



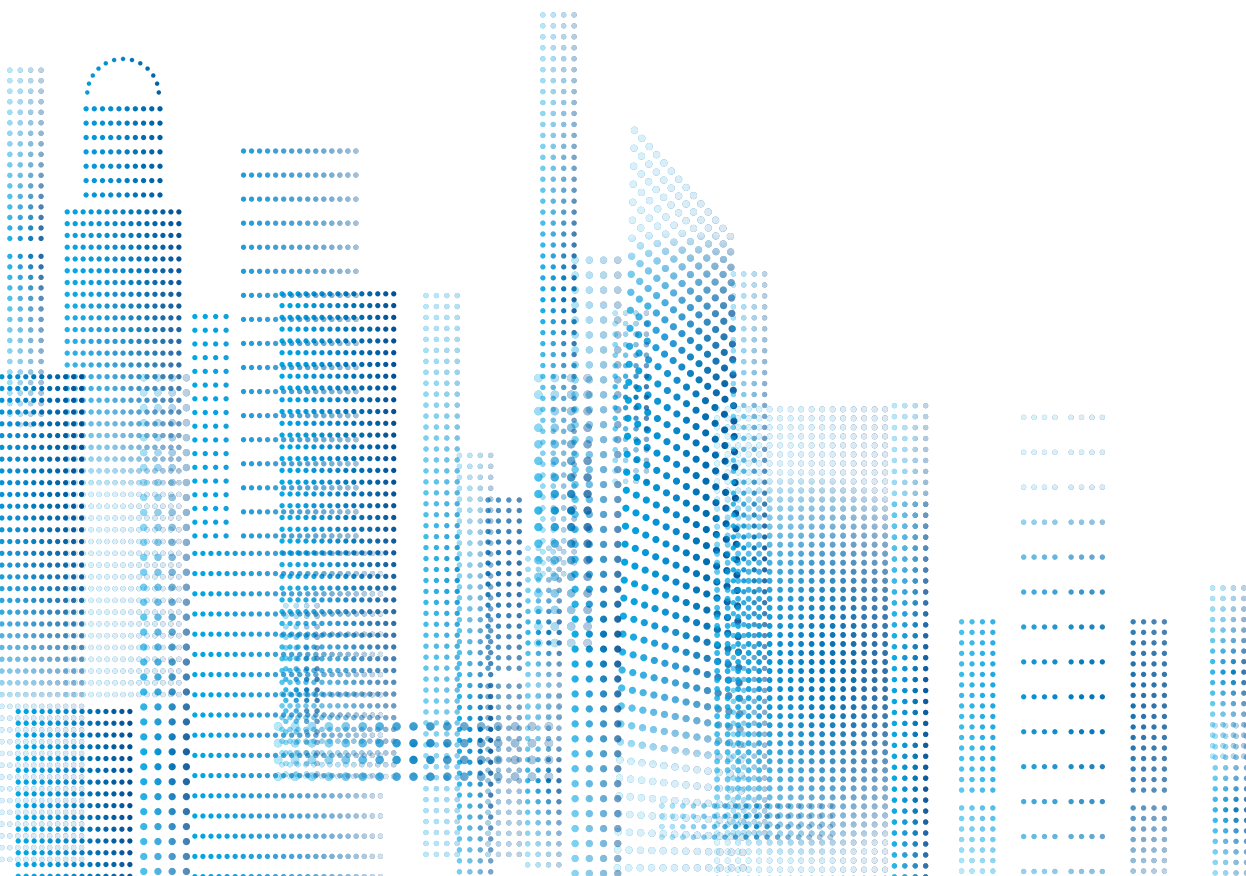
廣發證券股份有限公司  
GF SECURITIES CO., LTD.



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

Stock Code: 1776.HK 000776.SZ

# 2016 INTERIM REPORT | 中期報告 |



## Important

The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm the truthfulness, accuracy and completeness of the contents of this interim report and there is no misrepresentation, misleading statement or material omission from this interim report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of contents herein.

None of the Directors, Supervisors or senior management have declared their inability to assure, or have dissenting views on, the truthfulness, accuracy and completeness of the contents of this report.

