Securities brokerage	110,221	130,339
Underwriting and sponsorship	5,930	6,478
Asset management	875	750
Others	7,776	4,574
	124,802	142,141

10. Interest expenses

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest expense of bonds in issue	380,063	334,467
Interest expense of financial assets sold under repurchase agreements	192,128	171,547
Interest expense of accounts payable to brokerage clients	11,948	20,821
Interest expense of due to other financial institutions	13,931	11,532
Interest expense of lease liabilities	3,089	3,327
	601,159	541,694

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

11. Staff costs

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Salaries and bonus	581,408	386,609
Pensions	79,021	62,383
Other social security	44,518	36,379
Labor union funds and employee education funds	3,785	2,303
Other welfare	15,717	12,811
	724,449	500,485

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

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

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

12. Other operating expenses

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Tax and surcharges	11,108	9,049
Rentals	2,143	1,367
Marketing and distribution expenses	35,339	19,512
Office expenses	27,213	20,691
Travelling expenses	25,060	11,475
Securities investors protection fund	8,056	22,677
Professional service expenses	6,389	6,999
Consulting expenses	17,666	11,881
Communication expenses	21,712	13,894
Others	60,025	27,061
	214,711	144,606

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Financial assets held under resale agreements	(5,206)	(4,366)
Accounts receivable and other receivables	397	(207)
Debt instruments at fair value through other comprehensive income	(373)	(1,681)
Margin accounts receivable	(3,513)	(1,390)
	(8,695)	(7,644)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

14. Other gains, net

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Foreign exchange gains	1,157	814
Government grants	10,830	7,025
Others	327	1,097
	12,314	8,936

15. Income tax expense

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Current income tax expense		
– Mainland China	99,357	(72,389)
(Under)/over provision in prior years		
– Mainland China	(80)	454
	99,277	(71,935)
Deferred taxation		
– Mainland China (note 21)	58,547	180,350
– Hong Kong (note 21)	91	–
	58,638	180,350
Income tax expense	157,915	108,415

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

15. Income tax expense (continued)

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

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

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

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

As at June 30, 2023, the Group had estimated tax losses of approximately RMB23,520 thousand (2022: RMB23,227 thousand) for Guolian Securities (H.K.) Co., Ltd., and temporary difference of approximately RMB45,723 thousand (2022: 34,159 thousand). No deferred tax assets has been recognised in respect of estimated tax losses and temporary difference as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount. These tax losses and temporary difference has no expiry date and can be carried forward indefinitely subject to the approval of the Inland Revenue Department.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

16. Earnings per share

16.1 Basic earnings per share

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to shareholders of the Company (in RMB '000)	600,313	437,237
Weighted average number of ordinary shares in issue (in thousand)	2,831,773	2,831,773
Basic earnings per share (in RMB)	0.21	0.15

16.2 Diluted earnings per share

For the six months ended 30 June 2023 and 2022, there were no potential diluted ordinary shares, so no diluted earnings per share was presented.

17. Profit distribution

For the six months ended 30 June 2023, no dividends had been declared. (For the six months ended 30 June 2022: RMB283,177 thousand dividends were paid).

	30 June	30 June
	2023 (Unaudited)	2022 (Unaudited)
Dividends recognised as distribution	–	283,177
	–	283,177

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

18. Property and equipment, and right-of-use assets

During the six months ended 30 June 2023, the Group purchased property and equipment with a cost of RMB22,127 thousand (unaudited) (six months ended 30 June 2022: RMB7,182 thousand (unaudited)) and acquired property and equipment with a cost of RMB9,632 thousand (unaudited) through the acquisition of a subsidiary.

During the six months ended 30 June 2023, gains from disposal of property and equipment amounted to RMB31 thousand (unaudited) (six months ended 30 June 2022: RMB22 thousand (unaudited)).

During the six months ended 30 June 2023, the Group entered into several new lease agreements with lease terms ranged from 6 months to 6 years. The Group is required to make fixed payments. On lease commencement, the Group recognized right-of-use assets of RMB51,928 thousand (unaudited) and lease liabilities of RMB51,928 thousand (unaudited) (six months ended 30 June 2022: RMB20,455 thousand (unaudited) and lease liabilities of RMB20,455 thousand (unaudited)). During the six months ended 30 June 2023, the Group acquired right-of-use assets of RMB 62,612 thousand (unaudited) and lease liabilities of RMB 62,612 thousand (unaudited) through the acquisition of a subsidiary.

19. Interests in associates

Set out below are the associates of the Group as at 30 June 2023 and 31 December 2022, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business/ country of incorporation	% of ownership interest as at 30 June 2023	% of ownership interest as at 31 December 2022	Measurement Method
Zhonghai Fund Management Co., Ltd. ⁽¹⁾	PRC	33.41%	33.41%	Equity

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

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

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at beginning of the period/year	96,806	102,921
Share of profit	511	(6,115)
Balance at end of the period/year	97,317	96,806

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

20. Other non-current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Long-term prepaid assets	47,872	39,617
Margin deposits of derivative contracts	627,405	624,702
Others	2,873	4,559
	678,150	668,878

21. Deferred tax assets and liabilities

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Deferred tax assets	29,650	21,589
Deferred tax liabilities	(515,603)	(201,167)
	(485,953)	(179,578)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

