



国联证券股份有限公司

GUOLIAN SECURITIES CO., LTD.

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

Stock code: 1456

Interim Report

2024



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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

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

BOARD COMMITTEES

Strategy and ESG 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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

Domestic: ShineWing Certified Public Accountants LLP
International: SHINEWING (HK) CPA Limited

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 2024	Six months ended 30 June 2023	Variance in comparison with the corresponding period of last year (%)
Operating results (RMB'000)			
Total revenue, net investment gains and other income	1,840,238	2,521,247	-27.01
Profit before income tax	54,531	758,959	-92.82
Interim profit – attributable to shareholders of the Company	87,708	600,313	-85.39
Net cash inflow/(outflow) from operating activities	5,401,936	2,946,717	83.32
Earnings per share (RMB/share)			
Basic earnings per share	0.03	0.21	-85.71
Diluted earnings per share	0.03	0.21	-85.71
Profitability index			
Weighted average returns on net assets ^(note 1) (%)	0.48	3.48	Decreased by 3.00 percentage points

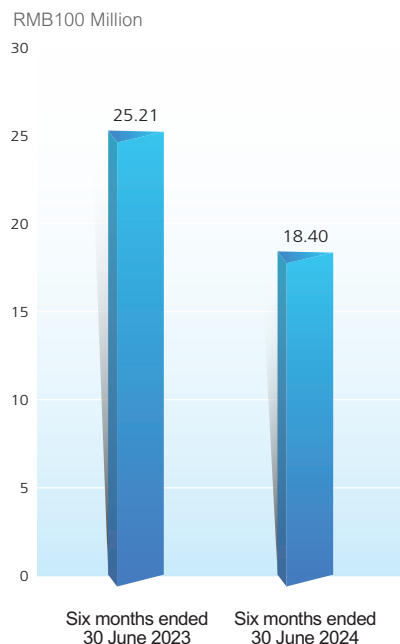
Items	As of 30 June 2024	As of 31 December 2023	Variance in comparison with the end of last year (%)
Scale index (RMB'000)			
Total assets	93,333,039	87,128,874	7.12
Total liabilities	74,711,612	69,005,316	8.27
Accounts payable to brokerage clients	9,211,173	9,046,099	1.82
Equity attributable to shareholders of the Company	18,263,647	17,768,691	2.79
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)	6.45	6.27	2.87
Gearing ratio ^(note 2) (%)	77.86	76.79	Increased by 1.07 percentage points

1. 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.

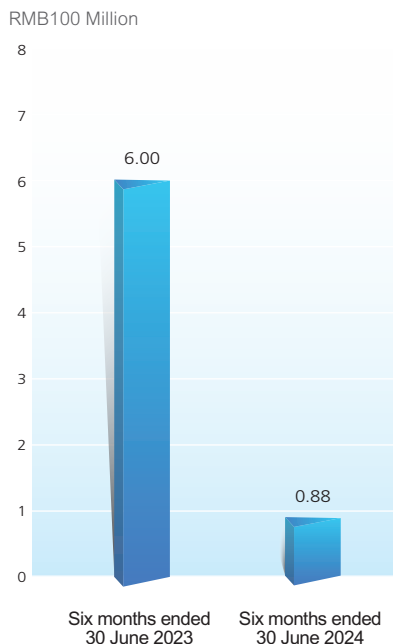
2. Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients).

Financial Highlights

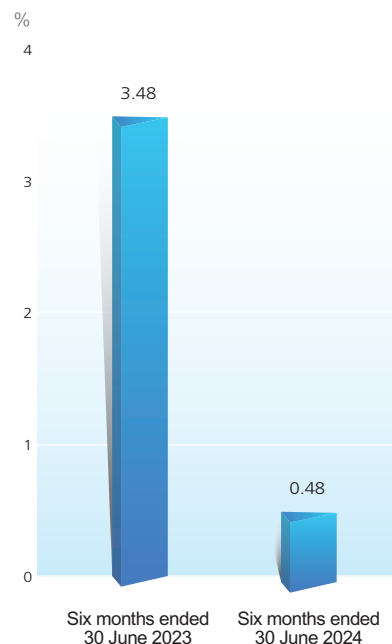
Revenue, net investment gains and other income



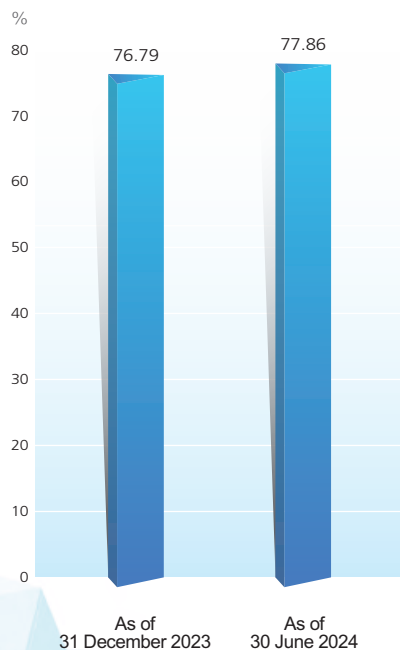
Interim profit – attributable to shareholders of the Company



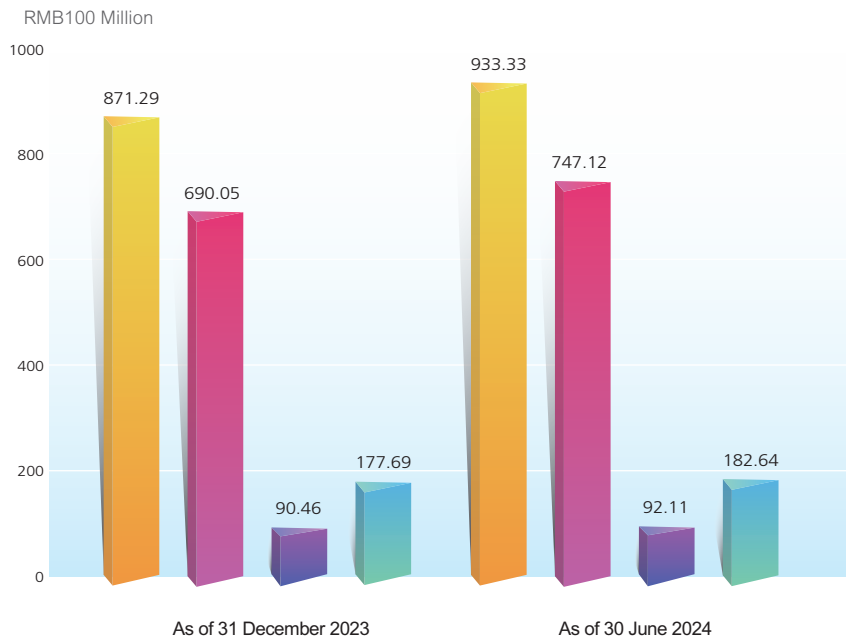
Weighted average returns on net assets



Gearing ratio



Scale index



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

Management Discussion and Analysis

I. INDUSTRY IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD

The domestic and international macroeconomic environments are complicated as we enter 2024 with the momentum of global economic growth shifting globally. The momentum of the US economy is gradually diminishing from strong growth in 2023 with its quarterly GDP growth rate falling back to 1.4% in the first quarter. The European economy recovered from the edge of recession. Global inflation continued to diverge, and overall, inflation is becoming a localised concern and no more a global issue. Inflation in more and more countries became stabilized and austerity policies continued to take effect. With economic slowdowns and inflation mitigated, tightening monetary policy reached its peak. Our domestic economy is still facing multiple challenges with lingering deflationary pressure, the demand side of the property market remaining sluggish and intensifying diverged local government debt risks, which propelled the recovery of the national economy amidst pressure and challenges. Under this context, the securities market in the first half of 2024 showed an overall oscillating trend and structural market sentiment, with the SSE Composite Index, SZSE Component Index and ChiNext Index decreasing 0.25%, 7.10% and 10.99% respectively. Meanwhile, the bond market was generally bullish, with yields oscillating downward and credit spreads narrowing significantly.

In April 2024, the State Council issued the Certain Opinions on Strengthening Supervision, Preventing Risks and Promoting the High-Quality Development of the Capital Market (《關於加強監管防範風險推動資本市場高質量發展的若干意見》) (the new “Nine Opinions of the State Council (國九條)”). With the main purpose of strengthening supervision, preventing risks and promoting high-quality development, in the first half of 2024, the CSRC, together with the relevant parties, launched a series of supporting rules systematically covering various aspects such as issuance, listing, trading, mergers and acquisitions and reorganisations, delisting, regulatory enforcement and investor protection, to continue to improve market expectations, strengthen the counter-cyclical adjustment of the primary and secondary markets, and facilitate the implementation of the new “Nine Opinions of the State Council (國九條)” to better serve the high-quality development of the economy and society with the capital market’s own high-quality development.

From the perspective of the competitive layout of the securities industry, in recent years, the net profit growth rate of top-tier securities firms has been significantly higher than the industry average, and the overall net profit of top-tier securities firms is less volatile, making them more capable of traversing the cycles of profitability. In April 2024, the CSRC proposed to expand the capital opportunity for high-quality institutions appropriately, and support top-tier securities firms to become better and stronger through mergers and acquisitions, restructuring, organisational innovations and other measures. A new round of top-down supply-side reform of the securities industry has begun, and the industry landscape will accelerate its evolution. At the same time, in terms of industry development, the CSRC proposed that small and medium-sized institutions should be guided to refine and specialize their operations by integrating their shareholders’ characteristics, regional advantages, talent reserves and other resource endowments and professional capabilities to achieve distinctive and differentiated development, specifying the direction of the development and growth of regional securities brokers.

Management Discussion and Analysis

II. OVERALL OPERATION

As of 30 June 2024, total assets of the Group were RMB93.333 billion, representing an increase of 7.12% as compared to 31 December 2023; and equity attributable to shareholders of the Company was RMB18.264 billion, representing an increase of 2.79% as compared to 31 December 2023. During the Reporting Period, the Group achieved total revenue, net investment gains and other income amounting to RMB1.840 billion, representing a year-on-year decrease of 27.01%; and net profit attributable to shareholders of the Company was RMB88 million, representing a year-on-year decrease of 85.39%.

The revenue generated from the brokerage and wealth management business was RMB467 million, representing a year-on-year decrease of 5.48%; the revenue generated from the investment banking business was RMB180 million, representing a year-on-year decrease of 40.97%; the revenue generated from the asset management and investment business was RMB327 million, representing a year-on-year increase of 102.06%; the revenue generated from the credit transaction business was RMB304 million, representing a year-on-year decrease of 16.44%; and the revenue generated from the proprietary trading business was RMB356 million, representing a year-on-year decrease of 66.46%.

III. ANALYSIS OF PRINCIPAL BUSINESS

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

(I) Brokerage and Wealth Management Business

Market Environment

In the first half of 2024, the overall market trading sentiment of the domestic securities market declined as compared with the same period of last year. According to the information of the Shanghai, Shenzhen and Beijing Stock Exchanges, the stocks and funds trading volume of the Shanghai, Shenzhen and Beijing markets was RMB116.00 trillion in the first half of the year, with an average daily turnover of stocks and funds of RMB991.464 billion, representing a year-on-year decrease of 6.28%.

Management Discussion and Analysis

Actions and Achievements

During the Reporting Period, the Company comprehensively built the “Way to Wealth (大方向)” wealth management brand, continued to facilitate the wealth management transformation from the buyers’ perspective, kept on strengthening its professional capabilities and accompanying service system and implemented deployment-based sales to enhance the sense of experience and achievement of its clients. The Company’s customer base was further consolidated with 119.4 thousand newly added customers, bringing a cumulative total of 1,855.8 thousand customers during the Reporting Period, a year-on-year growth of 10.06%. The Company continued to strengthen the “Good Doctor of the Way to Wealth (大方向好醫生)” professional service system, which empowered the online customer solicitation and service capabilities of its wealth management business. The Company established a service content matrix that categorises doctors and customers and strengthened its content service capability to gradually form a business model integrating online service for customer solicitation and transformation of offline services. During the Reporting Period, the Company promoted the transformation of the Zunbao APP of Guolian and strengthened the foundation of its service products. It continued to expand its cooperation channels and promoted the business integration of its core channels to reach cooperation agreements with strategic platforms such as Ant, Tencent and Jingdong, etc. The Company strengthened the cooperation ecosystem of independent investment advisers and distributed investment advisers, and created an online content matrix that empowers companion services and enhances the quality of adviser services; and improved its online service matrix through new media platforms such as the “Way to Wealth (大方向)” official account to enhance customer experience. During the Reporting Period, the number of fans of “Way to Wealth (大方向)” and other new media platforms exceeded 1.54 million, with 2,099 contents delivered and a cumulative readership of 38.42 million.

By taking fund investment advisory as the key and asset deployment as the core, the Company established account management systems for fund investment advisory, capital management plans and family trusts, and realized buyer-side investment advisory service modes for different customer categories and needs. During the Reporting Period, the product shelf system for deployment needs was consolidated, and the shelf was further enriched from the four major asset categories of equity, fixed income, overseas and commodities. The combination of family service trust and fund investment advisory was strengthened, and the ToB business model of fund investment advisors was constantly improved. As of the end of the Reporting Period, the total number of contracted customers of fund investment advisory was 319.4 thousand, representing a year-on-year growth of 13.35%, the asset size of authorised accounts was RMB6.958 billion, basically unchanged year-on-year and a total of 30 cooperative channels were launched.

In terms of sales of financial products, the Company steered the concept of product sales towards deployment-based sales by intensifying the assessment of product retention. During the Reporting Period, the sales scale of the Company’s financial products (excluding “Xianjintianli (現金添利)”, the cash management product) amounted to RMB9.647 billion, representing a year-on-year decrease of 14.24%, while the retention of financial products at the end of the period amounted to RMB19.370 billion, basically unchanged year-on-year.

Management Discussion and Analysis

Outlook for the Second Half of the Year

In the second half of 2024, the Company will continue to promote the full and semi-commissioned business models with asset deployment as the core. It will leverage the account management systems of fund investment advisors, asset management plans, family trusts, etc. to realize the buyer-side investment advisor service model for different customer types and needs. The Company will promote the construction of the asset deployment system from the buyer-side perspective, enhance its research on global vision and multi-asset deployment, and lay out the production of reverse investment tools. By improving the asset deployment training system, the Company will improve employees' understanding and professional skills of asset deployment and effectively integrate the Company's deployment capabilities with front-line employees. By enriching the content of Good Doctor's services, the Company will improve service efficiency, expand service boundaries and continue to optimize the Good Doctor service system, and strengthen the integration of online service for customer acquisition and transformation of offline services. The Company will continue to advance channel business integration and deepen the vertical integration of corporate wealth management to achieve in-depth coverage of the relevant customer base and business scale growth. The Company will optimise the construction of the digital platform framework to accelerate wealth digital transformation.

(II) Investment Banking Business

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

Management Discussion and Analysis

1. Equity Financing Business

Market Environment

In the first half of 2024, the pace of issuance in the A-share equity financing market continued to slow down. The new “Nine Opinions of the State Council (國九條)” issued by the State Council in April proposed to control access of issuance and listing stringently, further improve the issuance and listing system, strengthen the responsibility of the entire issuance and listing chain, and intensify the supervision of issuance and underwriting. According to the statistics from Wind, 119 equity financing projects were completed in the A-share market in the first half of the year, representing a year-on-year decrease of 285, with a financing amount of RMB133.9 billion, representing a year-on-year decrease of 79%.