This report has been considered and approved at the 33rd Meeting of the Eighth Session of the Board of Directors of the Company. All Directors attended the board meeting for consideration and approval of this report. Other Directors attended the board meeting in person in respect of considering and approving this half yearly report except the following Directors:

<b>Name of the Director who did not attend in person</b>	<b>Position of the Director who did not attend in person</b>	<b>Reason for failing to attend the meeting in person</b>	<b>Name of proxy</b>
Yang Xiong	Independent Non-executive Director	Business reasons	Tang Xin

The 2016 unaudited interim financial statements of the Company prepared in accordance with the International Accounting Standards have been reviewed by Deloitte Touche Tohmatsu. Unless otherwise stated, financial information set out in this report is denominated in RMB.

The Company has no plan to distribute cash interim dividends, bonus shares or transfer capital reserves fund into its capital for the first half of 2016.

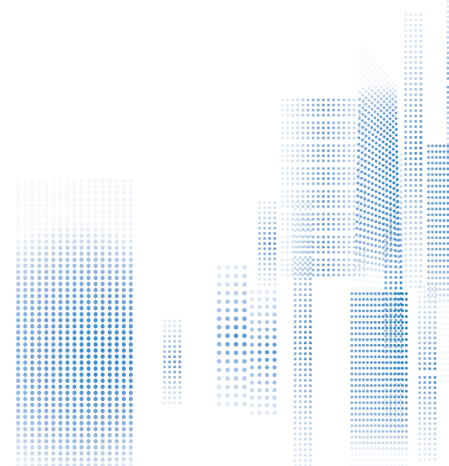
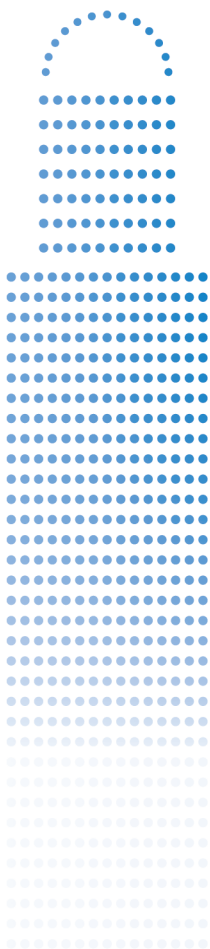
Mr. Sun Shuming (the Chairman), Ms. Sun Xiaoyan (the Chief Financial Officer) and Ms. Wang Ying (the head of the accounting department of the Company) hereby declare that they confirm the truthfulness, accuracy and completeness of the financial statements contained in this interim report.

Forward-looking statements included in this interim report, including future plans, do not constitute a substantive commitment to investors by the Company. Investors should be aware of such investment risks.

The Company prepared this interim report in both English and Chinese versions. In the event of any discrepancies in the interpretation between the English version and Chinese version, the Chinese version shall prevail.

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# Definition

Term	Definition
Reporting Period	first half of 2016 (January 1, 2016 to June 30, 2016)
Company, the Company, parent company, GF Securities	GF Securities Co., Ltd.
Group, the Group	the Company and its subsidiaries which fall within the scope of the consolidated financial statements
Jilin Aodong	Jilin Aodong Pharmaceutical Industry Group Co., Ltd. (吉林敖東藥業集團股份有限公司)
Liaoning Cheng Da	Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司)
Zhongshan Public Utilities	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司)
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股 (香港) 有限公司)
GF Brokerage (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券 (香港) 經紀有限公司)
GF Asset Management (Hong Kong)	GF Asset Management (Hong Kong) Limited (廣發資產管理 (香港) 有限公司)
GF Capital (Hong Kong)	GF Capital (Hong Kong) Limited (廣發融資 (香港) 有限公司)
GF Investments (Hong Kong)	GF Investments (Hong Kong) Company Limited (廣發投資 (香港) 有限公司)
GF Futures	GF Futures Co., Ltd. (廣發期貨有限公司)
GF Futures (Hong Kong)	GF Futures (Hong Kong) Co., Limited (廣發期貨 (香港) 有限公司)
GF Xinde	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司)
GF Qianhe	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司)
GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理 (廣東) 有限公司)
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
Guangdong Equity Exchange	Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)