21. Deferred tax assets and liabilities (continued)

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

	Impairment losses	Changes in fair value of financial assets/liabilities at fair value through profit or loss	Changes in fair value of derivatives	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Others	Total
As at 1 January 2022	46,044	(93,121)	(6,804)	(11,622)	(49,228)	48,406	(66,325)
(Charge)/credit to profit or loss	(39,097)	(64,716)	(57,479)	1,865	-	(30,924)	(190,351)
Credit to equity for the year	-	-	-	-	35,192	-	35,192
Credit to other comprehensive income	-	-	-	41,673	233	-	41,906
As at 31 December 2022	6,947	(157,837)	(64,283)	31,916	(13,803)	17,482	(179,578)
(Charge) / credit to profit or loss	(124,162)	13,429	(61,470)	(93)	-	113,658	(58,638)
Charge to equity for the year	-	-	-	-	(3,971)	-	(3,971)
Charge to other comprehensive income	-	-	-	(33,702)	(93,924)	-	(127,626)
Acquisition	-	(143)	-	-	-	(115,997)	(116,140)
As at 30 June 2023	(117,215)	(144,551)	(125,753)	(1,879)	(111,698)	15,143	(485,953)

22. Refundable deposits

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Deposits with Stock Exchanges		
– Shanghai Stock Exchange	90,352	107,660
– Shenzhen Stock Exchange	43,796	47,712
– China Beijing Equity Exchange	1,537	1,448
Deposits with futures brokers	234,962	435,406
	370,647	592,226

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

23. Other current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Accounts receivable ^(a)	962,050	1,221,875
Dividends receivable	128,700	–
Prepaid expenses	38,492	27,163
Other receivables ^(b)	44,329	28,616
Margin deposits of derivative contracts	1,630,245	1,486,802
Others	15,496	125,044
Less: Impairment allowance	(5,025)	(4,627)
	2,814,287	2,884,873

(a) Accounts receivable

The aging analysis of accounts receivable is as follows:

	30 June 2023		31 December 2022	
	Amount (Unaudited)	Impairment allowance (Unaudited)	Amount (Audited)	Impairment allowance (Audited)
Up to 1 year	961,412	197	1,219,590	94
1 to 2 years	–	–	1,647	–
Over 2 years	638	638	638	638
	962,050	835	1,221,875	732

In accordance with the requirements of IFRS 9, the Group adopts a simplified method to measure the expected credit loss for accounts receivable, that is, the Group always recognizes lifetime ECL for accounts receivable. As at 30 June 2023, accounts receivable of the Group were credit-impaired amount to RMB638 thousand (31 December 2022: RMB 638 thousand), and the credit impairment allowance was RMB638 thousand (31 December 2022: RMB 638 thousand). As at 30 June 2023, the credit risk exposure of accounts receivable amounted to RMB962,050 thousand (31 December 2022: RMB1,221,875 thousand).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

23. Other current assets (continued)

(b) Other receivables

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

	30 June 2023			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Other receivables	33,957	8,497	1,875	44,329
Less: Impairment allowance	(474)	(1,841)	(1,875)	(4,190)
	33,483	6,656	–	40,139

	31 December 2022			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Other receivables	21,838	4,766	2,012	28,616
Less: Impairment allowance	(684)	(1,199)	(2,012)	(3,895)
	21,154	3,567	–	24,721

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

24. Margin accounts receivable

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Margin accounts receivable	10,095,892	8,831,024
Less: Impairment allowance	(11,841)	(15,354)
	10,084,051	8,815,670

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 30 June 2023, impairment allowance amounting to RMB11,841 thousand (31 December 2022: RMB15,354 thousand) was provided.

Margin accounts receivable as at 30 June 2023 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB29,454,193 thousand (31 December 2022: RMB25,061,882 thousand).

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

	30 June 2023			Total RMB'000
	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	
Margin accounts receivable	9,142,170	953,722	-	10,095,892
Less: Impairment allowance	(3,444)	(8,397)	-	(11,841)
	9,138,726	945,325	-	10,084,051

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

24. Margin accounts receivable (continued)

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

	31 December 2022			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Margin accounts receivable	7,829,020	1,002,004	–	8,831,024
Less: Impairment allowance	(5,743)	(9,611)	–	(15,354)
	7,823,277	992,393	–	8,815,670

25. Financial assets held under resale agreements

Non-current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Analyzed by asset type:		
– Equity securities	469,465	–
Less: Impairment allowance	(801)	–
	468,664	–
Analyzed by market:		
– Shanghai Stock Exchange	6,700	–
– Shenzhen Stock Exchange	461,964	–
	468,664	–

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(All amounts in RMB'000 unless otherwise stated)

25. Financial assets held under resale agreements (continued)

Current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Analyzed by asset type:		
– Equity securities	1,269,492	2,172,484
– Debt securities	3,683,495	1,099,868
Less: Impairment allowance	(2,530)	(8,536)
	4,950,457	3,263,816
Analyzed by market:		
– Interbank market	2,153,473	1,099,868
– Shanghai Stock Exchange	1,923,042	276,804
– Shenzhen Stock Exchange	873,942	1,887,144
	4,950,457	3,263,816

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

	30 June 2023			Total RMB'000
	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	
Financial assets held under resale agreements	5,422,452	–	–	5,422,452
Less: Impairment allowance	(3,331)	–	–	(3,331)
	5,419,121	–	–	5,419,121

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

25. Financial assets held under resale agreements (continued)

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

	31 December 2022			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets held under resale agreements	3,272,352	–	–	3,272,352
Less: Impairment allowance	(8,536)	–	–	(8,536)
	3,263,816	–	–	3,263,816

26. Financial assets at fair value through profit or loss

Non-current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financial assets mandatorily measured at fair value through profit or loss		
– Investments in unlisted companies	654,063	399,779
– Collective asset management schemes	15,134	–
– Trust schemes	152,425	57,471
– Equity securities	47,722	87,751
Total non-current assets	869,344	545,001
Analyzed as		
– Listed outside Hong Kong	47,722	–
– Unlisted	821,622	545,001
Total	869,344	545,001