Actions and Achievements

In the first half of 2024, under the market situation where the scale of IPOs and refinancing has declined significantly, Hua Ying Securities adhered to its customer-centered service concept, fully utilized its advantages and took various measures to provide diversified and long-chain financial services for real enterprises, constantly improve its practice quality to lay a solid foundation for high-quality development. During the Reporting Period, two equity projects were completed, including one IPO project and one refinancing project.

In terms of IPO business, Hua Ying Securities completed one project on the Science and Technology Innovation Board with an underwriting amount of RMB17 million, and successfully assisted Dameng Data (688692.SH) in becoming the “first domestic database stock”. As of the end of the Reporting Period, there were also 2 IPO projects under review and 18 were under guidance.

In terms of refinancing business, Hua Ying Securities completed 1 project with an underwriting amount of RMB278 million and successfully completed the private placement project of Yueyang Xingchang (000819.SZ), helping the company solve technical bottlenecks and promote the development of our country’s high-end new materials industry. As of the end of the Reporting Period, 2 projects had already obtained approvals and were pending issuance and 2 refinancing projects were under review.

Management Discussion and Analysis

During the Reporting Period, Hua Ying Securities had accoladed the “2024 Most Potential Investment Bank (2024最具潛力投行)” from New Wealth, “A-share IPO Underwriting Rapid Progress Award (A股IPO承銷快速進步獎)” from Wind, “Beijing Stock Exchange · NEEQ Outstanding Influential Brokerage (北交所·新三板傑出影響力券商)” from Wabei, and was awarded the “Outstanding Contributing Group for High-Quality Development (高質量發展突出貢獻集體)”, “Outstanding Financial Unit Serving Local Development (服務地方發展優秀金融單位)” by the Wuxi Municipal Party Committee and Government, as well as the “Financial Empowerment Soaring Award (金融賦能騰飛獎)” by the Wuxi Hi-Tech Zone Taihu Bay Science and Technology Innovation City. It has been highly recognized by both the industry and the government.

The table below shows the details of equity underwriting and sponsorship business in the first half of 2024:

Currency: RMB

Items	First half of 2024		First half of 2023	
	Underwriting amount (In 100 million)	Number of issuances (Unit)	Underwriting amount (In 100 million)	Number of issuances (Unit)
Initial public offering	0.17	1	14.71	2
Refinancing issuance	2.78	1	15.88	2
Others	0.00	0	0.00	0
Total	2.95	2	30.59	4

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

Outlook for the Second Half of the Year

In the second half of 2024, Hua Ying Securities will continue to expand its IPO portfolios and refinancing projects, increase the supply of high-quality listed companies, and focus on expanding project reserves on the Science and Technology Innovation Board and the ChiNext. It will continue to regard the IPO business of the Beijing Stock Exchange as its key development direction, serves innovative small and medium-sized enterprises and focuses on creating some high-quality and characteristic projects.

Management Discussion and Analysis

2. Bond Financing Business

Market Environment

In the first half of 2024, affected by the “cooling” sentiment of equity financing, the overall issuance scale of the bond market continued to grow. According to the data released by the People’s Bank of China, a total of RMB38.15 trillion of various bonds were issued in the bond market in the first half of the year, a year-on-year increase of 11.13%, including RMB21.61 trillion of financial bonds, RMB7.23 trillion of credit bonds and RMB9.31 trillion of other types of bonds.

Actions and Achievements

In the first half of 2024, Hua Ying Securities maintained an upward momentum in its bond business, focused on products and sought new breakthroughs under stringent risk control, and endeavoured to support the development of the real economy by leveraging its expertise in bond product financing. During the Reporting Period, Hua Ying Securities completed a total of 71 bond underwriting projects and 10 government bond sub-underwriting projects, with a total underwriting amount of RMB20.917 billion. Among them, several benchmark projects with outstanding market influence were completed, such as the successful issuance of “24 Yi Cun K1 (24一村K1)”, “24 Yi Cun K2 (24一村K2)”, “24 Xi Chan K1 (24錫產K1)” and “24 Xi Chan K2 (24錫產K2)”, with a total underwriting amount of RMB396 million, ranked 23rd in the market in terms of the number of underwriting. In particular, “24 Xi Chan K1” is China’s first kind of bond dedicated to the aviation sector, and “24 Xi Chan K2” is China’s first Yangtze River Delta integrated bond dedicated to the integrated circuit industry. As of the end of the Reporting Period, 35 bond projects had already obtained approvals and were pending issuance, and 25 bond projects were under review, with a pending issuance amount exceeding RMB100 billion.

The table below shows the details of the bonds underwriting business in the first half of 2024:

Currency: RMB

Items	First half of 2024		First half of 2023	
	Underwriting amount (In 100 million)	Number of issuances (unit)	Underwriting amount (In 100 million)	Number of issuances (unit)
Enterprise bonds	0.00	0	10.70	2
Corporate bonds	188.27	68	261.94	64
Financial bonds	5.10	3	0.00	0
Local government bonds	15.80	10	5.70	13
Others	0.00	0	0.00	1
Total	209.17	81	278.34	80

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

Management Discussion and Analysis

Outlook for the Second Half of the Year

In the second half of 2024, Hua Ying Securities will continue to increase its bond projects portfolios, enhance bond service professional capacity, and fortify and expand the strengths of the bond underwriting business in Wuxi. It will control risks stringently, continue to improve the quality of bonds and manage them well in their duration period. It will also proactively enhance the innovation capacity of bond business, focus on serving the national strategies in national key areas, and strengthen the service characteristics.

3. Financial Advisory Business

Market Environment

According to the statistics from Wind, the number of announced transactions in China's mergers and acquisitions and restructuring market (excluding overseas mergers and acquisitions) in the first half of 2024 was 3,710, down by 192 transactions year-on-year, with a transaction value of RMB710.6 billion, representing a decrease of 18% as compared with the same period of last year. The number of completed transactions was 1,504, down by 632 transactions year-on-year, with a transaction value of RMB130.9 billion, representing a decrease of 67% as compared with the same period of last year. In the first half of the year, the CSRC promulgated many policies and measures to support mergers and acquisitions and restructuring of listed companies, encouraging listed companies to focus on principal business and carry out mergers and acquisitions and restructuring to enhance asset quality, especially industrial mergers and acquisitions and restructuring. Such mergers and acquisitions and restructuring businesses would embrace new developmental opportunities.

Actions and Achievements

Hua Ying Securities provided high-quality financial advisory services to premier customers by matching customer resources and strengthening business synergy. During the Reporting Period, Hua Ying Securities completed 88 financial advisory projects, including 2 recommended listing projects on the NEEQ, 1 private placement project, 1 mergers and acquisitions and restructuring project, and ongoing supervision for 91 enterprises on the NEEQ. Among these, 28 enterprises were at the innovative tier, which fully exploited the advantages of the NEEQ's pre-supervisory reserves and cultivated a reserve pool for the business of the Beijing Stock Exchange.

Management Discussion and Analysis

Outlook for the Second Half of the Year

In the second half of 2024, Hua Ying Securities will firmly grasp the rebound sentiment of the mergers and acquisitions and restructuring market to continue carrying out mergers and acquisitions and restructuring projects and staff deployment, conduct in-depth industry research and analysis, and strengthen the integration of clients' industrial chains. It will also continue to attach importance to the NEEQ business, striving to become a powerful supplement to investment banking revenue and actively expand its overseas business by leveraging the parent company's overseas platform to expand offshore debt and offshore listing financial advisory business.

(III) Asset Management and Investment Business

1. Securities Asset Management Business

In the first half of 2024, Guolian Securities Assets Management commenced its operation formally, achieving the smooth transition of our securities asset management business to Guolian Securities Assets Management.

Market Environment

In 2024, with comprehensive in-depth financial reform, constant improvement of the multi-tier capital market system, gradual improvement of the supporting regimes and systems for asset management business, and acceleration of business upgrading and ecological reshaping by digital transformation, the asset management industry has transformed into a refined and regulated industry with high-quality development. For asset management institutions, promoting differentiated development strategies, strengthening active investment management capabilities, providing professional, multi-strategy integrated deployment solutions for clients, in-depth integration, and enhancing quality and efficiency are particularly important.

Management Discussion and Analysis

Actions and Achievements

In the first half of 2024, the Company seized the development opportunities of wealth management transformation in terms of its asset management business, adhered to the business philosophy of “creating value through professionalism and growth through companionship”, and focused on customer needs to create and strengthen investment and research capabilities with industry competitiveness. It built a product system radiating 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, achieved synergistic development in fixed-income, multi-deployment, equity and derivatives, ABS and other businesses, steadily ranked among medium-sized and above asset management institutions, and formed a good brand effect in the industry and among the clients.

As of the end of the Reporting Period, the entrusted funds of Guolian Securities Assets Management amounted to RMB124.817 billion, representing a year-on-year growth of 12.01%. The total number of asset management schemes under management was 310, among these, 4 were public-offered funds (including large-scale fund collections) products, with an asset size of RMB11.994 billion; 89 were Collective Asset Management Schemes, with an asset size of RMB34.645 billion; 149 were Single Asset Management Schemes, with an asset size of RMB42.428 billion; and 68 were Specialized Asset Management Schemes, with an asset size of RMB35.750 billion.

Currency: RMB

Categories	Size of asset management (In 100 million)		Operating income ¹ (In ten thousand)	
	End of the first half of 2024	End of the first half of 2023	First half of 2024	First half of 2023
Public-offered funds (including large-scale fund collections)	119.94	65.37	2,495.71	1,696.64
Collective Asset Management Scheme	346.45	166.47	4,284.91	2,244.49
Single Asset Management Scheme	424.28	523.15	1,757.69	2,061.95
Specialized Asset Management Scheme	357.50	359.34	2,137.09	1,998.58
Total	1,248.17	1,114.33	10,675.40	8,001.66

Note 1: According to the standards of SAC.

Management Discussion and Analysis

Outlook for the Second Half of the Year

In the second half of 2024, Guolian Securities Assets Management will continue to adhere to professional values in terms of its asset management business, fulfill social responsibilities, and serve the nation's overall economic development layout. Under the new market environment, the Company will continue to improve both internally and externally, perform well in dynamic asset deployment, create a perfect product and tool system based on the actual needs of investors with a mindset of change, develop a precise and companionable service system, collaborate in investment and research, control risks, establish a brand name, further build differentiated advantages, promote the construction of business digitization, co-ordinate the systemisation of systems and platforms such as compliance and internal control, institutional services, and investment and research integration, and seek to strengthen its comprehensive strengths and innovate its business model reform to drive its business development towards a new height of high-quality transformation.

2. Public-offered Fund Management Business

The Company holds a 75.5% equity interest in Guolian Fund, through which it conducts its public-offered fund management business.

Market Environment

In the first half of 2024, the new “Nine Opinions of the State Council (國九條)” and a series of supporting policies of the State Council were promulgated and the CSRC issued the Opinions on Strengthening the Supervision of Securities Firms and Public-offered Funds and Accelerating the Promotion of the Construction of First-Class Investment Banks and Investment Institutions (Trial) (《關於加強證券公司和公募基金監管加快推進建設一流投資銀行和投資機構的意見(試行)》), which provided a clearer and more specified “roadmap” for ecology optimisation and further the high-quality development of the asset management industry. In the first half of the year, the public-offered fund market demonstrated greater resilience against the background of a market correction and maintained a steady growth trend, with the public-offered fund scale once exceeding RMB31 trillion. From the perspective of product issuance market structure, bond funds remained the “principal force (主力軍)” in the new issuance market with innovative index funds injecting new vitality into the fund issuance market, the A-share market showed oscillation and adjustment momentum, the issuance of active equity funds was still difficult, and the diversified deployment attributes of fixed-income + funds further enriched the choices of investors.

Management Discussion and Analysis

Actions and Achievements

In the first half of 2024, Guolian Fund actively fulfilled the original mission of “serving the public through finance (金融為民)”, focused on the main responsibilities and principal business, endeavoured to play the function of “manager” of social wealth, strengthened and enhanced the investment and research strength and the standard of customer service, and continued to improve the construction of corporate governance, compliance and risk control, talent team, and corporate culture to comprehensively promote high-quality development of its business. As of the end of the Reporting Period, the total asset management scale of Guolian Fund was RMB183.390 billion, representing an increase of 23.27% compared with the end of last year. Of which, the non-monetary public-offered funds management scale was RMB127.892 billion, with 87 public-offered funds under management. According to the data of China Galaxy Securities Fund Research Center, Guolian Fund ranked 19th among the 86 companies in terms of active stock management ability in the past five years; ranked 14th among the 109 companies in terms of active stock management ability in the past three years; ranked 16th among the 85 companies in terms of active bond management ability in the past five years; and ranked 36th among the 110 companies in terms of active bond management ability in the past three years.

Outlook for the Second Half of the Year

In the second half of 2024, with the implementation of various guiding documents and policies, the asset management industry and the public-offered fund industry will further revert to their fundamentals. Guolian Fund will firmly grasp the political and people’s nature of the public-offered fund industry, revert to the business fundamentals of “wealth management for and on behalf of the trustors (受人之託、代人理財)”, put into practice the development concepts of serving the nation and the public through finance, focus on principal business, continue to improve investment and research capabilities, enrich product layout, strengthen the construction of customer service capabilities, upkeep the bottom line of business compliance, and practically perform the responsibilities of public-offered in financial inclusion and comprehensively promote the high-quality development of various businesses.

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 2024, China's private equity investment market had yet to overcome its downturn, with the fundraising side declining significantly compared with the same period of last year, and the pace of fundraising by organisations slowed down. According to the statistics from CVSource, the number of new funds in China's private equity market in the first half of 2024 was 2,393, representing a year-on-year decrease of 39%, and the subscription size of newly established funds was US\$219.5 billion, representing a year-on-year decrease of 38%.

At the investment level, the number of investment cases and investing scale decreased slightly in the first half of 2024, with more cautious investment. In particular, in the first half of 2024, the number of investment cases in the private equity investment market was 3,971, representing a slight decrease year-on-year, while the investment scale totalled US\$68.4 billion, representing a year-on-year decrease of 4%. In terms of investment sectors, the electronic information, healthcare, advanced manufacturing and artificial intelligence were relatively active.

Actions and Achievements

In the first half of 2024, Guolian Capital proactively and steadily advanced the establishment of new funds and followed the already established annual strategic plan to implement the establishment plan of project funds and blind pool funds in a phased and step-by-step manner. To further explore project resources and business cooperation opportunities, Guolian Capital adopted diversified strategies, including direct contact with potential clients and partners on the market front line to gain precise insight into market demands and trends. It also leveraged market-oriented channels to collect industry information extensively and select quality project resources.

Against the backdrop of a sluggish private equity market and tightening of IPOs, Guolian Capital endeavoured to advance by enhancing the depth and breadth of its business development and investment momentum. As of the end of the Reporting Period, Guolian Capital had 21 subsisting funds under management, with a subsisting management scale of nearly RMB6.2 billion, further increasing the number and scale of funds under management.