<b>Term</b>	<b>Definition</b>
China, PRC, domestic	the People’s Republic of China, and for the purpose of this report, excluding Hong Kong, Macau and Taiwan
CSRC	the China Securities Regulatory Commission
Guangdong Bureau of CSRC	Guangdong Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers
Stock Index Futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
Direct Investment	the business of identifying and discovering quality investment projects or companies by securities companies using their own professional strengths with equity investments being made with their own or raised funds for the purpose of obtaining return on equity. In this process, securities companies may provide intermediary service and receive commission, as well as participate in the investment with their own funds
Stock Pledged Repo Transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge

## Definition

<b>Term</b>	<b>Definition</b>
Security Transactions with Repurchase Agreement	a transaction in which a qualified customer sells the subject securities at an agreed price to the securities company which is the custodian of such securities, and agrees to purchase the subject securities from the securities company at another agreed price on a future date, and the securities company will return the relevant yields generated by the subject securities during the period pending for repurchase to the customer pursuant to the agreement signed with the customer
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as new third board (新三板)
QDLP	Qualified Domestic Limited Partner
QDII	Qualified Domestic Institutional Investors
QFII	Qualified Foreign Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
ETF	an open index fund available for trading, commonly known as Exchange Traded Fund, which is an open fund listed for trading on a stock exchange with variable portions of the fund components
FICC	Fixed Income, Currencies & Commodities
PPP	Public-private-Partnership
ABS	Asset-backed Securities
A Share	Domestic shares of RMB1.00 per share in the Company, listed on the SZSE and traded in RMB
H Share	Foreign shares of RMB1.00 per share in the Company, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollar
RMB	Renminbi, the lawful currency of the PRC. In case of any monetary amount without a currency symbol, the currency will be Renminbi

In this report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.

# Section 1 Company Profile

## I. COMPANY PROFILE

Stock Names	GF Securities	Stock Codes	000776 (SZSE), 1776 (Hong Kong Stock Exchange)
Places of Listing	SZSE, Hong Kong Stock Exchange		
Name of Company in Chinese	廣發證券股份有限公司		
Short Name of Company in Chinese	廣發證券		
Name of Company in English	GF Securities Co., Ltd.		
Short Name of Company in English	GF SEC		
Legal representative of the Company	Sun Shuming		

## II. CONTACT PERSON AND CONTACT CHANNELS

	SECRETARY TO THE BOARD	SECURITIES AFFAIRS REPRESENTATIVE
Name	Luo Binhua	Xu Youjun
Address	43rd Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou	39th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou
Telephone	(86) 20-87550265/87550565	(86) 20-87550265/87550565
Facsimile	(86) 20-87553600	(86) 20-87554163
E-mail	lbh@gf.com.cn	xuyj@gf.com.cn

## III. OTHER INFORMATION

### 1. Company Contact Channels

Registered Address of the Company	43rd Floor (Room 4301-4316), Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou
Postal Code of Registered Address of the Company	510075
Business Address of the Company	5th, 7th, 8th, 18th, 19th, 38th, 39th, 40th, 41st, 42nd, 43rd and 44th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou
Postal Code of Business Address of the Company	510075
Company Website	<a href="http://www.gf.com.cn">http://www.gf.com.cn</a>
Company E-mail	gfzq@gf.com.cn; dshb@gf.com.cn (usage will be terminated after 31 December 2016)

### 2. The Company's Principal Place of Business in Hong Kong: 29-30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

Section 1 Company Profile

**3. Authorized Representatives:** Lin Zhihai, Wan Ka Hung

**4. Joint Company Secretaries:** Luo Binhua, Wan Ka Hung

**5. Information Disclosure and Place of Inspection**

Newspapers designated for A Share information disclosure by the Company	China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
Website designated by the CSRC for publication of interim report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of interim report	<a href="http://www.hkexnews.com.hk">http://www.hkexnews.com.hk</a>
Place where interim report of the Company is available for inspection	39th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou

**6. Legal Advisor**

<b>PRC Legal Advisor</b>	<b>Jia Yuan Law Offices, Beijing</b> F407-408, Ocean Plaza, 158 Fuxing Men Nei Avenue, Xicheng District, Beijing
<b>Overseas Legal Advisor</b>	<b>Latham &amp; Watkins</b> 18th Floor, One Exchange Square, Central, Hong Kong