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

Current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financial assets mandatorily measured at fair value through profit or loss		
– Debt securities	19,877,961	18,831,676
– Equity securities	1,288,639	920,053
– Investment funds	3,356,373	3,297,818
– Asset backed securities	1,139,905	782,592
– Trust schemes	1,013,649	831,126
– Collective asset management schemes	151,591	249,770
– Private equity funds	6,745,610	6,811,782
– Commercial papers	2,572,425	98,870
– Wealth management products	696,350	67,155
Total current assets	36,842,503	31,890,842
Analyzed as		
Financial assets mandatorily measured at fair value through profit or loss		
– Listed in Hong Kong	4,671	14,782
– Listed outside Hong Kong	8,969,523	6,047,125
– Unlisted	27,868,309	25,828,935
	36,842,503	31,890,842
Total	37,711,847	32,435,843

As at 30 June 2023, financial assets at fair value through profit or loss collateralized for repurchase arrangements, securities lending, and margin and securities refinancing business amounted to RMB20,257,303 thousand (31 December 2022: RMB16,475,071 thousand), RMB737,831 thousand(31 December 2022: RMB280,803 thousand) and RMB691,333 thousand(31 December 2022: RMB144,515 thousand), respectively.

As at 30 June 2023, the fair value of interests in structured entities, of which the redemption was restricted due to the Group's participation in the schemes which were managed by the Group, was RMB527,233 thousand (31 December 2022: RMB290,690 thousand).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

27. Equity instruments at fair value through other comprehensive income

Non-current assets

	30 June 2023 (Unaudited)	31 December 2022 (audited)
Analyzed by type of issuers:		
Equity securities (note)	3,354,991	2,926,193
	3,354,991	2,926,193

	30 June 2023 (Unaudited)	31 December 2022 (audited)
Analyzed as:		
Listed in Hong Kong	3,093,433	2,816,271
Listed outside Hong Kong	261,558	109,922
	3,354,991	2,926,193

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

For the period end 30 June 2023, the Group disposed certain equity instrument at FVTOCI as a result of the change of investment strategies, and the corresponding losses of RMB11,907 thousand was reclassified from revaluation reserve to retained earnings (for the period ended 30 June 2022, RMB105,230 thousand).

As at June 30, 2023, no equity instruments were collateralized for securities lending (31 December 2022: RMB363,017 thousand).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

28. Debt instruments at fair value through other comprehensive income

Non-current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Analyzed by type of issuers:		
Governments	1,521,820	2,319,611
Financial institutions	130,534	902,309
Corporate entities	3,899,953	5,141,365
	5,552,307	8,363,285
	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Analyzed as:		
Listed outside Hong Kong	1,598,631	2,172,829
Unlisted	3,953,676	6,190,456
	5,552,307	8,363,285
Expected credit losses	(22,456)	(45,280)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

Current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Analyzed by type of issuers:		
Corporate entities	963,132	–
	963,132	–
Analyzed as:		
Listed outside Hong Kong	342,608	–
Unlisted	620,524	–
	963,132	–
Expected credit losses	(22,451)	–

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

As of 30 June 2023, the fair value of securities of the Group which have been placed as collateral for financial assets sold under repurchase agreements was RMB2,396,345 thousand (31 December 2022: 3,425,002 thousand), and for bond lending was RMB2,461,202 thousand (31 December 2022: 447,945 thousand). The fair value and ECL allowance of debt instruments at fair value through other comprehensive income according to the stage of ECL are as follows:

	30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	
RMB'000	RMB'000	RMB'000		
Debt instruments at fair value through other comprehensive income	6,511,034	–	4,405	6,515,439
Impairment allowance	27,185	–	17,722	44,907

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RMB'000	RMB'000	RMB'000	
RMB'000	RMB'000	RMB'000		
Debt instruments at fair value through other comprehensive income	8,357,942	–	5,343	8,363,285
Impairment allowance	27,496	–	17,784	45,280

29. Clearing settlement funds

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Clearing settlement funds held for clients	1,889,147	1,894,228
Proprietary clearing settlement funds	1,492,040	1,100,511
	3,381,187	2,994,739

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

30. Cash held for brokerage clients

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

31. Cash and bank balances

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash	6	4
Bank balances	4,816,331	2,067,856
	4,816,337	2,067,860

32. Other current liabilities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Salaries, bonus, allowances and benefits payable	469,950	440,290
Accounts payable	663,777	354,439
Other taxes payable	57,979	57,363
Securities investor protection fund	8,306	6,751
Provisions	1,869	1,869
Margin deposits of derivative contracts	6,983,316	2,623,126
Deferred income	14,311	8,280
Payables for underwriting	216,178	–
Others	57,393	52,562
	8,473,079	3,544,680