Management Discussion and Analysis

Outlook for the Second Half of the Year

Guolian Capital will strengthen the market's forward-looking and in-depth industry development by focusing on featured sectors such as integrated circuits, energy materials, medical and healthcare, equipment manufacturing, and big consumption. It will deepen its multi-party cooperation with local governments, listed companies, and market-oriented organisations and continue to expand its business scopes and external resources, especially making sustainable efforts in specialized funds and mergers and acquisitions funds to expand the scale of fund management. In facing economic challenges, it will dynamically adjust its investment strategy, steadily promote project investment and strengthen post-investment management.

(IV) Credit Transaction Business

1. Margin Financing and Securities Lending Business

Market Environment

In the first half of 2024, the balance of margin financing and securities lending in the entire market decreased significantly as compared with the same period of last year. As of the end of the Reporting Period, the balance of margin financing and securities lending in the entire market amounted to RMB1,480.9 billion, representing a year-on-year decrease of 6.77%, of which the balance of margin financing was RMB1,449.3 billion and the balance of securities lending was RMB31.6 billion. In the first half of 2024, the average daily balance of margin financing and securities lending in the entire market amounted to RMB1,529.4 billion, representing a year-on-year decrease of 3.80%.

Management Discussion and Analysis

Actions and Achievements

During the Reporting Period, the Company continued to optimise its differentiated expansion strategy of customer classification and tiering, and continued to strengthen the development of new customers and activation of the existing customers of margin financing and securities lending. The Company conducted targeted studies on the development direction and key breakthrough customer base of each branch, and constantly organised training and exchanges to support the development of the margin financing and securities lending businesses of the branches. The Company strengthened its ability to identify, assess and respond to risks in the margin financing and securities lending business through market monitoring via the coordination between head office and branches and stress tests, thereby effectively avoiding the potential risks arising from market fluctuations.

As of the end of the Reporting Period, the total number of credit accounts of the Company was 27.5 thousand, representing a year-on-year increase of 4.97%. The total credit amount of margin financing and securities lending was RMB75.618 billion, representing a year-on-year increase of 3.82%. During the Reporting Period, the average daily balance of the margin financing and securities lending of the Company was RMB9.430 billion, representing a year-on-year decrease of 5.71%. The average daily market share in terms of business scale was 6.165‰, representing a year-on-year decrease of 2%.

Outlook for the Second Half of the Year

In the second half of 2024, the Company will adhere to its customer-centric approach, deepen the classification and tier management of its customers, enhance the cultivation of specialists in its branches in the margin financing and securities lending business, and provide tailor-made services for customers with different investment preferences. The Company will also focus on risk-control responses and preparations and continue to optimise prior-risk detection, risk identification and elimination.

Management Discussion and Analysis

2. Stock Pledged Repurchase Business

Market Environment

Currently, the overall scale of the market's stock pledged repurchase business shows a gradual decline and is towards stabilisation, and the market's pledge interest rates have generally declined under the relatively accommodative monetary policy. The A-share market had a wider range oscillation in the first half of the year, with some individual stocks falling significantly, and certain risks still existed in the local market.

Actions and Achievements

During the Reporting Period, the Company conducted business according to market conditions and under the premise of strictly controlling business risks. As of the end of the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB2.326 billion, representing a decrease of RMB68 million compared with the scale of RMB2.394 billion at the end of 2023. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB1.485 billion, representing an increase of RMB156 million compared with the scale of RMB1.329 billion at the end of 2023, with an average performance guarantee ratio of 247.86%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB841 million, representing a decrease of RMB224 million compared with the scale of RMB1.065 billion at the end of 2023, with an average performance guarantee ratio of 134.3%.

Outlook for the Second Half of the Year

In the second half of the year, the Company will continue to adopt the principle of conservation in the development of the stock pledged repurchase business, and will strengthen compliance risk control to promote its stable development. Meanwhile, the Company will focus on the needs of strategic clients for comprehensive and all-round financial services, and give full play to the synergies of the stock pledged repurchase business to enhance its market competitiveness.

(V) Proprietary Trading Business

Market Environment

In the first half of the year, China's economy achieved solid progress in high-quality development but was still facing challenges such as insufficient effective demand and weak social expectations. At the same time, there was a sustained effort in monetary and fiscal policies as well as the continuous optimisation of real estate policies. Under this context, the A-share market experienced a substantial and rapid adjustment before the Chinese New Year, followed by a rapid rebound after the holiday due to a series of policy optimisations. After the annual report season, investors' concerns about the delisting risk of small-cap individual stocks rose significantly, coupled with lower-than-expected expansionary fiscal and monetary policies, leading to another sustained downtrend in the market. Structurally, the large-cap trend prevailed in the first half of the year, while the CSI 1000 and CSI 2000, which are mainly small-cap stocks, rebounded in March and April, but remained a decline significantly in the first half of the year. Meanwhile, the bond market was generally bullish in the first half of the year, with yields oscillating downwards, "asset scarcity" continuing to be manifested, and credit spreads compressing significantly. In particular, the valuation yield on 10-year treasury bonds declined from 2.56% at the beginning of the year to 2.21% at the end of June, down 35BP, while the yield on 1-year AA+ medium-term notes declined from 2.63% at the beginning of the year to 2.12% at the end of June, down 51BP.

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 a starting point, and developed the business steadily while taking risks and returns into consideration. In the first half of 2024, with dividend value shares deployment as the backing and selected growth stocks as the target, the Company adjusted the position types of its securities investment business timely and fully captured the market rebound after Chinese New Year, and achieved stable returns overall, with the yield rate outperforming that of the CSI 300 index significantly.

For fixed income business, the Company has always adhered to the business philosophy of prudent investment and customer needs as the core. For investment transactions, the Company achieved stable returns through constantly expanding investment categories, optimising position structure and stringently controlling credit risk. Meanwhile, the Company's fixed-income business continued to observe stable growth in trading volume and increasing market influence, and in March 2024, the Company formally obtained the qualification of interbank spot bond market maker, opening a new chapter in interbank bond transactions. For the capital intermediary business, the Company continued to serve the diversified needs of its clients by leveraging its experience in product creation, investment transactions and risk control.

Management Discussion and Analysis

For equity derivatives business, in facing adverse market conditions, the Company proactively optimised the position structure, took various measures to control risks, and continued to develop digital operations and a forward-looking, intelligent and comprehensive risk management system and compliance management system. For derivatives business, the Company stressed client orientation, accelerated product transformation, optimised product structure and enriched client profile, explored in depth and serve the investment and deployment needs of clients in the domestic market, and constantly enriched the “toolbox” of the Company’s on-balance sheet products. In terms of quantitative investment, the Company enhanced its investment and research capabilities, actively responded to market fluctuations, and made structural adjustments to its strategic deployments in light of the market environment. Focusing on fulfilling its social responsibility, the Company actively applied for the qualification of share options market-making business and listed securities market-making trading business for its market-making business (preparation). Meanwhile, its options proprietary business was accoladed the Outstanding Options Participation Institution of the Year 2023 by the Shenzhen Stock Exchange.

Outlook for the Second Half of the Year

For equity proprietary trading business, the Company will continue to intensify its macro and market research and judgment, strengthen fundamental research, 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, the domestic A-share market will face a series of marginal improvement factors, with domestic macro fundamentals stabilizing and driven by export investment, an accommodative domestic and external liquidity pattern will further enhance, and policies may further improve market risk appetite in the short term. In the second half of 2024, the Company will further optimise the current position structure of its equity investment business, shortening, tightening up the short and easing the long, and focusing more on the layout of medium and long-term opportunities and further selecting growing individual stocks, supplementing with multi-strategic investment models such as private placement and convertible bonds to achieve a balance between risks and returns, and carry out stock investment business steadily.

For fixed income business, the domestic and foreign macroeconomic environment in the second half of the year is still complicated and volatile. The Company will continue to stringently control the exposure to credit risk and continue to enhance its profitability, promote system construction and strategy development, and enhance its interbank spot bond market-making capability, as well as deepen the fixed income feature of “seller”, to actively enhance its customer service capability by leveraging on its resources.

Management Discussion and Analysis

For equity derivatives business, while preventing and controlling position risks, on one hand, the Company will strengthen the construction of its investment research capabilities and diversify its strategies, strive to provide liquidity to the exchange market and form an exchange product ecosystem, and continue to facilitate the application for the qualification for market-making business in stock options, qualification of listed securities market-making trading businesses and licences in other niche areas. On the other hand, it will steadily propel its over-the-counter derivatives business, constantly enhance its digital construction, and continue to expand its product supply and trading services to meet clients' needs for asset deployment and risk management with the creation of a service platform to try serving the actual needs of the global asset deployment of its clients and its industrial upgrading.

IV. PROSPECTS AND FUTURE PLANS

Our future corporate strategic positioning is to focus on further serving the real economy and strives to become a leading customer-oriented investment bank that provides comprehensive financial solutions and the most important investment and financing arranger, transaction organizer, wealth manager and liquidity provider in the local regional market and even the national market (in certain sectors), thus positively contributing to the economic and social development of Wuxi and Southern Jiangsu district.

In the second half of the year, the Company will focus on serving the high-quality development of the economy and society, efforts will be made to push forward the strategy of “forging of strengths (鑄長板)” and create more first-class products and services in niche areas; deepening the transformation of wealth management, establishing and improving a buyer-side investment advisory service regime centred on asset deployment to practise the people's nature of financial work by maintaining and increasing the value of clients' assets; improving the core capabilities and service capabilities of investment research, optimizing strategies and channel layout, further expanding the management scale of asset management subsidiaries and Guolian Fund, and shaping the brand of active management; creating a number of high-quality and distinctive investment banking projects, and striving to form influence in some niche areas; actively applying for new sub-business licences to improve the diversification and anti-cyclical capabilities of financial market business; strengthening vertical and uniform management of compliance and risk to lay a solid foundation for sustained and stable development; improving independent IT research and development capabilities and exploring the application scenarios of AI and large models in business and daily operations; building a refined and scientific human resources management system based on market leading institutions, and steadily promoting the integration of Minsheng Securities to create a new layout for the Company's leapfrog development.

Management Discussion and Analysis

V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2024, the equity attributable to shareholders of the Company was RMB18.264 billion, representing an increase of 2.79% as compared with RMB17.769 billion at the end of 2023.

During the Reporting Period, the securities market experienced intensified volatility and declining market activity. In facing the ever-changing market environment, the Group operated steadily, firmly adhered to the bottom line of compliance risk and actively promoted business transformation, with total assets size increasing by 7.12% as compared with the end of last year, while the quality of assets and liquidity remaining sound. Due to strong liquidity nature of the Group's business, the balance sheet mainly includes current assets and current liabilities. As at the end of the Reporting Period, cash assets accounted for 19.64% of total assets; financial investment assets (including interests in an associate and a joint venture, financial assets investment, mainly investment in financial assets with strong liquidity) accounted for 56.20% of total assets; financing assets (including margin accounts receivable and financial assets held under resale agreements) accounted for 19.08% of total assets; and other property and equipment, intangible assets, right-of-use assets and other operational assets accounted for 5.08% of total assets. The Group's total self-owned assets (total assets less accounts payable to brokerage clients) were RMB84.122 billion, representing an increase of RMB6.039 billion, or 7.73%, as compared with the end of 2023.

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 77.86%, representing an increase of 1.07 percentage points as compared with 76.79% at the end of 2023. The Group's operating leverage (total assets less accounts payable to brokerage clients divided by equity attributable to shareholders of the Company) was 4.61 times, representing an increase of 0.22 time as compared to the 4.39 times at the end of 2023. 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 of the end of the Reporting Period, the Company had 16 branch offices and 84 securities branches. During the Reporting Period, the Company newly established Ningbo branch office, and de-registered Zibo Zicheng Road Securities Branch (淄博淄城路證券營業部) and Yixing Zhangzhu Town Zhugang Road Securities Branch (宜興張渚鎮渚鋼路證券營業部).

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

Matters in relation to the issuance of A shares to specific subscribers by the Company are set out in “IX. ISSUANCE OF SHARES AND USE OF PROCEEDS” in this section.

2. Debt Financing

In the first half of 2024, the cumulative additional debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB6.390 billion, and the cumulative principal repayment of matured debt financing amounted to RMB4.480 billion. The remaining principal amount of outstanding debt financing of the Company as of 30 June 2024 was RMB26.785 billion. In addition, there was an outstanding inter-bank credit borrowing of RMB7.240 billion.

Management Discussion and Analysis

The remaining amount of various indebtedness was as follows:

- (1). The new public issuance of corporate bonds to professional investors was RMB3.5 billion during the Reporting Period, with the principal of RMB3.5 billion being repaid. The outstanding public issuance of corporate bonds to professional investors as at 30 June 2024 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	2021/8/30	2024/8/30	1,096
corporate bonds to	100,000	2022/3/23	2027/3/23	1,826
professional investors	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
	150,000	2024/1/22	2027/1/22	1,096
	200,000	2024/4/1	2031/4/1	2,556

- (2). The private issuance of corporate bonds was unchanged during the Reporting Period. The outstanding private issuance of corporate bonds as at 30 June 2024 was RMB7.5 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	150,000	2021/11/22	2024/11/22	1,096
corporate bonds	100,000	2022/1/24	2025/1/24	1,096
	200,000	2023/8/25	2026/8/25	1,096
	300,000	2023/10/20	2026/10/20	1,096

Management Discussion and Analysis

- (3). The new private issuance of subordinated bonds was RMB1.5 billion during the Reporting Period, with no principal being repaid. The outstanding subordinated bonds as at 30 June 2024 were RMB1.5 billion.

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Private issuance of subordinated bonds	150,000	2024/2/23	2027/2/23	1,096

- (4). The public issuance of subordinated bonds was unchanged during the Reporting Period. The outstanding public issuance of subordinated bonds as at 30 June 2024 was RMB4.5 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
	100,000	2023/7/21	2026/7/21	1,096

- (5). The new issuance of fixed-income type income certificates was RMB1.390 billion during the Reporting Period, with the principal of RMB980 million being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 30 June 2024 was RMB785 million, 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	1,500	2023/8/18	2024/8/19	368
	1,000	2023/11/2	2024/11/3	368
	1,000	2024/6/20	2024/8/12	53
	49,000	2024/6/25	2024/9/2	69
	15,000	2024/6/25	2024/7/25	30
	11,000	2024/6/26	2024/9/2	68

Management Discussion and Analysis

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

The Company is planning to acquire the control of Minsheng Securities and raise supporting funds by issuing A shares (hereinafter referred to as the “Transactions”). On 14 May 2024, the sixteenth meeting of the fifth session of the Board of the Company considered and approved the Resolution on the Proposal for Acquisition of Assets by Issuing Shares and Raising Supporting Funds and Related Party Transaction (《關於發行股份購買資產並募集配套資金暨關聯交易方案的議案》) and other resolutions. On 8 August 2024, the seventeenth meeting of the fifth session of the Board of the Company considered and approved the Resolution on the Report on Acquisition of Assets by Issuing Shares and Raising Supporting Funds by Guolian Securities Co., Ltd. and Related Party Transaction (Draft) and its Summary (關於《國聯證券股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)》及其摘要的議案) and other resolutions in relation to the Transactions, the Company proposed to acquire 99.26% shares of Minsheng Securities held in aggregate by 45 entities including Guolian Group and Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海豐泉峪企業管理有限公司) by issuing A shares, and raise supporting funds. The Transactions are subject to consideration and approval at the general meeting, the A shareholders’ class meeting and the H shareholders’ class meeting of the Company, as well as the approval, ratification or consent for registration by the competent supervisory and regulatory authorities.