**7. Auditors**

<b>PRC Auditors</b>	<b>Deloitte Touche Tohmatsu Certified Public Accountants LLP</b> 30th Floor, Bund Center, 222 Yan An Road East, Shanghai
<b>International Auditors</b>	<b>Deloitte Touche Tohmatsu</b> 35/F, One Pacific Place, 88 Queensway, Hong Kong

**8. Joint Compliance Advisors:** **ABCI Capital Limited**  
**GF Capital (Hong Kong) Limited**

**9. Share Registrars**

<b>A Share Registrar</b>	<b>China Securities Depository and Clearing Corporation Limited, Shenzhen Branch</b> 18th Floor, Zhongxin Building, No. 1093, Shennan Mid Road, Shenzhen
<b>H Share Registrar</b>	<b>Computershare Hong Kong Investor Services Limited</b> Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong



### 10. Changes in Registration Information

	Date of Registration	Place of Registration	Legal Entity Business License Number	Taxation Registration Number	Organization Code
First Registration	January 21, 1994	No. 1388 Changbaishan East Road, Yanji, Jilin Province	2224001002142	222401126335439	12633543-9
Registration at the end of the Reporting Period	April 25, 2016	43rd Floor (Room 4301-4316), Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou	"Three in One" business license obtained. Unified social credit code: 91440000126335439C		
Date for enquiry on designated website for temporary announcement disclosure	April 26, 2016				
Index for enquiry on designated website for temporary announcement disclosure	Announcement on Obtaining "Three in One" Business License (At CN Info website: www.cninfo.com.cn)				

### 11. Other Relevant Information

(1) **Registered Capital of the Company:** RMB7,621,087,664 (As of the disclosure date of this report);

**The Company's Scope of Business:** securities brokerage, securities investment consultation, financial advisory business relating to securities trading and securities investment, securities underwriting and sponsorship, securities proprietary trading, margin financing and securities lending, proxy sale of securities investment fund, securities investment fund custodian, provision of futures intermediary services for futures companies, proxy sale of financial products and market making of stock options.

(2) **Class Rating from Regulatory Authorities:**

According to the Regulatory Requirements for Classification of Securities Companies issued by the CSRC, the Class Ratings of the Company in the latest three years are as follows:

The Company was rated as Class A Grade AA Securities Company in 2014;

The Company was rated as Class A Grade AA Securities Company in 2015;

The Company was rated as Class B Grade BBB Securities Company in 2016.

## Section 2 Summary of Accounting Information and Financial Indicators

### I. KEY FINANCIAL INDICATORS

(Accounting data and financial indicators set out in this report have been prepared in accordance with IAS)

Unit: RMB in millions

Item	June 30, 2016	December 31, 2015	Variance
Total assets	357,609	419,097	-14.67%
Total liabilities	281,469	339,276	-17.04%
Equity attributable to owners of the Company	73,599	77,519	-5.06%
Total share capital	7,621	7,621	—
Net assets per share attributable to owners of the Company (RMB/share)	9.66	10.17	-5.01%
Gearing ratio (%)	70.54	73.48	Decreased by 2.94 percentage points

Item	January to June 2016	January to June 2015	Variance
Total revenue and other income	13,654	23,993	-43.09%
Profit before income tax	5,305	11,339	-53.21%
Net profit attributable to owners of the Company	4,030	8,406	-52.05%
Net cash from (used in) operating activities	18,243	(61,561)	—
Basic earnings per share (RMB/share)	0.53	1.26	-57.94%
Diluted earnings per share (RMB/share)	0.53	1.26	-57.94%
Return on weighted average net assets (%)	5.13	16.18	Decreased by 11.05 percentage points

Note : Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

Section 2 Summary of Accounting Information and Financial Indicators

II. DIFFERENCE IN DATA BY DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profits from January to June 2016 and January to June 2015 and the net assets as at June 30, 2016 and December 31, 2015 as disclosed in the condensed consolidated financial statements of the Company prepared in accordance with IAS are consistent with those in accordance with PRC GAAP.