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

33. Bonds in issue

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Current		
Corporate bonds with fixed rate – 2023 ^(a)	–	800,000
Corporate bonds with fixed rate – 2023 ^(b)	–	1,500,000
Corporate bonds with fixed rate – 2023 ^(c)	–	1,500,000
Corporate bonds with fixed rate – 2023 ^(d)	1,000,000	1,000,000
Corporate bonds with fixed rate – 2024 ^(e)	999,346	–
Corporate bonds with fixed rate – 2024 ^(f)	1,499,594	–
Corporate bonds with fixed rate – 2024 ^(g)	1,000,000	–
Subordinated bonds with fixed rate – 2023 ^(h)	–	700,000
Income certificates ⁽ⁱ⁾	1,361,000	705,000
Short term corporate bonds ^(j)	3,000,000	–
Interest payable	296,744	391,082
	9,156,684	6,596,082
Non-Current		
Corporate bonds with fixed rate – 2024 ^(e)	–	998,859
Corporate bonds with fixed rate – 2024 ^(f)	–	1,499,353
Corporate bonds with fixed rate – 2024 ^(g)	–	1,000,000
Corporate bonds with fixed rate – 2024 ^(k)	1,000,000	1,000,000
Corporate bonds with fixed rate – 2024 ^(l)	1,500,000	1,500,000
Corporate bonds with fixed rate – 2024 ^(m)	2,600,000	–
Corporate bonds with fixed rate – 2025 ⁽ⁿ⁾	1,000,000	1,000,000
Corporate bonds with fixed rate – 2025 ^(o)	1,100,000	1,100,000
Corporate bonds with fixed rate – 2025 ^(p)	1,000,000	1,000,000
Corporate bonds with fixed rate – 2026 ^(q)	1,300,000	–
Corporate bonds with fixed rate – 2027 ^(r)	1,000,000	1,000,000
Corporate bonds with fixed rate – 2027 ^(s)	1,000,000	1,000,000
Subordinated bonds with fixed rate – 2025 ^(t)	1,000,000	1,000,000
Subordinated bonds with fixed rate – 2025 ^(u)	1,500,000	1,500,000
Subordinated bonds with fixed rate – 2026 ^(v)	1,000,000	–
	15,000,000	13,598,212
	24,156,684	20,194,294

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

33. Bonds in issue (continued)

- (a) On 16 January 2020, the Company issued RMB800,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.13% paid annually.
- (b) On 11 March 2020, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.60% paid annually.
- (c) On 7 June 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 3.27% paid annually.
- (d) On 22 September 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 3.40% paid annually.
- (e) On 15 March 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.70% paid annually.
- (f) On 12 May 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.59% paid annually.
- (g) On 28 June 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.65% paid annually.
- (h) On 5 March 2020, the Company issued RMB700,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.25% paid annually.
- (i) As at 30 June 2023, income certificates were with a maturity of 7 days to 374 days and bore interest rates ranging from 1.90% to 3.50% per annum paid at maturity. (As at 31 December 2022, income certificates were with a maturity of 61 days to 128 days and bore interest rates ranging from 1.90% to 3.50% per annum paid at maturity.)
- (j) As at 30 June 2023, short term corporate bonds were with a maturity of 245 days to 330 days and bore interest rates from 2.80% to 3.00% per annum paid at maturity. (As at 31 December 2022, there is no short term corporate bonds.)
- (k) On 30 August 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.29% paid annually.
- (l) On 22 November 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.50% paid annually.
- (m) On 9 February 2023, the Company issued RMB2,600,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 669 days and a fixed coupon rate of 3.15% paid annually.
- (n) On 24 January 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.14% paid annually.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

33. Bonds in issue (continued)

- (o) On 7 June 2022, the Company issued RMB1,100,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 2.99% paid annually.
- (p) On 11 November 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 2.70% paid annually.
- (q) On 25 April 2023, the Company issued RMB1,300,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.15% paid annually.
- (r) On 23 March 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.80% paid annually.
- (s) On 28 April 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.60% paid annually.
- (t) On 24 February 2022, the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.45% paid annually.
- (u) On 11 August 2022, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.10% paid annually.
- (v) On 17 April 2023, the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.65% paid annually.

34. Financial liabilities at fair value through profit or loss

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Interests of other holders in consolidated SEs	68,643	48,860
Income certificates with variable interests	1,389,994	1,530,121
	1,458,637	1,578,981
Analysed for reporting purpose as:		
Non-current liabilities	225,666	287,050
Current liabilities	1,232,971	1,291,931
	1,458,637	1,578,981

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

35. Derivative financial instruments

	30 June 2023		31 December 2022	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Futures contracts ^(a)	-	-	-	-
Stock options	16,065	(13,697)	22,942	(8,343)
Commodity options	10,564	(6,861)	5,497	(1,752)
OTC options	975,398	(82,214)	722,277	(22,002)
Interest rate swaps	-	(4,986)	-	(5,384)
Return swaps	205,352	(360,221)	229,163	(463,595)
Credit default swap	1,779	-	-	-
	1,209,158	(467,979)	979,879	(501,076)

Analyzed for reporting purpose as:

	30 June 2023		31 December 2022	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Current	496,428	(420,164)	522,600	(475,781)
Non-current	712,730	(47,815)	457,279	(25,295)
	1,209,158	(467,979)	979,879	(501,076)

(a) Futures contracts

	30 June 2023		31 December 2022	
	Nominal value (Unaudited)	Fair value (Unaudited)	Nominal value (Audited)	Fair value (Audited)
Stock index futures	11,249,375	(238,696)	10,637,296	(201,428)
Treasury futures	40,473	(402)	7,821	(48)
Interest rate futures	-	-	1,394	7
Commodity futures	473,119	3,255	45,339	(642)
Less: cash paid as settlement		(235,843)		(202,111)
Net position of future contracts		-		-

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

36. Financial assets sold under repurchase agreements

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Analyzed by asset type:		
– Debt securities	11,647,524	13,004,819
– Funds	2,019,714	1,887,862
– Commercial papers	2,416,919	100,000
	16,084,157	14,992,681
Analyzed by market:		
– Interbank market	8,202,707	9,575,780
– Stock Exchange	5,319,837	5,248,190
– Others	2,561,613	168,711
	16,084,157	14,992,681
Analyzed by transaction type:		
– Pledged	15,757,346	14,923,970
– Outright	326,811	68,711
	16,084,157	14,992,681