For details, please refer to the relevant announcements of the Company published on the HKEXnews website of the HK Stock Exchange on 25 April 2024, 14 May 2024 and 8 August 2024.

In addition to the above, during the Reporting Period, there was no other 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.

IX. ISSUANCE OF SHARES AND USE OF PROCEEDS

Issuance of A shares to specific subscribers

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. The Company convened the eleventh meeting of the fifth session of the Board, the third extraordinary general meeting and the shareholders' class meeting for the year 2023 on 29 August and 12 October 2023, respectively, which considered and approved the Resolution on the Extension of Validity Period of Resolution and Authorization of the Shareholders' General Meeting to Issue A Shares to Specific Subscribers (《關於延長向特定對象發行A股股票股東大會決議有效期及授權有效期的議案》).

On 25 April 2024, in view of the fact that the Company was planning to acquire the control of Minsheng Securities and raise supporting funds by issuing A shares, the Company decided to terminate the issuance and withdraw the relevant application documents after prudent analysis and argumentation.

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, 9 June 2023, 29 August 2023, 12 October 2023 and 25 April 2024.

Management Discussion and Analysis

X. EMPLOYEES, REMUNERATION POLICIES AND TRAINING PROGRAMS

As of 30 June 2024, the number of staff was 3,392, of which the number of staff of parent company was 2,389. During the Reporting Period, the Company's remuneration policies and the status of training programs were set out as follows:

The Company adheres to the cultural concepts of "compliance, integrity, professionalism and stability". Through the establishment of an appraisal system that takes into account work performance, honesty in practice, compliance and integrity in practice, risk management, and fulfilment of the industry and the Company's cultural concepts, and by integrating the appraisal results with remuneration management, selection and appointment, training and development, and supervision and accountability, the Company has realised effective incentives for and withdrawal of personnel, so as to maintain the vitality and stability of its talent team. Looking ahead to the second half of the year, the Company will continue to follow the guidance of regulatory policies, deepen the implementation of sound remuneration management, strengthen the dynamic monitoring, analysis and adjustment of remuneration management, aiming to ensure that the remuneration system is able to adapt to changes in policy and market.

In order to adapt to the changes in the industry, the Company's strategy and talent development needs, the Company organized the training optimisation work. In the first half of the year, the Company initiated the training system optimization project through external benchmarking and internal interviews. At the same time, the Company launched a number of specialised training and online self-produced courses in line with business needs and staff development. In addition, the Company also increased the efforts of external training, encouraged business backbones to participate in industry exchanges, and actively participated in the application of long-distance training courses of associations. In the second half of the year, the Company will continue to promote the optimisation and upgrading of the training system and implement key training projects to serve the Company and the career development of employees.

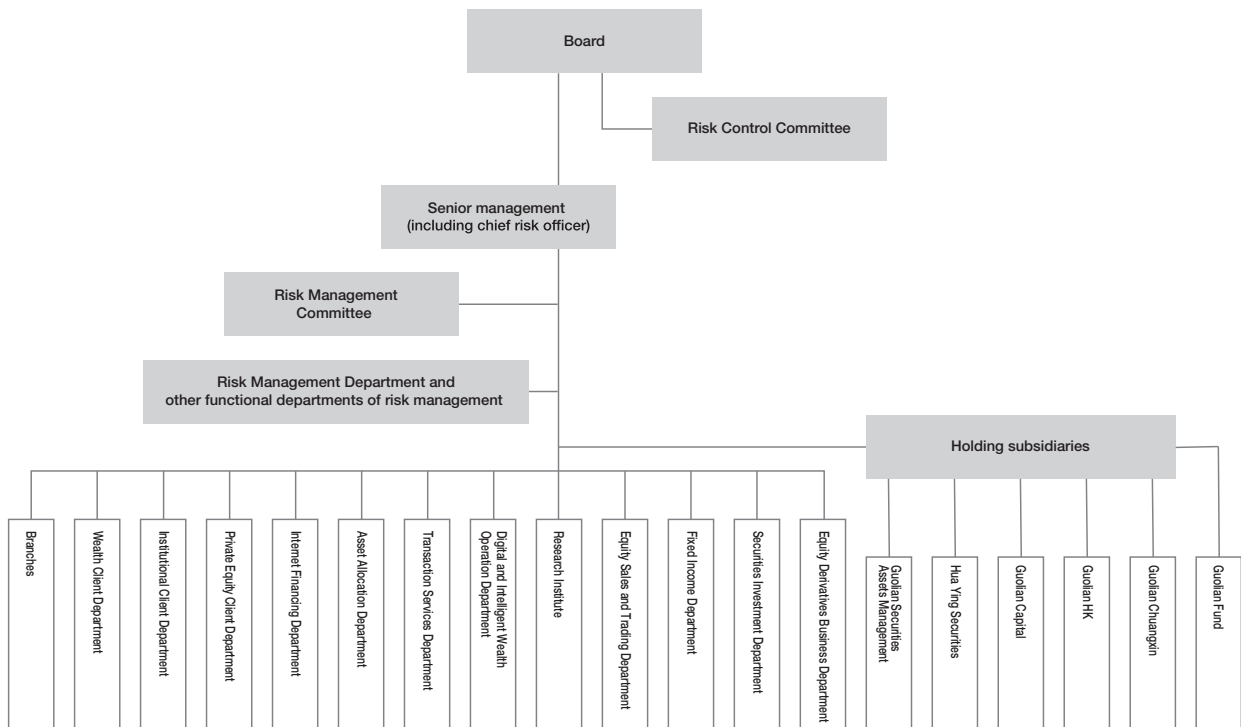
XI. Risk Management

(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 measurable, controllable 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 of the Company

The comprehensive risk management structure of the Company includes four levels: Board 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 and Risk Control Committee

The Board is the highest decision-making body of the risk management of the Company and has the ultimate responsibility for its risk management. The Board is mainly responsible for the following duties: considering and approving the overall objectives of the risk management of the Company and the basic system of comprehensive risk management in respect of major issues of its risk management, such as risk preference, risk tolerance, significant risk limit, etc.; appointing chief risk officer; considering the regular risk management reports of the Company and their implementation; and advancing the construction of risk culture of the Company to ensure that the Company establishes and maintains an effective risk management regime and system. The Board 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; and (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 management within the scope of authorization of the Board and management, formulation and adjustment of the Company's risk management policy, approval of various risk limits, and making decisions and approvals for important matters involving risk management.

The Company has 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; and (4) organize investigation and inquiry for hidden risks existing in business operation and management activities; report major hidden risks discovered to the president of the Company in a timely manner, and put forward rectification opinions to the person-in-charge of other relevant departments; possesses the authority to report to the Board and its Risk Control Committee or the chairman of the Supervisory Committee had the major hidden risks or the rectification of hidden risks fails to meet the standards.

Management Discussion and Analysis

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

The functional departments of risk management of the Company include the 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.

Management Discussion and Analysis

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.

(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 of market risks by calculating profit and losses, exposure, basis points, duration, Greek letters of derivatives and other indicators on a daily basis, continuously improves the VAR and stress test measurement mechanisms to monitor and analyze potential losses of the Company, and continuously optimizes the profit and loss analysis and option profit and loss attribution of swap businesses to enhance the sensitivity of risk management.

Management Discussion and Analysis

2. Credit Risk

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

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 tests and sensitivity analyses, and managed credit risks using access and concentration limits. Meanwhile, leveraging public opinion data and market tracking, the Company monitors changes in credit risk qualifications of various businesses and transaction counterparties in a timely manner, strengthens sensitivity management, and promptly addresses pre-warning and reporting measures. The Company has established a credit risk management system to measure and manage credit risk.

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 exerts higher requirements on liquidity.

The Company establishes a daily position management and regular liquidity analysis mechanism to dynamically manage the scale of capital usage of each business, and formulates corresponding financing plans to improve the daily control mechanism of liquidity risk by improving liquidity contingency plans and stress tests. The Company implements liquidity risk limit management and sets liquidity risk limits to monitor their implementation based on factors such as business scale, nature, liquidity risk appetite and market conditions. In addition, the Company has also established a liquidity reserve asset management system to meet potential capital needs by holding sufficient high-quality liquid assets that can be readily realized.

Management Discussion and Analysis

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 of 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. At the same time, the Company has established an operational risk management system to realize the systematic control of the three major tools of operational risks. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training and 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.

5. Compliance Risk

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

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

6. Reputation Risk

Reputation risk refers to the risk of negative comments on the Company by investors, issuers, regulatory authorities, 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 affects market stability and social stability.

The Company strengthens the concept that preventing and controlling reputation risk is the responsibility of every staff, forms an effective segregation of duties, establishes and improves the internal restraint mechanism, public opinion monitoring mechanism, emergency response mechanism, and external information release mechanism, reinforces daily public opinion analysis, and improves the risk prevention and control prospectively and pertinently, and takes multiple measures to enhance the prevention awareness and management standard of reputation risk.

Other Information

I. DIVIDENDS

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

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

As of 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 (share) (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
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, 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 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, 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 Divisions 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 (share) (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%

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 Cotton Textile; and (v) 29,113,656 A shares of the Company held by Huaguang Environmental.

Other Information

- (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 executive 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 (including sale of treasury shares). As at the end of the Reporting Period, the Company did not hold any treasury shares.

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 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 chief executive officer 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.

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, they have all confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Reporting Period.

VII. OPERATION OF THE BOARD AND THE BOARD COMMITTEES

(I) 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 1 general meeting for its Shareholders to consider and approve 13 resolutions, and convened 3 Board meetings, which considered and approved 52 resolutions.

Other Information

(II) Board Committees

There are four special committees established under the Board, namely, the Strategy and ESG 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 rules of procedures, 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 special committees under the Board is as follows:

Special Committees	Chairman	Members
Strategy and ESG 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 and ESG Committee convened a total of 3 meetings, which considered and approved 6 resolutions. The Audit Committee convened a total of 3 meetings, which considered and approved 16 resolutions. The Remuneration and Nomination Committee convened a total of 2 meetings, which considered and approved 3 resolutions. The Risk Control Committee convened a total of 3 meetings, which considered and approved 8 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, SHINEWING (HK) CPA Limited, has conducted the review in accordance with International Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board.

VIII. OPERATION OF THE SUPERVISORY COMMITTEE

As of the end of the Reporting Period, the Supervisory Committee of the Company comprised 5 Supervisors, among which there are three shareholder representative supervisors (namely, Ms. Xue Chunfang (Chairman of the 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 legitimate rights and interests of the Company, Shareholders and investors in accordance with the relevant provisions of the Company Law, Securities Law and other relevant laws, regulations and the articles of association of the Company.

IX. MAJOR LITIGATIONS

Progress of outstanding cases during the Reporting Period

1. 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: the foregoing matters of this case have been disclosed in the Company's previous periodic reports. On 11 January 2024, the Company received a civil ruling (2021) Su Min Zhong No. 84 issued by the Jiangsu Provincial Higher People's Court (江蘇省高級人民法院) on 29 December 2023, which rescinded the first instance ruling of this case and directed the Wuxi Intermediate People's Court (無錫市中級人民法院) to adjudicate. As of the end of the Reporting Period, the case was still ongoing.
2. As of the end of the Reporting Period, there was no further progress for the time being in respect of 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. CHANGES OF INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wu Weihua has been the chairman of the board of directors and the general manager of Wuxi Xi Hong Lian Xin Investment Co., Ltd. (無錫錫虹聯芯投資有限公司) since January 2024. Ms. Li Suo has been a supervisor of Jiangsu Asset Management Co., Ltd. since July 2024. Mr. Gao Wei has been an independent director of AK Medical Holdings Limited since June 2024. Ms. Xue Chunfang has been the Supervisor and the chairman of the Supervisory Committee of the Company since June 2024, and Mr. Xu Faliang has ceased to be the Supervisor and the chairman of the Supervisory Committee of the Company due to reaching his retirement age. Mr. Wang Jie has ceased to be a director of Guolian Fund since July 2024.

Other Information

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

In June 2022, the Company completed the fundraising for the subscription of the employee stock ownership plan of the Company for the year 2022, with the actual number of participants of 342. The participants included Directors, Supervisors, senior management, employees at VP level and above and other core backbone personnel of the Company or its controlling subsidiaries, and the total subscription amount was RMB68,110,000. 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 Company's total share capital.

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.

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

As of 22 December 2022, the employee stock ownership plan of the Company completed the purchase and registration of the subject shares, and 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 will be used for liquidity purpose. The lock-up period of the subject shares purchased under the employee stock ownership plan of the Company shall be 12 months effective from the date on which the Company announces that the latest purchased subject shares are transferred and registered. On 22 December 2023, the lock-up period of the Company's employee stock ownership plan for the year 2022 expired, and some holders withdrew from the employee stock ownership plan based on their personal wishes, resulting in changes in the number of holders, the number of shares held and the percentage of shares held under the employee stock ownership plan. As of the end of the Reporting Period, the total number of holders of the employee stock ownership plan was 298, and the total number of shares held was 16,686,000, representing 0.5892% of the total share capital of the Company.

The Company will continue to pay attention to the implementation progress of the employee stock ownership plan for the year 2022, and perform the information disclosure obligations in accordance with the requirements of relevant laws and regulations in a timely manner.

XII. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Save as those disclosed herein, there were no other major events subsequent to the period for the Company.

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 C1 of the Listing Rules
“China”, “PRC”	the People’s Republic of China
“Collective Asset Management Scheme”	an asset management contract entered into by a securities firm with multiple clients, 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
“end of the Reporting Period”	30 June 2024
“Good Doctor of the Way to Wealth”	a set of investment advisory service system based on client’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

Definitions

“Guolian Securities Assets Management”	Guolian Securities Assets Management Co., Ltd. (國聯證券資產管理有限公司), a wholly-owned subsidiary of 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), a subsidiary of Guolian Group, listed on the Shanghai Stock Exchange (Stock Code: 600475), 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
“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
“Latest Practicable Date”	3 September 2024, being the latest practicable date prior to the printing of this report for ascertaining certain information included herein

Definitions

“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 C3 of the Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Reporting Period”	the period for the six months ended 30 June 2024
“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
“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

Definitions

“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”	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)”

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



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

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 52 to 120, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. 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.

Report on Review of Condensed Consolidated Financial Statements

Other Matter

The comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2023 and the relevant notes to the condensed consolidated financial statements included in these condensed consolidated financial statements were extracted from the condensed consolidated financial statements of the Group for the six-month period ended 30 June 2023 reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated financial statements on 29 August 2023.