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37. Share capital

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

	Domestic Shares		H Shares		Total	
	Number	Amount	Number	Amount	Number	Amount
	of shares RMB'000	RMB'000	of shares RMB'000	RMB'000	of shares RMB'000	RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
1 January 2022	2,389,133	2,389,133	442,640	442,640	2,831,773	2,831,773
Issuance of A shares	-	-	-	-	-	-
31 December 2022	2,389,133	2,389,133	442,640	442,640	2,831,773	2,831,773
30 June 2023	2,389,133	2,389,133	442,640	442,640	2,831,773	2,831,773

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38. Other non-current liabilities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Margin deposits of derivative contracts	3,900,035	4,728,712
	3,900,035	4,728,712

39. Cash and cash equivalents

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

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Cash	6	34
Bank balances	3,618,475	1,282,293
Proprietary clearing settlement funds	1,492,040	911,360
Cash equivalents		
– Financial assets held under resale agreements with original maturity at or less than 3 months	3,655,083	2,576,944
	8,765,598	4,770,631

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

40. Commitments and contingent liabilities

(1) Commitments

As at 30 June 2023, the Group was not involved in any material commitments (31 December 2022: Nil).

(2) Legal proceedings

- (1) On 20 September 2019, the Company received a notice of response to a lawsuit filed by a client in Wuxi Intermediate People's Court of Jiangsu Province against the Company over the dispute over securities pledged repurchase transaction, claiming that the Company should refund the overcharged amount and should reimburse losses totaling RMB55,517 thousand to a third-party. On 15 April 2020, Wuxi Intermediate People's Court issued a civil ruling which rejected this lawsuit. The client filed an appeal on 29 May 2020, and the case is currently under trial. The Company has recognized provisions of RMB1,869 thousand in respect of the above case as at 30 June 2023 (31 December 2022: RMB1,869 thousand).
- (2) In June 2021, 15 investors of Shandong Longli Biotechnology Co., Ltd. (hereinafter referred to as "Longli biotechnology") filed a lawsuit to the Intermediate People's Court of Jinan City, Shandong Province for compensation of the investment loss of RMB2,762 thousand caused by the misrepresentation. The case was heard on October 28, 2021, the intermediate people's Court of Jinan City, Shandong Province ruled that the case should come to trial in accordance with the ordinary representative litigation procedure, and the registration of the right holder began.

In August 2022, Huaying Securities, a wholly-owned subsidiary of the Group, received the Summons for Court Session, the Notice to Produce Evidence, and the Notice of Notification to the Members of the Trial Division issued by the Intermediate People's Court of Jinan City, Shandong Province on August 2, 2022, with 1,628 investors of Longli biotechnology claiming for compensation of plaintiff for the investment loss, commission, stamp duty, litigation costs and other fees, caused by the misrepresentation. As the sponsor and securities underwriter of the listing of Longli Bio, Huaying Securities co-underwent joint and several liability with 12 other natural persons and BDO China Shu Lun Pan Certified Public Accountants LLP.

On November 9, 2022, the Jinan Intermediate People's Court issued the Civil Ruling ((2021) 3 Lu 01 Minchu No. 1377-bis), holding that the case needed to be based on the outcome of other cases by the CSRC, so it suspended the trial of the case. The above-mentioned case has not yet been heard. Due to this is still an early stage of the legal proceedings, according to the judgment of the management, the Group has not accrued any provisions for the potential claims.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

41. Related party transactions

41.1 Transactions and balances with the Company's controlling shareholder

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as "Guolian Group" together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,391,110 thousand. As at 30 June 2023, Guolian Group directly held 19.21 % of the equity interest in the Company. In addition, Guolian Group also indirectly held 29.40% equity interest in Company through its subsidiaries of Guolian Trust Co., Ltd. ("Guolian Trust"), Wuxi Guolian Municipal Electric Power Company ("Wuxi Electric"), Wuxi Yi Mian Textile Group Co., Ltd. ("Yi Mian Textile"), Wuxi Min Sheng Investment Co., Ltd. ("Min Sheng Investment") and Wuxi Huaguang Environment&Energy Group Co., Ltd. ("Wuxi Huaguang").

Guolian Trust is the subsidiary of Guolian Group who directly or indirectly held 91.87% of the equity interest. As at 30 June 2023, Guolian Trust held 13.78% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2023, Wuxi Electric held 9.43% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 30 June 2023, Yi Mian Textile held 2.57% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2023, Min Sheng Investment held 2.60% of the equity interest in the Company.

Wuxi Huaguang is the subsidiary of Guolian Group who directly held 72.15% of the equity interest. As at 30 June 2023, Wuxi Huaguang held 1.03% of the equity interest in the Company.

Transactions during the period

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Interest expense of lease obligation	6	–
Income from providing underwriting services	849	849

Balances at the end of the period/year

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
Cash held for brokerage clients	<1	<1
Lease liabilities	742	–

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

41. Related party transactions (continued)

41.2 Other related party transactions and balances

The below table lists the Group's other significant related entities as at 30 June 2023:

Significant related entities	The relationship with the Group
Guolian Futures	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Fellow subsidiary
Jiangsu Asset Management Co., Ltd.	Fellow subsidiary
Jiangsu Lianjia Asset Management Co., Ltd. ("Lianjia Asset Management")	Fellow subsidiary
Wuxi Union Financing Guarantee Co., Ltd. ("Union Financing Guarantee")	Fellow subsidiary
Wuxi Taigong Sanatorium Co., Ltd. ("Taigong Sanatorium")	Fellow subsidiary
Wuxi Guolian Integrated Circuit Investment Center (Limited Partnership) ("Integrated Circuit Investment Center")	Fellow subsidiary
Guolian Life Insurance Co., Ltd.	Associate invested by the controlling shareholder of the Company
Wuxi Industry Development Group Co., Ltd. ("Industry Development")	The controlling shareholder director of the Company acts as a director of Industry Development
Wuxi Public Utilities Industrial Group Co., Ltd. ("Public Utilities")	The controlling shareholder director of the Company acts as a director of Public Utilities
Wuxi Guofa Capital Operation Co., Ltd. ("Guofa Capital")	The director of the Company acted as a director of Guofa Capital
Wuxi Rural Commercial Bank ("WRCB")	The director of the Company acts as a director of WRCB
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Founder Securities Co., Ltd. ("Founder Securities") (note)	A senior executive of the Company acted as a senior executive of Founder Securities
Wuxi Xinfu Group Co., Ltd ("Xinfu Group")	The supervisor of the Company acts as a director of Xinfu Group

Note: Mr. Yin Lei joined the company in June 2023 as the vice president and financial officer of the Company, and used to be a senior executive of Founder Securities. Since the Company is also listed on the Shanghai Stock Exchange and in accordance with the listing rules of Shanghai Stock Exchange, Founder Securities has become a related entity of the company since June 2022 to April 2023.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

41. Related party transactions (continued)

41.2 Other related party transactions and balances (continued)

Transactions during the period

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Income from providing securities brokerage services		
– Guolian Futures	227	51
– Guolian Trust	663	2,771
– Zhonghai Fund Management Co., Ltd.	1,341	534
– Others	707	716
Income from providing asset management services		
– Jiangsu Asset Management Co., Ltd.	270	457
– Guolian Life Insurance Co., Ltd.	59	111
– Lianjia Asset Management	410	404
– Others	689	61
Rental expense		
– Jiangsu Asset Management Co., Ltd.	119	589
Interest expense of lease obligation		
– Guolian Xincheng	187	441
– Guolian Life Insurance Co., Ltd.	12	24
Income from providing underwriting services		
– Jiangsu Asset Management Co., Ltd.	1,415	1,415
– Public Utilities	415	415
– Guolian Life Insurance Co., Ltd.	–	264
– Xinfu Group	832	–
Income from providing financial advisory services		
– Jiangsu Asset Management Co., Ltd.	–	330
– Union Financing Guarantee	–	142
– Guolian Trust	186	47
– Industry Development	–	47
Expense for receiving services		
– Guolian Property Management	2,984	3,248
– Guolian Xincheng	596	613
– Taigong Sanatorium	157	141
– Others	459	124

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

41. Related party transactions (continued)

41.2 Other related party transactions and balances (continued)

Transactions during the period (continued)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Income from providing investment advisory services		
– Guolian Trust	329	263
– Jiangsu Asset Management Co., Ltd.	472	189
– Others	39	491
Expense for receiving futures investment advisory services		
– Guolian Futures	713	157
Interest expense on financial assets sold under repurchase agreements		
– Guofa Capital	–	63
– Others	1	2
Interest expense on due to other financial institution		
– WRCB	–	320
Investment losses		
– Founder Securities	795	1,165
– Others	2	–
Others		
– Guolian Life Insurance Co., Ltd.	210	211

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

41. Related party transactions (continued)

41.2 Other related party transactions and balances (continued)

Balances at the end of the period/year

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Accounts payable		
– Guolian Life Insurance Co., Ltd.	50	50
Lease liabilities		
– Guolian Xincheng	5,733	10,953
– Guolian Life Insurance Co., Ltd.	630	1,042
Contract liabilities		
– Integrated Circuit Investment Center	2,000	4,000
Clearing settlement funds		
– Guolian Futures	83,637	32,616
Refundable deposits		
– Guolian Futures	39,705	17,634
Financial Derivative asset/(liability)		
– Founder Securities (Note)	–	1,031
– Founder Securities (Note)	–	(1,044)
Cash held for brokerage clients		
– Guolian Trust	14,568	7,219
– Zhonghai Fund Management Co., Ltd.	6	6
– Others	61,556	67,580

Note: As at 30 June 2023, Founder Securities is not related party of the Group.

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

As at 30 June 2023, the Group held wealth management products issued by Guolian Trust. amounted to RMB 41,045 thousand. (As at 31 December 2022, the Group held wealth management products issued by Guolian Trust amounted to RMB 50,085 thousand).

For the year ended 30 June 2023, the related parties did not hold any subordinated bonds issued by the Group. (For the year ended 2022, the related parties did not hold any subordinated bonds issued by the Group.)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

41. Related party transactions (continued)

41.3 Key management personnel

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Short term employee benefits	4,810	4,470
Post-employment benefits	918	792
	5,728	5,262

42. Fair value of financial assets and liabilities

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

42.1 Financial instruments not measured at fair value

The Group's fair value of the bonds in issue as at 30 June 2023 was amounted to RMB24,530,777 thousand (31 December 2022: RMB19,729,169 thousand), and the carrying amount was RMB24,156,684 thousand (31 December, 2022: 20,194,294 thousand). The Group uses the discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity to evaluate the fair value of the bonds in issue.

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value

As at 30 June 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt instruments	1,630,976	21,539,549	419,767	23,590,292
– Equity instruments	2,755,635	5,230,051	6,135,870	14,121,556
Debt instruments at FVTOCI	–	6,515,439	–	6,515,439
Equity instruments at fair value through Other comprehensive income	3,354,991	–	–	3,354,991
Derivative financial assets	26,629	182,002	1,000,527	1,209,158
Total	7,768,231	33,467,041	7,556,164	48,791,436
Liabilities				
– Interests of other holders of consolidated structured entities	–	–	(68,643)	(68,643)
– Income certificates with variable interests	–	–	(1,389,994)	(1,389,994)
Derivative financial liabilities	(20,558)	(341,438)	(105,983)	(467,979)
Total	(20,558)	(341,438)	(1,564,620)	(1,926,616)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value

As at 31 December 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt instruments	3,603,202	15,851,459	258,477	19,713,138
– Equity instruments	2,565,916	4,333,155	5,823,634	12,722,705
Debt instruments at FVTOCI	–	8,363,285	–	8,363,285
Equity instruments at fair value through Other comprehensive income	2,926,193	–	–	2,926,193
Derivative financial assets	28,438	200,937	750,504	979,879
Total	9,123,749	28,748,836	6,832,615	44,705,200
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(48,860)	(48,860)
– Income certificates with variable interests	–	–	(1,530,121)	(1,530,121)
Derivative financial liabilities	(10,095)	(376,419)	(114,562)	(501,076)
Total	(10,095)	(376,419)	(1,693,543)	(2,080,057)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 2

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level 2 in the fair value hierarchy into which the fair value measurement is categorised at 30 June 2023 and 31 December 2022.

Financial assets/liabilities	As at 30 June 2023	As at 31 December 2022	Valuation technique(s) and key input(s)
Financial assets at FVTPL			
– Bonds	18,673,274	15,229,124	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bonds.
– Asset backed securities	293,850	523,466	Discounted future cash flows estimated based on expected recoverable amounts at rates that reflect credit risk of securities.
– Equity securities listed on National Equities Exchange and Quotation	7,191	9,667	Recent transaction prices.
– Investment funds	1,767,178	1,626,047	Net asset value as published by the fund managers.
– Collective asset management schemes	166,725	249,770	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Wealth management products	696,350	67,155	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Private equity funds	1,426,533	1,491,918	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 2 (continued)

Financial assets/liabilities	As at 30 June 2023	As at 31 December 2022	Valuation technique(s) and key input(s)
- Trust schemes	1,166,074	888,597	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
- Commercial papers	2,572,425	98,870	Discounted future cash flows estimated based on contractual amounts and interest rates that reflect the credit risk of the commercial papers.
Financial assets at FVTOCI			
- Bonds	6,515,439	8,363,285	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bond.
Derivative financial assets			
- Return swaps	180,223	200,937	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.
- Credit default swap	1,779	-	- Discounted cash flows. Future cash flows are estimated based on forward and contractual interest rates, discounted at rates that reflects the credit risk.
Derivative financial liabilities			
- Interest rate swaps	(4,986)	(5,384)	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.
- Return swaps	(336,452)	(371,035)	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

41.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level 3 in the fair value hierarchy into which the fair value measurement is categorised at 30 June 2023 and 31 December 2022.

Financial assets/liabilities	As at	As at	Valuation technique(s) and key input(s)
	30 June 2023	31 December 2022	
Financial assets at FVTPL			
– Bonds	419,767	258,477	Discounted cash flow method. The future cash flows are estimated based on the expected recoverable amount and discounted at the interest rate reflecting the credit risk of the bond.
– Investment funds	68,378	–	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Private equity funds	5,319,077	5,319,864	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Unlisted equity investments	654,063	399,779	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability. The key inputs are the value of the assets and liabilities or main financial indicators of target companies, indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.
– Restricted stocks	94,352	103,991	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

Financial assets/liabilities	As at	As at	Valuation technique(s) and key input(s)
	30 June 2023	31 December 2022	
Derivative financial assets			
– OTC options	975,398	722,277	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Return swaps	25,129	28,227	Calculated based on the difference between the equity return of underlying restricted stocks of which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability and the fixed income agreed in the swap agreements.
Financial liabilities at FVTPL			
– Interests of other holders of consolidated structured entities	(68,643)	(48,860)	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.
– Income certificates with variable interests	(1,389,994)	(1,530,121)	The fair value of the income certificate is the sum of the fair value of embedded option and the discounted future cash flows from the host contract of the debt instrument. The fair value of option is calculated using option pricing model with major inputs including the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time and the risk-free interest rate, etc. The fair value of host contract of debt instrument is calculated based on expected future cash flow discounted by the discount rate reflecting the Company's own credit risk.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

Financial assets/liabilities	As at	As at	Valuation technique(s) and key input(s)
	30 June 2023	31 December 2022	
Derivative financial liabilities			
– OTC options	(82,214)	(22,002)	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Return swaps	(23,769)	(92,560)	Calculated based on the difference between the equity return of underlying restricted stocks of which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability and the fixed income agreed in the swap agreements.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

30 June 2022 and 31 December 2021

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at FVTPL			
- Bonds	Level 3	<ul style="list-style-type: none"> The estimated future cash flows Discount rates reflecting the credit risk of the bond. 	<ul style="list-style-type: none"> The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
- Investment funds	Level 3	<ul style="list-style-type: none"> An adjustment or discount for lack of marketability. 	<ul style="list-style-type: none"> The lower the discount rate, the higher the fair value.
- Private equity funds	Level 3	<ul style="list-style-type: none"> The portfolio contains restricted stocks, whose fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability. 	<ul style="list-style-type: none"> The lower the discount rate, the higher the fair value.
- Unlisted equity investments	Level 3	<ul style="list-style-type: none"> Valuation multiples e.g. P/E, P/B or P/S Discount rates that correspond to lack of marketability. 	<ul style="list-style-type: none"> The higher the valuation multiples, the higher the fair value. The lower the discount rate, the higher the fair value.
- Restricted stocks	Level 3	<ul style="list-style-type: none"> An adjustment or discount for lack of marketability. 	<ul style="list-style-type: none"> The lower the discount rate, the higher the fair value.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

30 June 2022 and 31 December 2021 (continued)

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2023 and 30 June 2022.