The comparative condensed consolidated statement of financial position as at 31 December 2023 and the relevant notes to the condensed consolidated financial statements included in these condensed consolidated financial statements were extracted from the consolidated financial statements of the Group for the year ended 31 December 2023 audited by the same auditor who expressed an unmodified opinion on those consolidated financial statements on 26 March 2024.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

30 August 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue			
– Commission and fee income	5	878,760	868,075
– Interest income under effective interest method	6	582,390	689,128
Net investment gains	7	375,338	961,975
Other income	8	3,750	2,069
Total revenue, net investment gains and other income		1,840,238	2,521,247
Commission and fee expenses	9	(91,641)	(124,802)
Interest expenses	10	(671,378)	(601,159)
Staff costs	11	(633,133)	(724,449)
Depreciation and amortisation		(152,786)	(118,687)
Other operating expenses	12	(249,826)	(214,711)
Reversal of impairment losses under expected credit loss model, net	13	1,256	8,695
Total expenses		(1,797,508)	(1,775,113)
Total revenue, net investment gains and other income less total expenses		42,730	746,134
Share of results of associates	19	1,616	511
Other gains, net	14	10,185	12,314
Profit before income tax		54,531	758,959
Income tax credit/(expense)	15	36,090	(157,915)
Profit for the period		90,621	601,044
Attributable to:			
Shareholders of the Company		87,708	600,313
Non-controlling interests		2,913	731
		90,621	601,044
Earnings per share (Expressed in RMB per share)			
– Basic	16	0.03	0.21

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	90,621	601,044
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gains on:		
– investments in equity instruments at fair value through other comprehensive income	1,075,384	375,697
Income tax relating to items that will not be reclassified to profit or loss	(268,846)	(93,924)
	806,538	281,773
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	1,705	5,679
Fair value gains on:		
– debt instruments measured at fair value through other comprehensive income	10,006	135,180
Reversal of impairment losses for debt instruments at fair value through other comprehensive income included in profit or loss	(8,517)	(373)
Income tax relating to items that may be reclassified subsequently to profit or loss	(372)	(33,702)
	2,822	106,784
Other comprehensive income for the period, net of income tax	809,360	388,557
Total comprehensive income for the period	899,981	989,601
Attributable to:		
Shareholders of the Company	897,068	988,870
Non-controlling interests	2,913	731
	899,981	989,601

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Assets			
Non-current assets			
Property and equipment	18	89,580	101,738
Right-of-use assets	18	215,102	227,464
Goodwill	20	1,142,579	1,142,579
Intangible assets	20	533,575	545,052
Interests in an associate and a joint venture	19	77,396	75,780
Equity instruments at fair value through other comprehensive income	21	4,827,051	3,600,396
Debt instruments at fair value through other comprehensive income	22	2,855,449	4,598,052
Financial assets at fair value through profit or loss	23	917,615	843,584
Financial assets held under resale agreements	24	200,048	200,336
Derivative financial assets	25	2,129,607	1,503,130
Deferred tax assets	26	37,981	140,927
Refundable deposits	27	137,288	465,954
Construction in progress		17,756	8,843
Other non-current assets	28	1,069,599	1,313,253
Total non-current assets		14,250,626	14,767,088
Current assets			
Other current assets	29	1,636,003	2,420,356
Margin accounts receivable	30	8,569,250	10,126,663
Financial assets held under resale agreements	24	9,037,223	5,106,578
Debt instruments at fair value through other comprehensive income	22	2,605,230	2,485,305
Financial assets at fair value through profit or loss	23	37,810,440	38,183,659
Derivative financial assets	25	1,234,458	244,113
Clearing settlement funds	31	3,011,284	3,978,960
Cash held for brokerage clients	32	7,457,731	6,650,429
Cash and bank balances	33	7,720,794	3,165,723
Total current assets		79,082,413	72,361,786
Total assets		93,333,039	87,128,874
Current liabilities			
Other current liabilities	34	5,043,325	3,623,968
Current income tax liabilities		10,217	10,688
Bonds in issue	35	9,387,893	9,293,077
Lease liabilities		90,383	94,878
Contract liabilities		16,265	17,552
Due to financial institutions		7,241,510	5,314,014
Derivative financial liabilities	25	354,637	286,066
Financial assets sold under repurchase agreements	36	16,287,030	14,421,564
Financial liabilities at fair value through profit or loss	37	1,495,619	1,092,116
Account payable to brokerage clients		9,211,173	9,046,099
Total current liabilities		49,138,052	43,200,022

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Net current assets		29,944,361	29,161,764
Total assets less current liabilities		44,194,987	43,928,852
Equity			
Share capital	39	2,831,773	2,831,773
Share premium		8,189,045	8,189,045
Reserves		3,898,065	3,062,913
Retained earnings		3,344,764	3,684,960
Equity attributable to shareholder of the Company		18,263,647	17,768,691
Non-controlling interest		357,780	354,867
Total equity		18,621,427	18,123,558
Non-current liabilities			
Deferred tax liabilities	26	764,316	658,105
Bonds in issue	35	17,799,655	16,025,000
Lease liabilities		124,666	135,206
Derivative financial liabilities	25	247,336	161,577
Financial liabilities at fair value through profit or loss	37	82,854	70,636
Other non-current liabilities	38	6,554,733	8,754,770
Total non-current liabilities		25,573,560	25,805,294
Total equity and non-current liabilities		44,194,987	43,928,852

The condensed consolidated financial statements on pages 52 to 120 were approved and authorised for issue by the Board of Directors on 30 August 2024 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 2024

	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 fair value through other comprehensive income		-	-	-	-	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 2024 (audited)		2,831,773	8,189,045	822,080	1,934,458	324,521	(3,329)	(14,817)	3,684,960	354,867	18,123,558
Profit for the period		-	-	-	-	-	-	-	87,708	2,913	90,621
Other comprehensive income for the period		-	-	-	-	807,655	1,705	-	-	-	809,360
Total comprehensive income for the period		-	-	-	-	807,655	1,705	-	87,708	2,913	899,981
Dividends recognised as distribution	17	-	-	-	-	-	-	-	(402,112)	-	(402,112)
Appropriation to general reserve		-	-	-	26,381	-	-	-	(26,381)	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	-	(589)	-	-	589	-	-
Balance at 30 June 2024 (unaudited)		2,831,773	8,189,045	822,080	1,960,839	1,131,587	(1,624)	(14,817)	3,344,764	357,780	18,621,427

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	54,531	758,959
Adjustments for:		
Depreciation and amortisation	152,786	118,687
Reversal of impairment losses under expected credit loss model, net	(1,256)	(8,695)
Net gains on disposal of property and equipment, other intangible assets and early termination of lease agreements	(4,622)	(323)
Unrealised fair value change of financial instruments at fair value through profit or loss	(736,246)	(188,956)
Foreign exchange losses /(gains)	857	(1,157)
Share of results of associates	(1,616)	(511)
Interest income from debt instruments at fair value through other comprehensive income	(83,984)	(171,604)
Realised gains from disposal of debt instruments at fair value through other comprehensive income	(32,073)	(2,291)
Dividends income from equity instruments at fair value through other comprehensive income	(172,663)	(147,996)
Interest expense of bonds in issue	429,933	380,063
Interest expense of lease liabilities	4,155	3,089
Operating cash flows before movements in working capital	(390,198)	739,265
Net decrease/(increase) in margin accounts receivable	1,552,197	(1,264,868)
Net decrease/(increase) in financial assets at fair value through profit or loss	469,433	(3,604,111)
Net (increase)/decrease in financial assets held under resale agreements	(154,122)	405,346
Net decrease in refundable deposits	328,666	221,579
Net (increase)/decrease in cash held for brokerage clients	(807,302)	314,020
Net (increase)/decrease in clearing settlement funds held for clients	(158,390)	5,081
Net decrease in other assets	1,850,494	307,206
Net increase/(decrease) in accounts payables to brokerage clients	165,074	(815,793)
Net increase in financial assets sold under repurchase agreements	1,865,466	1,091,476
Net increase in due to financial institutions	1,927,496	1,841,117
Net (decrease)/increase in other liabilities	(1,184,079)	3,783,505
Net increase in financial liabilities at fair value through profit or loss	(38,553)	–
Cash from operations	5,426,182	3,023,823
Income taxes paid	(24,246)	(77,106)
Net cash from operating activities	5,401,936	2,946,717

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Dividends received from investments	14,872	19,296
Interest received from investments	83,984	169,982
Proceeds on disposal of property and equipment, intangible assets and other non-current assets	20	449
Purchase of property and equipment, intangible assets and other non-current assets	(72,310)	(92,511)
Purchase of		
– financial instruments at fair value through profit or loss	–	(241,976)
– debt instruments at fair value through other comprehensive income	(2,806,434)	(5,709,097)
– equity instruments at fair value through other comprehensive income	(181,764)	(136,396)
Proceeds from disposal of		
– debt instruments at fair value through other comprehensive income	4,471,191	6,838,791
– equity instruments at fair value through other comprehensive income	30,295	87,264
Payment made on acquisition of a subsidiary, net of cash acquired	–	(2,212,761)
Net cash from/(used in) investing activities	1,539,854	(1,276,959)
FINANCING ACTIVITIES		
Cash received from additional bonds in issue	6,797,152	14,381,186
Repayments of leases liabilities	(64,335)	(52,228)
Cash paid for repayment of bonds in issue	(5,329,369)	(10,308,726)
Interest paid for bonds in issue	(470,462)	(651,865)
Net cash from financing activities	932,986	3,368,367
Net increase in cash and cash equivalents	7,874,776	5,038,125
Cash and cash equivalents at the beginning of the period	7,321,005	3,723,982
Effect of exchange rate changes on the balance of cash held in foreign currencies	848	3,491
Cash and cash equivalents at the end of the period (Note 40)	15,196,629	8,765,598
Net cash (used in)/from operating activities including:		
Interest received	1,065,691	1,011,426
Interest paid	(289,017)	(223,053)
Dividend received	48,737	25,516

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1. General

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 2024, 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

For the six months ended 30 June 2024

1. General (continued)

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).

As at 30 June 2024, the Company has established 100 branches, including 16 branch offices and 84 securities branches, which are mainly located in Jiangsu province.

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 authorised for issue by the Board of Directors (the “Board”) of the Company on 30 August 2024.

2. Basis of preparation and principal accounting policies

(a) Basis of preparation

The condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

(a) Basis of preparation (continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(b) Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group’s financial year beginning 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangement

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial performance and positions 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

For the six months ended 30 June 2024

3. Significant accounting judgement and estimates

The significant accounting estimates used in the present interim financial statements are consistent with the significant accounting estimates used in the Group's 2023 financial statements.

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 2024.

Guolian Fund Management Co., Ltd. ("Guolian Fund"), the subsidiary acquired during the year ended 31 December 2023, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. Segment analysis (continued)

	Six months ended 30 June 2024								
	Brokerage and wealth management RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000		Others RMB'000	Elimination RMB'000	Total RMB'000
(Unaudited)									
Total revenue and other income									
Commission and fee income									
– External	387,876	–	167,264	14,528	309,092	–	–	878,760	
– Internal	–	–	3,936	–	–	–	(3,936)	–	
Interest income under effective interest method									
– External	79,434	303,529	3,918	84,252	8,520	102,742	(5)	582,390	
– Internal	–	–	–	–	–	–	–	–	
Net investment gains									
– External	–	–	4,751	256,630	9,509	104,448	–	375,338	
– Internal	–	–	–	–	–	–	–	–	
Other income									
– External	12	–	–	135	1	3,602	–	3,750	
– Internal	–	–	–	–	–	–	–	–	
Total expenses (including impairment losses, net of reversal)	(395,570)	(191,003)	(167,119)	(393,979)	(249,157)	(411,963)	11,283	(1,797,508)	
Segment operating profit/(loss)	71,752	112,526	12,750	(38,434)	77,965	(201,171)	7,342	42,730	
Other gains, net									
– External	4,462	–	994	(1,012)	9	5,732	–	10,185	
– Internal	–	–	–	–	–	–	–	–	
Share of results of associates	–	–	–	–	–	1,616	–	1,616	
Profit/(loss) before income tax	76,214	112,526	13,744	(39,446)	77,974	(193,823)	7,342	54,531	

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. Segment analysis (continued)

	30 June 2024							
	Brokerage	Credit	Investment	Proprietary	Asset	Others	Elimination	Total
	and wealth	transaction	banking	trading	management			
	management	and	and	and	and	investment		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
Total assets	8,437,719	11,507,332	517,914	49,670,409	4,585,612	23,235,430	(4,621,377)	93,333,039
Total liabilities	9,338,479	10,538,436	146,464	38,979,054	283,040	15,408,888	17,251	74,711,612

	Six months ended 30 June 2024							
	Brokerage	Credit	Investment	Proprietary	Asset	Others	Elimination	Total
	and wealth	transaction	banking	trading	management			
	management	and	and	and	and	investment		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
Supplemental information								
Interests in an associate and a joint venture	-	-	-	-	-	77,396	-	77,396
Depreciation and amortisation	61,916	595	13,373	2,483	43,393	31,026	-	152,786
Reversal of impairment losses under expected credit loss model, net	-	6,551	269	(8,517)	-	441	-	(1,256)
Capital expenditure	58,061	25	16,890	1,973	16,088	24,935	-	117,972

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. Segment analysis (continued)

	Six months ended 30 June 2023							
	Brokerage and wealth management RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset	Others RMB'000	Elimination RMB'000	Total RMB'000
					management			
					and investment RMB'000			
(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 under effective interest method								
– 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. Segment analysis (continued)

	31 December 2023								
	Brokerage and wealth management RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment		Others RMB'000	Elimination RMB'000	Total RMB'000
					Proprietary	Asset			
					trading	management			
Total assets	8,870,065	13,051,472	605,611	43,074,490	4,227,395	21,487,470	(4,187,629)	87,128,874	
Total liabilities	9,282,269	8,036,732	215,843	36,708,264	466,520	14,284,729	10,959	69,005,316	

	Six months ended 30 June 2023								
	Brokerage and wealth management RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment		Others RMB'000	Elimination RMB'000	Total RMB'000
					Proprietary	Asset			
					trading	management			
Total assets	8,870,065	13,051,472	605,611	43,074,490	4,227,395	21,487,470	(4,187,629)	87,128,874	
Total liabilities	9,282,269	8,036,732	215,843	36,708,264	466,520	14,284,729	10,959	69,005,316	

(Unaudited)

Supplemental information

Interests in an associate and

a joint venture	-	-	-	-	-	97,317	-	97,317
Depreciation and amortisation	57,298	520	11,234	4,348	17,153	28,134	-	118,687
Reversal of impairment losses under								
expected credit loss model, net	-	(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

For the six months ended 30 June 2024

5. Commission and fee income

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Securities brokerage	356,827	371,625
Underwriting and sponsorship	139,567	263,030
Investment consultancy and financial advisory	68,617	52,561
Asset management	313,749	148,716
Others	–	32,143
	878,760	868,075

6. Interest income under effective interest method

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest income from margin financing	266,279	267,935
Interest income from bank deposits and clearing settlement funds	150,150	161,826
Interest income from financial assets held under resale agreements	81,977	87,763
Interest income from debt instruments at fair value through other comprehensive income	83,984	171,604
	582,390	689,128

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

7. Net investment gains

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Realised (losses)/gains from disposal of financial assets at fair value through profit or loss	(262,906)	422,892
Realised gains from disposal of debt instruments at fair value through other comprehensive income	32,073	2,291
Realised gains/(losses) from disposal of financial liabilities at fair value through profit or loss	13,233	(23,638)
Net realised losses from derivative financial instruments	(784,645)	(101,392)
Dividends income from equity instruments at fair value through other comprehensive income	172,663	147,996
Dividends and interest income from financial assets at fair value through profit or loss	468,674	324,870
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(186,932)	(15,274)
– Derivative financial instruments	915,083	245,356
– Financial liabilities at fair value through profit or loss	8,095	(41,126)
	375,338	961,975

8. Other income

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental income	3,352	1,615
Others	398	454
	3,750	2,069

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

9. Commission and fee expenses

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Securities brokerage	77,428	110,221
Underwriting and sponsorship	7,859	5,930
Asset management	1,376	875
Others	4,978	7,776
	91,641	124,802

10. Interest expenses

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest expense of bonds in issue	429,933	380,063
Interest expense of financial assets sold under repurchase agreements	195,988	192,128
Interest expense of accounts payable to brokerage clients	9,742	11,948
Interest expense of due to financial institutions	31,560	13,931
Interest expense of lease liabilities	4,155	3,089
	671,378	601,159

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

11. Staff costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and bonus	455,565	581,408
Pensions	93,351	79,021
Other social security	58,015	44,518
Labor union funds and employee education funds	7,839	3,785
Other welfare	18,363	15,717
	633,133	724,449

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

For the six months ended 30 June 2024

12. Other operating expenses

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Tax and surcharges	9,436	11,108
Rentals	1,165	2,143
Marketing and distribution expenses	43,699	35,339
Office expenses	34,658	27,213
Travelling expenses	24,703	25,060
Securities investors protection fund	3,827	8,056
Professional service expenses	16,325	6,389
Consulting expenses	23,138	17,666
Communication expenses	9,965	21,712
Others	82,910	60,025
	249,826	214,711

13. Reversal of impairment losses under expected credit loss model, net

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Financial assets held under resale agreements	(1,335)	5,206
Accounts receivables and other receivables	(710)	(397)
Debt instruments at fair value through other comprehensive income	8,517	373
Margin accounts receivable	(5,216)	3,513
	1,256	8,695

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. Other gains, net

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange (losses)/gains	(857)	1,157
Government grants	6,999	10,830
Others	4,043	327
	10,185	12,314

15. Income tax credit/(expense)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax expense		
– Mainland China	(19,166)	(99,357)
(Under) over provision in prior years		
– Mainland China	(4,609)	80
	(23,775)	(99,277)
Deferred taxation		
– Mainland China (Note 26)	59,866	(58,547)
– Hong Kong (Note 26)	(1)	(91)
	59,865	(58,638)
Income tax credit/(expense)	36,090	(157,915)

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%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. Income tax credit/(expense) (continued)

Hong Kong Profits tax has not been provided as the Company did not incur assessable profits for the periods ended 30 June 2024 and 2023.

As at June 30, 2024, the Group had estimated tax losses of approximately RMB55,362 thousand (31 December 2023: RMB47,167 thousand), estimated tax losses amounted to RMB36,463 thousand (31 December 2023: RMB38,775 thousand) has no expiry date and can be carried forward indefinitely subject to the approval of the Inland Revenue Department, estimated tax losses amounted to RMB7,777 thousand (31 December 2023: RMB6,273 thousand), RMB8,658 thousand (31 December 2023: RMB2,119 thousand) and RMB2,464 thousand (31 December 2023: nil) will be expired by 2027, 2028 and 2029, respectively. As at 30 June 2024, the Group had estimated temporary difference of approximately RMB92,509 thousand (31 December 2023: RMB63,507 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.

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company (in RMB'000)	87,708	600,313
Weighted average number of ordinary shares in issue (in thousand)	2,831,773	2,831,773
Basic earnings per share (in RMB)	0.03	0.21

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

16. Earnings per share (continued)

16.2 Diluted earnings per share

For the six months ended 30 June 2024 and 2023, 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 2024, RMB402,112 thousand final dividends in respect of the previous financial year were approved (For the six months ended 30 June 2023: no dividends had been declared or paid).

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution	402,112	–

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

During the six months ended 30 June 2024, the Group purchased property and equipment with a cost of RMB9,262 thousand (unaudited) and recognised losses from disposal of property and equipment amounted to RMB265 thousand (unaudited) with the carrying amount of RMB283 thousand (unaudited).

During the six months ended 30 June 2023, the Group purchased property and equipment with a cost of RMB22,127 thousand (unaudited) and recognised gains from disposal of property and equipment amounted to RMB31 thousand (unaudited) with the carrying amount of RMB120 thousand (unaudited). The Group 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 2024, the Group entered into several new lease agreements with lease terms ranged from 1 year to 10 years. The Group is required to make fixed payments. On lease commencement, the Group recognised right-of-use assets of RMB54,578 thousand (unaudited) and lease liabilities of RMB54,578 thousand (unaudited). The Group recognised gains from early termination of lease agreements amounted to RMB4,887 thousand.

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 recognised right-of-use assets of RMB51,928 thousand (unaudited) and lease liabilities of RMB51,928 thousand (unaudited). The Group recognised gains from early termination of lease agreements amounted to RMB281 thousand. The Group acquired right-of-use assets of RMB62,612 thousand (unaudited) and lease liabilities of RMB61,690 thousand (unaudited) through the acquisition of a subsidiary.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

19. Interests in an associate and a joint venture

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cost of investment in an associate, unlisted	126,634	126,634
Share of post-acquisition profits	(49,238)	(50,854)
	77,396	75,780

Set out below is the associate of the Group as at 30 June 2024 and 31 December 2023, which is held directly by the Group; the country of incorporation or registration is also the principal place of business.

Name of Entity	Place of business/ country of incorporation	% of ownership interest as at 30 June 2024	% of ownership interest as at 31 December 2023	Measurement Method
Zhonghai Fund Management Co., Ltd. ^(Note a)	PRC	33.409%	33.409%	Equity

Note a: Zhonghai Fund Management Co., Ltd. held by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

The entity is a 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Balance at beginning of the period/year	75,780	96,806
Share of result in an associate	1,616	(21,026)
Balance at end of the period/year	77,396	75,780

As at 30 June 2024 and 31 December 2023, the joint venture of the Group is Twin Bays Investments Limited and the carrying amount is RMB212.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

20. Goodwill and intangible assets

The Group acquired 75.50% of Guolian Fund Management Co., Ltd. (“Guolian Fund”) in 2023. Details are disclosed in note 44.

The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets and non-controlling interests acquired as the goodwill of Guolian Fund.

	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
<hr/>	
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.

Impairment testing on goodwill and intangible assets

The cash flows generated from Guolian Fund acquired is independent. Therefore, Guolian Fund is a separate cash generating unit (“CGU”). The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections with reference to financial budgets approved by management covering certain period. Cash-flows beyond the certain period are extrapolated using an estimated weighted average growth rate, which does not exceed the long-term average growth rate. The forecast period is 5 years.

As at 30 June 2024, the main parameters the Group applied when performing goodwill impairment tests including pre-tax discount rate of 14.58% (31 December 2023: 15.60%) and the terminal value growth rate was 2.00% (31 December 2023: 2.00%). The pre-tax discount rate and weighted average growth rate reflected the risks and growth expectations of the relevant CGUs.

During the six months ended 30 June 2024, the Group acquired intangible assets with a cost of RMB45,036 thousand.

During the six months ended 30 June 2023, the intangible assets of RMB491,532 thousand acquired through the acquisition of Guolian Fund mainly includes customer relationship amounted to RMB466,294 thousand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

21. Equity instruments at fair value through other comprehensive income

Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed by type of issuers:		
Equity securities (Note)	4,827,051	3,600,396
	4,827,051	3,600,396
Analysed as:		
Listed in Hong Kong	4,226,208	3,050,472
Listed outside Hong Kong	600,843	549,924
	4,827,051	3,600,396

Note:

The above equity investments include common stocks, perpetual bonds and restricted shares (31 December 2023: common stocks and perpetual bonds) 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 recognised 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 recognised from a long-term perspective.

As a result of the change of investment strategies, the Group disposed of certain equity instrument at fair value through other comprehensive income, and the corresponding gains of RMB589 thousand was reclassified from revaluation reserve to retained earnings (the corresponding losses of 2023 amounted to RMB11,907 thousand).

As at June 30, 2024, equity instruments at fair value through other comprehensive income subject to liquidity restrictions included the perpetual bonds that were collateralised for securities lending amounted to RMB314,737 thousand (31 December 2023: Nil) and the restricted shares due to lock-up period amounted to RMB63,846 thousand (31 December 2023: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

22. Debt instruments at fair value through other comprehensive income

Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed by the type of issuers:		
Governments	1,923,356	2,286,777
Financial institutions	269,963	50,692
Corporate entities	662,130	2,260,583
	2,855,449	4,598,052
Analysed as:		
Listed outside Hong Kong	262,149	1,421,177
Unlisted	2,593,300	3,176,875
	2,855,449	4,598,052
Expected credit losses	(2,325)	(9,368)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

Current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed by the type of issuers:		
Governments	101,238	–
Financial institutions	1,773,320	504,571
Corporate entities	730,672	1,980,734
	2,605,230	2,485,305
Analysed as:		
Listed outside Hong Kong	15,422	407,759
Unlisted	2,589,808	2,077,546
	2,605,230	2,485,305
Expected credit losses	(20,302)	(21,775)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

As of 30 June 2024, the fair value of securities of the Group which have been placed as collateral for financial assets sold under repurchase agreements was RMB4,218,130 thousand (31 December 2023: RMB3,894,226 thousand), and for bond lending was RMB959,171 thousand (31 December 2023: RMB1,988,276 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 2024			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Debt instruments at fair value through other comprehensive income	5,455,619	–	5,060	5,460,679
Impairment allowance	(6,560)	–	(16,067)	(22,627)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000	RMB'000	
Debt instruments at fair value through other comprehensive income	7,078,953	–	4,404	7,083,357
Impairment allowance	(13,421)	–	(17,722)	(31,143)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

23. Financial assets at fair value through profit or loss

Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets mandatorily measured at fair value through profit or loss		
– Investments in unlisted companies	779,785	722,466
– Investment funds	122,363	97,303
– Equity securities	15,467	23,815
Total non-current assets	917,615	843,584
Analysed as:		
– Listed outside Hong Kong	15,467	23,815
– Unlisted	902,148	819,769
Total	917,615	843,584

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

Current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets mandatorily measured at fair value through profit or loss		
– Debt securities	24,117,822	22,265,867
– Equity securities	1,714,020	3,275,558
– Investment funds	2,315,789	4,652,032
– Asset backed securities	1,432,172	1,419,047
– Trust schemes	1,342,513	893,790
– Collective asset management schemes	2,453,577	438,894
– Private equity funds	1,557,931	4,507,795
– Commercial paper	248,279	–
– Wealth management products	2,628,337	730,676
Total current assets	37,810,440	38,183,659
Analysed as:		
Financial assets mandatorily measured at fair value through profit or loss:		
– Listed in Hong Kong	687,065	244,776
– Listed outside Hong Kong	8,670,011	11,985,454
– Unlisted	28,453,364	25,953,429
	37,810,440	38,183,659

As at 30 June 2024, financial assets at fair value through profit or loss collateralised for repurchase arrangements, securities lending, margin and securities refinancing business and futures account deposits amounted to RMB13,526,835 thousand (31 December 2023: RMB13,764,310 thousand), RMB710,631 thousand (31 December 2023: RMB773,278 thousand), nil (31 December 2023: RMB91,041 thousand) and RMB1,466,841 thousand (31 December 2023: RMB1,432,021 thousand), respectively.

As at 30 June 2024, the fair value of investment funds and trust schemes which was in the lock-up period and the fair value 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 RMB124,923 thousand (31 December 2023: RMB399,506 thousand).

Notes to the Condensed Consolidated Financial Statements

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24. Financial assets held under resale agreements

Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed by asset type:		
– Equity securities	200,273	200,336
Less: Impairment allowance	(225)	–
	200,048	200,336
Analysed by market:		
– Shanghai Stock Exchange	149,962	–
– Shenzhen Stock Exchange	50,086	200,336
	200,048	200,336

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

24. Financial assets held under resale agreements (continued)

Current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed by asset type:		
– Equity securities	1,287,349	1,132,464
– Debt securities	7,752,335	3,975,465
Less: Impairment allowance	(2,461)	(1,351)
	9,037,223	5,106,578
Analysed by asset type:		
– Interbank market	3,741,516	2,439,261
– Shanghai Stock Exchange	4,086,032	1,850,290
– Shenzhen Stock Exchange	1,209,675	817,027
	9,037,223	5,106,578

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

	30 June 2024			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	9,219,042	20,915	–	9,239,957
Less: Impairment allowance	(1,661)	(1,025)	–	(2,686)
	9,217,381	19,890	–	9,237,271

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

24. Financial assets held under resale agreements (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12-months	Lifetime	Lifetime	
	ECL	ECL	ECL	
RMB'000	RMB'000	RMB'000		
Financial assets held under resale agreements	5,308,265	–	–	5,308,265
Less: Impairment allowance	(1,351)	–	–	(1,351)
	5,306,914	–	–	5,306,914

25. Derivative financial instruments

	30 June 2024			31 December 2023		
	Nominal Value	Asset	Liabilities	Nominal Value	Asset	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Futures contracts ^(a)	12,239,661	–	–	12,579,432	–	–
Stock options	3,767,119	56,126	(22,887)	2,091,913	12,441	(17,208)
Commodity options	1,673,449	5,007	(3,979)	556,508	2,406	(897)
OTC options	23,888,788	3,060,761	(295,249)	14,421,343	1,604,521	(173,905)
Interest rate swaps	44,290,000	–	(16,732)	32,890,000	–	(10,288)
Return swaps	12,900,541	146,543	(262,893)	12,575,316	127,246	(245,345)
Credit default swap	50,000	24,983	–	50,000	629	–
Credit linked notes	70,000	70,387	–	–	–	–
Foreign exchange forward	45,996	258	(233)	–	–	–
Foreign exchange swaps	–	–	–	31,894	–	–
	98,925,554	3,364,065	(601,973)	75,196,406	1,747,243	(447,643)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

25. Derivative financial instruments (continued)

Analysed for reporting purpose as:

	30 June 2024		31 December 2023	
	Asset	Liabilities	Asset	Liabilities
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Audited)
Current	1,234,458	(354,637)	244,113	(286,066)
Non-current	2,129,607	(247,336)	1,503,130	(161,577)
	3,364,065	(601,973)	1,747,243	(447,643)

(a) Future contracts

	30 June 2024		31 December 2023	
	Nominal value	Fair value	Nominal value	Fair value
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Audited)
Stock index futures	10,450,679	(567,218)	11,705,993	(100,767)
Treasury futures	966,091	(1,150)	209,031	(40)
Exchange rate futures	93,001	(223)	–	–
Commodity futures	729,890	(474)	664,408	1,061
Less: cash paid as settlement		(569,065)		(99,746)
Net position of future contracts		–		–

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

26. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Deferred tax assets	37,981	140,927
Deferred tax liabilities	(764,316)	(658,105)
	(726,335)	(517,178)