	Financial assets at FVTPL Investment funds RMB'000	Financial assets at FVTPL Bonds RMB'000	Financial assets at FVTPL Private equity funds RMB'000	Financial assets at FVTPL - Unlisted equity investments RMB'000	Financial assets at FVTPL - Restricted stocks RMB'000	Derivative financial assets - OTC options RMB'000	Derivative financial assets - return swaps RMB'000	Total RMB'000
Balance at 1 January 2023	-	258,477	5,319,864	399,779	103,991	722,277	28,227	6,832,615
Fair value change	(4,622)	(8,894)	185,596	9,954	(9,797)	253,121	(3,098)	422,260
Increase	73,000	170,184	5,500	244,330	158	-	-	493,172
Decrease	-	-	(191,883)	-	-	-	-	(191,883)
Balance at 30 June 2023	68,378	419,767	5,319,077	654,063	94,352	975,398	25,129	7,556,164

At 30 June 2023, there was no other transfer between levels (1 January 2022 to 30 June 2022: there was no transfer between levels).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2023 and 30 June 2022. (continued)

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

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

42.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2023 and 30 June 2022. (continued)

	Financial liabilities at FVTPL – Interests of other holders of consolidated structured entities RMB'000	Financial liabilities at FVTPL – Income certificates with variable interests RMB'000	Derivative financial liabilities – OTC options RMB'000	Derivative financial liabilities Interest rate & return swaps RMB'000	Total RMB'000
Balance at 1 January 2023	48,860	1,530,121	22,002	92,560	1,693,543
(Gains)/losses recognised in profit or loss	(647)	28,583	60,212	(68,791)	19,357
Increase	20,430	821,510	–	–	841,940
Decrease	–	(990,220)	–	–	(990,220)
Balance at 30 June 2023	68,643	1,389,994	82,214	23,769	1,564,620

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

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

43. Acquisition of a subsidiary

On 14 February 2023, the Company entered into the Equity Transfer Agreement Regarding ZhongRong Fund Management Company Limited (《關於中融基金管理有限公司的股權轉讓協議》) with Shanghai Rongsheng Investment Co., Ltd. (hereinafter referred to as "Shanghai Rongsheng") to acquire 24.5% of the 49% equity interests in ZhongRong Fund held by Shanghai Rongsheng at a price of RMB722,408,544. On 16 February 2023, the Company acquired the 51% equity interests in ZhongRong Fund held by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) (hereinafter referred to as "Zhongrong Trust") through bidding. The bidding transaction price is RMB1,503,789,213. The Company signed the Property Rights Transaction Contract (《產權交易合同》) and the Supplementary Contract to the Property Rights Transaction Contract (《產權交易合同之補充合同》) with Zhongrong Trust. The equity transfer of the above transactions have been completed, Guolian Fund became a subsidiary of the Company and the registration of industrial and commercial changes was completed in May 2023. In August 2023, ZhongRong Fund has been renamed as Guolian Fund, in which the Company holds 75.5% equity interest.

The Company acquired Guolian Fund in order to acquire a public offering fund licence to capture the strategic industry development opportunities, deepen the transformation of wealth management, and improve the ability of comprehensive financial services. The acquisition has been accounted for as acquisition of business using the acquisition method. Guolian Fund is principally engaged in fund business.

43.1 Consideration transferred

	RMB'000
Cash	2,226,198

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

43. Acquisition of a subsidiary (continued)

43.2 Assets acquired and liabilities assumed at the date of acquisition

	RMB'000
Cash and bank balances	452,890
Financial assets at fair value through profit or loss	599,043
Property and equipment	9,632
Intangible assets (Note)	491,532
Right-of-use assets	62,612
Deferred tax assets	4,617
Other assets	60,295
Financial liabilities at fair value through profit or loss	371
Accrued staff costs	49,384
Income tax payable	5,565
Other liabilities	69,289
Deferred tax liabilities	120,757
Net assets	1,435,255

Note: The intangible assets acquired through the acquisition mainly includes customer relationships amounted to RMB466,294 thousand.

If there's adjustment on the provisional value of the assets acquired and liabilities assumed at the date of acquisition since one year from the acquisition date, the amounts of deferred tax liabilities and goodwill may be adjusted accordingly.

43.3 Non-controlling interests

Non-controlling interests in Guolian Fund recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Guolian Fund and amounted to RMB351,636 thousand.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

43. Acquisition of a subsidiary (continued)

43.4 Goodwill arising on acquisition

	RMB'000
Consideration transferred	2,226,198
Plus: non-controlling interests (24.5% in Guolian Fund)	351,636
Less: recognised amounts of net assets acquired	1,435,255
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Goodwill	1,142,579

Goodwill arose on the acquisition of Guolian Fund because the acquisition included the assembled workforce of Guolian Fund and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The main parameters the Group applied when performing goodwill impairment tests including discount rate of 12.59% and long-term sustainable growth rate of 2%.

43.5 Net cash outflow on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	2,226,198
Less: cash and cash equivalents acquired	13,437
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	2,212,761

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

43. Acquisition of a subsidiary (continued)

43.6 Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB2,984 thousand attributable to the additional business generated by Guolian Fund. Revenue for the interim period includes RMB67,365 thousand generated from Guolian Fund.

44. Events after the end of the reporting period

44.1 Offering of corporate bonds

On 21 July 2023, the Company issued RMB1,000,000 thousand of subordinated bond with a term of 3 year and a fixed coupon rate of 3.28% paid annually.

On 25 August 2023, the Company issued RMB2,000,000 thousand of corporate bond with a term of 3 year and a fixed coupon rate of 2.89% paid annually.