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

	Impairment losses RMB'000	Changes in fair value of financial assets/ liabilities at fair value through profit or loss RMB'000	Changes in fair value of derivatives RMB'000	Debt instruments at fair value through other comprehensive income RMB'000	Equity instrument at fair value through other comprehensive income RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2023	6,947	(157,837)	(64,283)	31,916	(13,803)	125,743	(71,317)
(Charge)/credit to profit or loss	(2,457)	74,208	(236,121)	(3,534)	-	(46,851)	(214,755)
Credit to equity for the year	-	-	-	-	(3,968)	-	(3,968)
Credit to other comprehensive income	-	-	-	(35,018)	(75,980)	-	(110,998)
Acquisition	-	(143)	-	-	-	(115,997)	(116,140)
As at 31 December 2023	4,490	(83,772)	(300,404)	(6,636)	(93,751)	(37,105)	(517,178)
Credit/(charge) to profit or loss	1,772	46,439	(229,031)	(2,174)	-	242,859	59,865
Charge to equity for the year	-	-	-	-	196	-	196
Credit to other comprehensive income	-	-	-	(372)	(268,846)	-	(269,218)
As at 30 June 2024	6,262	(37,333)	(529,435)	(9,182)	(362,401)	205,754	(726,335)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

27. Refundable deposits

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Deposits with Stock Exchanges		
– Shanghai Stock Exchange	48,118	56,830
– Shenzhen Stock Exchange	40,299	45,452
– China Beijing Equity Exchange	2,246	1,820
Deposits with futures brokers	46,625	361,852
	137,288	465,954

28. Other non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Long-term prepaid assets	59,088	62,733
Margin deposits of derivative contracts	1,008,150	1,247,443
Others	2,361	3,077
	1,069,599	1,313,253

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

29. Other current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Accounts receivables ^(a)	299,122	1,269,942
Dividends receivable	157,791	–
Prepaid expenses	35,490	36,186
Other receivables ^(b)	55,532	39,860
Margin deposits of derivative contracts	1,087,600	952,894
Others	6,471	126,767
Less: Impairment allowance	(6,003)	(5,293)
	1,636,003	2,420,356

(a) Accounts receivable

The aging analysis of accounts receivable is as follows:

	30 June 2024		31 December 2023	
	Amount RMB'000 (Unaudited)	Impairment allowance RMB'000 (Unaudited)	Amount RMB'000 (Audited)	Impairment allowance RMB'000 (Audited)
Up to 1 year	296,356	(348)	1,268,054	(175)
1 to 2 years	2,128	–	1,250	–
Over 2 years	638	(638)	638	(638)
	299,122	(986)	1,269,942	(813)

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 recognises lifetime ECL for accounts receivable. As at 30 June 2024, accounts receivable of the Group which are credit-impaired amount to RMB638 thousand (31 December 2023: RMB638 thousand), and the credit impairment allowance was RMB638 thousand (31 December 2023: RMB638 thousand). As at 30 June 2024, the credit risk exposure of accounts receivable amounted to RMB301,483 thousand (31 December 2023: RMB1,273,019 thousand).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

29. Other current assets (continued)

(b) Other receivables

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

	30 June 2024			Total RMB'000
	Stage 1	Stage 2	Stage 3	
	12-months ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Other receivables	45,076	8,414	2,042	55,532
Less: Impairment allowance	(212)	(2,763)	(2,042)	(5,017)
	44,864	5,651	–	50,515

	31 December 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	25,959	11,964	1,937	39,860
Less: Impairment allowance	(431)	(2,112)	(1,937)	(4,480)
	25,528	9,852	–	35,380

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

30. Margin accounts receivable

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Margin accounts receivable	8,586,596	10,138,793
Less: Impairment allowance	(17,346)	(12,130)
	8,569,250	10,126,663

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 30 June 2024, impairment allowance amounting to RMB17,346 thousand (31 December 2023: RMB12,130 thousand) was provided.

Margin accounts receivable as at 30 June 2024 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB22,309,655 thousand (31 December 2023: RMB26,958,557 thousand).

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

	30 June 2024			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	7,189,789	1,396,775	32	8,586,596
Less: Impairment allowance	(5,574)	(11,772)	-	(17,346)
	7,184,215	1,385,003	32	8,569,250

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

30. Margin accounts receivables (continued)

	31 December 2023			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	8,757,927	1,380,866	–	10,138,793
Less: Impairment allowance	(3,715)	(8,415)	–	(12,130)
	8,754,212	1,372,451	–	10,126,663

31. Clearing settlement funds

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Clearing settlement funds held for clients	1,873,349	1,714,960
Proprietary clearing settlement funds	1,137,935	2,264,000
	3,011,284	3,978,960

32. Cash held for brokerage clients

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

33. Cash and bank balances

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cash	2	4
Bank balances	7,720,792	3,165,719
	7,720,794	3,165,723

34. Other current liabilities

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Salaries, bonus, allowances and benefits payable	207,422	492,484
Accounts payable (Note a)	358,535	810,337
Other taxes payable	23,601	42,810
Securities investor protection fund	3,606	4,761
Provisions (Note b)	1,869	1,869
Margin deposits of derivative contracts	3,903,473	2,173,483
Deferred income	27,470	6,850
Dividend payable	402,112	–
Others	115,237	91,374
	5,043,325	3,623,968

Note a: The amount mainly represented the clearance settlement fee which was subsequently settled within one to three trading days after the transaction date. The ageing analysis does not give additional value in view of the nature of business, no ageing analysis is disclosed in respect of accounts payable.

Note b: The amount represented the provision for the legal proceeding. For details, please refer to Note 41(2).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

35. Bonds in issue

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current		
Corporate bonds with fixed rate – 2024 ^(a)	–	999,849
Corporate bonds with fixed rate – 2024 ^(b)	–	1,499,844
Corporate bonds with fixed rate – 2024 ^(c)	–	1,000,000
Corporate bonds with fixed rate – 2024 ^(d)	1,000,000	1,000,000
Corporate bonds with fixed rate – 2024 ^(e)	1,500,000	1,500,000
Corporate bonds with fixed rate – 2024 ^(f)	2,600,000	2,600,000
Corporate bonds with fixed rate – 2025 ^(h)	1,000,000	–
Corporate bonds with fixed rate – 2025 ⁽ⁱ⁾	1,100,000	–
Subordinated bonds with fixed rate – 2025 ^(j)	1,000,000	–
Income certificates ^(g)	785,000	250,000
Interest payable	402,893	443,384
	9,387,893	9,293,077
Non-current		
Corporate bonds with fixed rate – 2025 ^(h)	–	1,000,000
Corporate bonds with fixed rate – 2025 ⁽ⁱ⁾	–	1,100,000
Corporate bonds with fixed rate – 2025 ^(j)	1,000,000	1,000,000
Corporate bonds with fixed rate – 2026 ^(k)	2,000,000	2,000,000
Corporate bonds with fixed rate – 2026 ^(l)	3,000,000	3,000,000
Corporate bonds with fixed rate – 2026 ^(m)	1,300,000	1,300,000
Corporate bonds with fixed rate – 2027 ⁽ⁿ⁾	1,000,000	1,000,000
Corporate bonds with fixed rate – 2027 ^(o)	1,000,000	1,000,000
Corporate bonds with fixed rate – 2027 ^(p)	1,500,000	–
Corporate bonds with fixed rate – 2031 ^(q)	2,000,000	–
Subordinated bonds with fixed rate – 2025 ^(r)	–	1,000,000
Subordinated bonds with fixed rate – 2025 ^(s)	1,500,000	1,500,000
Subordinated bonds with fixed rate – 2026 ^(t)	1,000,000	1,000,000
Subordinated bonds with fixed rate – 2026 ^(u)	1,000,000	1,000,000
Subordinated bonds with fixed rate – 2027 ^(v)	1,499,655	–
Income certificates ^(g)	–	125,000
	17,799,655	16,025,000
	27,187,548	25,318,077

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

35. Bonds in issue (continued)

- (a) 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. The bonds was matured and fully settled during the six months ended 30 June 2024.
- (b) 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. The bonds was matured and fully settled during the six months ended 30 June 2024.
- (c) 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. The bonds was matured and fully settled during the six months ended 30 June 2024.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) As at 30 June 2024, income certificates were with a maturity of 30 days to 368 days and bore interest rates ranging from 1.80% to 2.30% per annum paid at maturity. (As at 31 December 2023, income certificates were with a maturity of 90 days to 374 days and bore interest rates ranging from 2.20% to 3.30% per annum paid at maturity.)
- (h) 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.
- (i) 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.
- (j) 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.
- (k) On 25 August 2023, the Company issued RMB2,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 2.89% paid annually.
- (l) On 20 October 2023, the Company issued RMB3,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.14% paid annually.
- (m) On 25 April 2023, the Company issued RMB1,300,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 1,058 days and a fixed coupon rate of 3.15% paid annually.
- (n) 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.
- (o) 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.
- (p) On 22 January 2024, 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 2.8% paid annually.
- (q) On 1 April 2024, the Company issued RMB2,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 7 years and a fixed coupon rate of 2.79% paid annually.

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For the six months ended 30 June 2024

35. Bonds in issue (continued)

- (r) 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.
- (s) 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.
- (t) 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.
- (u) On 21 July 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 3.28% paid annually.
- (v) On 23 February 2024, 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 2.84% paid annually.

36. Financial assets sold under repurchase agreements

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed by asset type:		
– Debt securities	13,847,030	12,571,571
– Funds	2,190,000	1,849,993
– Commercial papers	250,000	–
	16,287,030	14,421,564
Analysed by market:		
– Interbank market	13,296,464	9,984,332
– Stock exchange	2,740,566	4,200,190
– Others	250,000	237,042
	16,287,030	14,421,564
Analysed by asset type:		
– Pledged	16,009,450	14,194,131
– Outright	277,580	227,433
	16,287,030	14,421,564

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37. Financial liabilities at fair value through profit or loss

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Interests of other holders in consolidate structured entities	47,906	75,203
Income certificates with variable interests	628,804	1,087,549
Bond lending	901,763	-
	1,578,473	1,162,752
Analysed for reporting purpose as:		
Non-current liabilities	82,854	70,636
Current liabilities	1,495,619	1,092,116
	1,578,473	1,162,752

38. Other non-current liabilities

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Margin deposits of derivative contracts	6,554,733	8,754,770
	6,554,733	8,754,770

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39. 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 2023,						
31 December 2023 and						
30 June 2024	2,389,133	2,389,133	442,640	442,640	2,831,773	2,831,773

40. 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 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash	2	4
Bank balances	6,309,821	1,085,700
Proprietary clearing settlement funds	1,137,935	2,264,000
Cash equivalents		
– Financial assets held under resale agreements with original maturity at or less than 3 months	7,748,871	3,971,301
	15,196,629	7,321,005

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

41. Commitments and contingent liabilities

(1) Commitments

As at 30 June 2024, the Group was not involved in any material commitments (31 December 2023: Nil).

(2) Legal proceedings

- (a) 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 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, which was revoked by the Wuxi Intermediate People's Court. In May 2020, the client has filed an appeal to Jiangsu Provincial Higher People's Court of Jiangsu Province. On 11 January 2024, the Company received a Civil Ruling ((2021) Su Min Zhong No. 84) from the Jiangsu Provincial Higher People's Court dated 29 December 2023, which revoked the first instance ruling and ordered the Wuxi Intermediate People's Court to retrial the case. Subsequent to the date of the reporting period, the case has been under trial.
- (b) 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 28 October 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, Hua Ying Securities Co., Ltd. ("Hua Ying 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 2 August 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 Biotechnology, Hua Ying Securities co-underwent joint and several liability with 12 other natural persons and BDO China Shu Lun Pan Certified Public Accountants LLP.

On 9 November 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 China Securities Regulatory Commission ("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

For the six months ended 30 June 2024

41. Commitments and contingent liabilities (continued)

(3) Guarantee for overseas subsidiaries

The Board Meeting of the Company held on 24 August 2021 approved the proposal on providing guarantee for Guolian Securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries with a total amount of no more than US \$100 million, which will be effective within 24 months from the date of approval by the Board of Directors to 23 August 2023. No guarantee was utilised by Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries during the validity period of the guarantee.

The Board Meeting of the Company held on 27 October 2023 approved the proposal on the renewal of the guarantee for Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries with a total amount of no more than US \$100 million, which will be effective within 24 months from the date of approval by the Board of Directors. As at 30 June 2024 and 31 December 2023, no guarantee was utilised by Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries.

42. Related party transactions

42.1 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 2024 and 31 December 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 2024 and 31 December 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 2024 and 31 December 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 2024 and 31 December 2023, Yi Mian Textile held 2.57% of the equity interest in the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

42. Related party transactions (continued)

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

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2024 and 31 December 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 52.63% of the equity interest. As at 30 June 2024 and 31 December 2023, Wuxi Huaguang held 1.03% of the equity interest in the Company.

Transactions during the period

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense of lease obligation	6	6
Income from providing underwriting services	340	849

Balances at the end of the period/year

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Accounts receivables	240	–
Lease liabilities	323	534

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

42. Related party transactions (continued)

42.2 Other related party transactions and balances

Significant related entities	The relationship with the Group
Guolian Futures Co., Ltd. (“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
Wuxi Taigong Sanatorium Co., Ltd. (“Taigong Sanatorium”)	Fellow subsidiary
Jiangsu Lianjia Asset Management Co., Ltd. (“Lianjia Asset Management”)	Fellow subsidiary
Wuxi Guolian Xizhou Private Equity Fund Management Co., Ltd.	Fellow subsidiary
Wuxi Xizhou Equity Investment Partnership (Limited Partnership)	Fellow subsidiary
Guolian Life Insurance Co., Ltd.	Associate invested by the controlling shareholder of the Company
Wuxi Culture Tourism Development Group Co., Ltd.	Associate invested by the controlling shareholder of the Company
Wuxi Rural Commercial Bank (“WRCB”)	The director of the Company acts as a director of WRCB
Wuxi Public Utilities Industrial Group Co., Ltd. (“Public Utilities Industrial Group”)	The director of the controlling shareholders of Company acts as a director of Public Utilities Industrial Group
Wuxi Xinfu Group Co., Ltd. (“Xinfu Group”)	The supervisor of the Company acts as a director of Industry Xinfu Group

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

42. Related party transactions (continued)

42.2 Other related party transactions and balances (continued)

Transactions during the period

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income from providing securities brokerage services		
– Guolian Futures	336	227
– Guolian Trust	680	663
– Zhonghai Fund Management Co., Ltd.	698	1,341
– Others	414	707
Income from providing asset management services		
– Jiangsu Asset Management Co., Ltd.	99	270
– Guolian Life Insurance Co., Ltd.	57	59
– Lianjia Asset Management	389	410
– Others	1,865	689
Rental expense		
– Jiangsu Asset Management Co., Ltd.	–	119
Interest expense of lease obligation		
– Guolian Xincheng	105	187
– Guolian Life Insurance Co., Ltd.	18	12

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

42. Related party transactions (continued)

42.2 Other related party transactions and balances (continued)

Transactions during the period (continued)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income from providing underwriting services		
– Jiangsu Asset Management Co., Ltd.	–	1,415
– Wuxi Culture Tourism Development Group Co., Ltd.	453	–
– Public Utilities	768	415
– Xinfu Group	495	832
– Others	654	–
Income from providing financial advisory services		
– Wuxi Huaguang	85	–
– Guolian Trust	248	186
Expense for receiving services		
– Guolian Property Management	3,129	2,984
– Guolian Xincheng	594	596
– Taigong Sanatorium	7	157
– Others	271	459
Income from providing investment advisory services		
– Guolian Trust	132	329
– WRCB	172	–
– Jiangsu Asset Management Co., Ltd.	6	472
– Others	48	39
Interest income		
– WRCB	253	–
Expense for receiving futures trading commissions		
– Guolian Futures	1,080	713
Interest expense on financial assets sold under repurchase agreements		
– Others	25	1
Investment losses		
– Others	–	2
Others		
– Guolian Life Insurance Co., Ltd.	222	210
– Others	427	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

42. Related party transactions (continued)

42.2 Other related party transactions and balances (continued)

Balances at the end of the period/year

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Other receivables		
– Others	1,384	–
Accounts payable		
– Guolian Life Insurance Co., Ltd.	50	50
Lease liabilities		
– Guolian Xincheng	5,030	9,742
– Guolian Life Insurance Co., Ltd.	2,243	212
Clearing settlement funds		
– Guolian Futures	87,752	656,439
Refundable deposits		
– Guolian Futures	129,229	207,144
Cash held for brokerage clients		
– Guolian Trust	16,195	11,690
– Zhonghai Fund Management Co., Ltd.	6	6
– Others	226,463	111,446

For the periods ended 30 June 2024 and 2023, the Group did not trade securities with related parties.

As at 30 June 2024 and 31 December 2023, the Group did not hold wealth management products issued by related parties.

As at 30 June 2024, the product managed by WRCB held the subordinated bonds issued by the Group amounted to RMB90,000 thousand. (31 December 2023: RMB90,000 thousand)

As at 30 June 2024, Guolian Capital Co., Ltd., Wuxi Guolian Xizhou Private Equity Fund Management Co., Ltd. and Wuxi Xizhou Equity Investment Partnership (Limited Partnership) jointly established a limited partnership, Guolian Xizhou Tongrui Medical Investment (Wuxi) Partnership. All partners have completed the paid-in capital contribution of RMB40,000 thousand in total, of which, the capital contribution of RMB16,000 thousand has been committed by Guolian Capital Co., Ltd..

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

42. Related party transactions (continued)

42.3 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	6,827	4,810
Post-employment benefits	847	918
	7,674	5,728

43. 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.

43.1 Financial instruments not measured at fair value

The Group's fair value of the bonds in issue as at 30 June 2024 was amounted to RMB27,590,553 thousand (31 December 2023: RMB25,441,269 thousand), and the carrying amount was RMB27,187,548 thousand (31 December 2023: RMB25,318,077 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

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value

As at 30 June 2024	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss ("FVTPL")				
– Debt instruments	29,372	24,211,683	1,557,218	25,798,273
– Equity instruments	2,215,725	9,253,464	1,460,593	12,929,782
Debt instrument at fair value through other comprehensive income ("FVTOCI")	–	5,459,266	1,413	5,460,679
Equity instruments at FVTOCI	4,448,468	314,737	63,846	4,827,051
Derivative financial assets	61,133	242,171	3,060,761	3,364,065
Total	6,754,698	39,481,321	6,143,831	52,379,850
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(47,906)	(47,906)
– Income certificate with variable interest	–	–	(628,804)	(628,804)
– Bond lending	–	(901,763)	–	(901,763)
Derivative financial liabilities	(26,866)	(279,858)	(295,249)	(601,973)
Total	(26,866)	(1,181,621)	(971,959)	(2,180,446)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

As at 31 December 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt instruments	4,044,418	18,101,979	1,538,517	23,684,914
– Equity instruments	5,480,413	5,856,397	4,005,519	15,342,329
Debt instruments at FVTOCI	–	7,083,357	–	7,083,357
Equity instruments at FVTOCI	3,292,136	308,260	–	3,600,396
Derivative financial assets	14,847	127,741	1,604,655	1,747,243
Total	12,831,814	31,477,734	7,148,691	51,458,239
Liabilities				
Financial liabilities at FVTPL				
– Interest of other holders of consolidated structured entities	–	–	(75,203)	(75,203)
– Income certificates with variable interests	–	–	(1,087,549)	(1,087,549)
Derivative financial liabilities	(18,105)	(255,467)	(174,071)	(447,643)
Total	(18,105)	(255,467)	(1,336,823)	(1,610,395)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 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 2024 and 31 December 2023.

Financial assets/liabilities	As at 30 June 2024	As at 31 December 2023	Valuation technique(s) and key input(s)
Financial assets at FVTPL			
– Bonds	23,629,372	17,837,879	Discounted future cash flows estimated based on contractual amounts and coupon rates, discounted at rates that reflect the credit risk of the bonds which are estimated by dealers or independent pricing service vendors.
– Asset backed securities	334,032	264,100	Discounted future cash flows estimated based on expected recoverable amounts at rates that reflect credit risk of securities which are estimated by dealers or independent pricing service vendors.
– Commercial papers	248,279	–	– Discounted future cash flows estimated based on contractual amounts and interest rates, discounted at rates that reflect the credit risk of the commercial papers which are estimated by dealers or independent pricing service vendors.
– Equity securities listed on National Equities Exchange and Quotation	6,632	5,953	Recent transaction prices.
– Investment funds	1,903,454	2,472,058	Net asset value as published by the fund managers.
– Collective asset management schemes	2,453,577	355,813	Calculated by the managers of the collective asset management schemes 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

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 2 (continued)

Financial assets/liabilities	As at 30 June 2024	As at 31 December 2023	Valuation technique(s) and key input(s)
- Wealth management products	2,628,337	730,676	Discounted future cash flows estimated based on expected return that reflect the credit risk of the products which are estimated by the managers of wealth management products.
- Private equity funds	918,951	1,398,107	Calculated by the fund managers based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
- Trust schemes	1,342,513	893,790	Calculated by the trustees based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
Debt instruments at FVTOCI			
- Bonds	5,459,266	7,083,357	Discounted future cash flows estimated based on contractual amounts and coupon rates, discounted at rates that reflect the credit risk of the bonds which are estimated by dealers or independent pricing service vendors.
Equity instruments at FVTOCI			
- Perpetual bonds	314,737	308,260	Discounted future cash flows estimated based on contractual amounts and coupon rates, discounted at rates that reflect the credit risk of the bonds which are estimated by dealers or independent pricing service vendors.
Derivative financial assets			
- Return swaps	146,543	127,112	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

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 2 (continued)

Financial assets/liabilities	As at 30 June 2024	As at 31 December 2023	Valuation technique(s) and key input(s)
- Credit default swap	24,983	629	Discounted cash flows. Future cash flows are estimated based on forward and contractual interest rates, discounted at rates that reflect the credit risk which are estimated by dealers or independent pricing service vendors.
- Credit linked notes	70,387	-	Discounted cash flows. Future cash flows are estimated based on forward and contractual interest rates, discounted at rates that reflect the credit risk which are estimated by dealers or independent pricing service vendors.
- Foreign exchange forward	258	-	Calculated based on the quoted price by counterparty.
Financial liabilities at FVTPL			
- Bond lending	(901,763)	-	Discounted future cash flows estimated based on contractual amounts and coupon rates, discounted at rates that reflect the credit risk of the bond which are estimated by dealers or independent pricing service vendors.
Derivative financial liabilities			
- Interest rate swaps	(16,732)	(10,288)	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at rates that reflect the credit risk which are estimated by dealers or independent pricing service vendors.
- Return swaps	(262,893)	(245,179)	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.
- Foreign exchange forward	(233)	-	Calculated based on the quoted price by counterparty.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 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 2024 and 31 December 2023.

Financial assets/liabilities	As at 30 June 2024	As at 31 December 2023	Valuation technique(s) and key input(s)
Financial assets at FVTPL			
– Bonds	459,078	383,570	Discounted cash flow method. The future cash flows are estimated based on the expected recoverable amount and discounted at rates that reflect the credit risk of the bond.
– Asset backed securities	1,098,140	1,154,947	Discounted cash flow method. The future cash flows are estimated based on the expected recoverable amount and discounted at rates that reflect the credit risk of the bond.
– Collective asset management schemes	–	83,081	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Private equity funds	638,979	3,109,689	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	779,785	722,466	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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

Financial assets/liabilities	As at 30 June 2024	As at 31 December 2023	Valuation technique(s) and key input(s)
– Restricted stocks	41,829	90,283	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
Debt instruments at FVTOCI			
– Bonds	1,413	–	Discounted future cash flows estimated based on contractual amounts and coupon rates, and discounted at rates that reflect the credit risk of the bond.
Equity instruments at FVTOCI			
– Restricted stocks	63,846	–	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
Derivative financial assets			
– OTC options	3,060,761	1,604,522	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	–	133	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	(47,906)	(75,203)	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

Financial assets/liabilities	As at 30 June 2024	As at 31 December 2023	Valuation technique(s) and key input(s)
- Income certificates with variable interests	(628,804)	(1,087,549)	<p>The fair value of the income certificate is the sum of the fair value of embedded option and the discounted future cash flows from the host contract of the debt instrument.</p> <p>The fair value of option is calculated using option pricing model with major inputs including the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time and the risk-free interest rate, etc.</p> <p>The fair value of host contract of debt instrument is calculated based on expected future cash flow discounted by the discount rate reflecting the Company's own credit risk.</p>
Derivative financial liabilities			
- OTC options	(295,249)	(173,905)	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	-	(166)	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

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at FVTPL/Debt instruments at FVTOCI/Equity instruments at FVTOCI			
- Bonds	Level 3	- The estimated future cash flows	- The higher the estimated future cash flows, the higher the fair value
		- Discount rates reflecting the credit risk of bond	- The lower the discount rate, the higher the fair value
- Asset backed securities	Level 3	- The estimated future cash flows	- The higher the estimated future cash flows, the higher the fair value.
		- Discount rates reflecting the credit risk of the bond	- The lower the discount rate, the higher the fair value.
- Collective asset management schemes	Level 3	- The portfolio contains restricted stocks, whose fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.	- The lower the discount rate, the higher the fair value.
- Investment funds	Level 3	- An adjustment or discount for lack of marketability	- The lower the discount rate, the higher the fair value
- Private equity funds	Level 3	- The portfolio contains restricted stocks, whose fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.	- The lower the discount rate, the higher the fair value

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
- Unlisted equity investments	Level 3	- Valuation multiples e.g. P/E, P/B or P/S	- The higher the valuation multiples, the higher the fair value.
		- Discount rates that correspond to lack of marketability	- The lower the discount rate, the higher the fair value
- Restricted stocks	Level 3	- An adjustment or discount for lack of marketability	- The lower the discount rate, the higher the fair value
Derivative financial instruments			
- OTC options	Level 3	- The volatility of the underlying equity instrument for option	- The higher the volatility of the underlying equity instrument, the higher the fair value
		- An adjustment or discount for lack of marketability	- The lower the discount rate, the higher the fair value.
- Return swaps	Level 3	- An adjustment or discount for lack of marketability	- The lower the discount rate, the higher the fair value.
Financial liabilities at FVTPL			
- Interests of other holders of consolidated structured entities	Level 3	- Other adjustments based on the fair value of underlying assets	- The higher the adjusted value, the lower the fair value.
- Income certificates with variable interests	Level 3	- The volatility of the underlying equity instrument for option	- The higher the volatility of the underlying equity instrument, the higher the fair value

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 financial assets for the six months ended 30 June 2024 and 30 June 2023.

Financial assets	Financial assets at FVTPL: collective asset management	Financial assets at FVTPL: bonds	Financial assets at FVTPL: backed securities	Financial assets at FVTPL: private equity funds	Financial assets at FVTPL: unlisted equity investments	Financial assets at FVTPL: restricted stocks	Derivative financial assets: OTC options	Derivative financial assets: return swaps	Financial assets at FVTOCI: Bonds	Financial assets at FVTOCI: Restricted stocks	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024	83,081	383,570	1,154,947	3,109,689	722,466	90,283	1,604,522	133	-	-	7,148,691
Fair value change through profit or loss	13,091	15,560	13,982	(202,874)	126	(6,071)	1,456,239	(133)	-	-	1,289,920
Fair value change through other comprehensive income	-	-	-	-	-	-	-	-	(14,487)	17,801	3,314
Increase	-	138,122	387,431	-	57,193	137	-	-	15,900	46,045	644,828
Decrease	(96,172)	(78,174)	(458,220)	(2,267,836)	-	(42,520)	-	-	-	-	(2,942,922)
Balance at 30 June 2024	-	459,078	1,098,140	638,979	779,785	41,829	3,060,761	-	1,413	63,846	6,143,831

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 financial assets for the six months ended 30 June 2024 and 30 June 2023. (continued)

Financial assets	Financial assets at FVTPL: investment funds	Financial assets at FVTPL: bonds	Financial assets at FVTPL: private equity funds	Financial assets at FVTPL: unlisted equity investments	Financial assets at FVTPL: restricted stocks	Derivative financial assets: OTC options	Derivative financial assets: return swaps	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 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

During the period ended 30 June 2024, certain restricted stocks amounted to approximately RMB27,660 thousand was transferred from level 3 to level 1 due to termination of restricted period (31 December 2023: RMB21,432 thousand).

During the period ended 30 June 2024, certain collective asset management schemes amounted to approximately RMB83,081 thousand was transferred from level 3 to level 2 due to termination of restricted period of underlying assets (31 December 2023: nil).

During the period ended 30 June 2024, certain private equity funds amounted to approximately RMB144,311 thousand was transfer from level 3 to level 2 due to termination of restricted period of underlying assets (31 December 2023: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

43.2 Financial instruments measured at fair value (continued)

Financial instruments in Level 3 (continued)

The following table presents the changes in Level 3 financial liabilities for the six months ended 30 June 2024 and 30 June 2023.

Financial liabilities	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 – return swaps RMB'000	Total RMB'000
Balance at 1 January 2024	75,203	1,087,549	173,905	166	1,336,823
Losses/(gains) recognised in profit or loss	364	(16,527)	121,344	(166)	105,015
Increase	-	258,591	-	-	258,591
Decrease	(27,661)	(700,809)	-	-	(728,470)
Balanced at 30 June 2024	47,906	628,804	295,249	-	971,959

Financial liabilities	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)
Balanced at 30 June 2023	68,643	1,389,994	82,214	23,769	1,564,620

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

44. 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 Management Company Limited 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 Management Company Limited 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, ZhongRong Fund Management Company Limited became a subsidiary of the Company and the registration of industrial and commercial changes was completed in May 2023. In August 2023, ZhongRong Fund Management Company Limited has been renamed as Guolian Fund Management Co., Ltd., 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.

45. Event after the reporting period

According to the resolution on the adjusted proposal for acquisition of assets by issuing shares and raising supporting funds and related party transaction approved at the 17th meeting of the Board of Directors on August 8, 2024, the Group intends to acquire 99.26% of the shares of Minsheng Securities held in total by the Group, Shanghai Fengquanyu Enterprise Management Co., Ltd. and 45 other entities through the issuance of A-shares, and to raise funds. Detailed as disclosed in the Company’s announcement dated 8 August 2024. Subsequent to the date of the reporting period, the transaction has not yet completed.