III. NET CAPITAL OF THE COMPANY AND THE RELEVANT RISK CONTROL INDICATORS

Unit: RMB

Item	June 30, 2016	December 31, 2015	Variance
Net capital	<b>52,893,464,462.04</b>	64,346,276,811.98	-17.80%
Net assets	<b>67,760,266,466.67</b>	72,337,308,089.64	-6.33%
Net capital/total risk capital reserves	<b>732.18%</b>	888.27%	Decreased by 156.09 percentage points
Net capital/net assets	<b>78.06%</b>	88.95%	Decreased by 10.89 percentage points
Net capital/liabilities	<b>32.90%</b>	31.55%	Increased by 1.35 percentage points
Net assets/liabilities	<b>42.14%</b>	35.47%	Increased by 6.67 percentage points
Propriety equity securities and securities derivatives/net capital	<b>61.95%</b>	47.83%	Increased by 14.12 percentage points
Propriety fixed income securities/net capital	<b>203.64%</b>	196.35%	Increased by 7.29 percentage points

Note 1: In July and September 2015, the Company and China Securities Finance Corporation Limited (“CSF”) entered into the Master Agreement for OTC Derivatives Transactions on China’s Securities and Futures Market (《中國證券期貨市場外衍生品交易主協議》) and signed the Confirmation Letter for Return Swaps (《收益互換交易確認書》), respectively, allocating a total of RMB13,863,790,000.00 to CSF for investment. A special account will be set up by CSF for this investment for the purpose of unified operation and the Company will share the investment risks and returns in accordance with the investment ratio. In the ratio of the “proprietary equity securities and securities derivatives/net capital” as at the end of the current period and as at the beginning of the year, the Company will treat the investment amount as stock and include 100% of the balance in the item of “proprietary equity securities and securities derivatives” in this indicator.

Note 2: The above data are based on the Administrative Measures for Risk Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC and the PRC GAAP, and on non-consolidated basis.

IV. REVIEW OF THE AUDIT COMMITTEE

The Audit Committee under the Board has reviewed and confirmed the Company’s Report on Review of Condensed Consolidated Financial Statements disclosed in accordance with the International Accounting Standards for the six months ended June 30, 2016, and has no objection against matters including the accounting policies and practices adopted by the Company.

## Section 3 Directors' Report

### I. OVERVIEW

During the Reporting Period, the Company fulfilled its core values of "Inquisitiveness, Integrity, Client Focus, and Teamwork". It was facing complex domestic and external operating environments and continuous economic downside pressure and was situated in an industry environment that emphasizes lawful, stringent and comprehensive supervision; however, with the proper guidance of the Board of Directors, the operating management of the Company led the entire staff to move forward by closely adhering to national strategies and serving the real economy actively according to the initial objective, and strived to achieve the enterprise mission of "Creating Value to Realize the Dream of Serving the Country with Financial Services". The Company paid continuous efforts in striving to become a modern investment bank with international competitiveness, brand influence and systematic importance.

During the Reporting Period, the Company consciously observed its management philosophy of "Stable Operation, Continual Innovation, Performance-driven Culture and Business Synergies", recognized the objective existing conditions of the industry, adjusted business structure in a timely manner, strengthened compliance and risk control management and deepened the development of an integrated business system. During the Reporting Period, the Company, on one hand, adopted a series of measures in accordance with the regulatory requirements of the industry and in combination with its actual situation to enhance risk management and compliance construction and consolidate the business management and control foundation. On the other hand, based on the current domestic and international industry status and the future development trend, the Company adopted the strategy of "Knowing What to Do and What not to Do" to timely adjust and optimize the business structure, vigorously develop the vendor business and enhance the international business layout and investment, achieving relatively good results.

During the Reporting Period, under a more stringent regulatory environment complemented by a fall in stock market indices and transaction amounts of stock and funds, the Company recorded a relatively huge decline in its operating results on a year-on-year basis, which is in line with the whole securities industry. However, the major operating indicators continued to maintain an industry leading position.

### II. ANALYSIS ON PRINCIPAL BUSINESS

#### (1) Overview

During the first half of the year, facing complex domestic and external economic conditions and continuous downside pressure, the government accelerated supply-side structural reforms. The national economy was generally stable in operation with steady progress and the industry structure was optimised. GDP grew by 6.7% on a year-on-year basis, while the growth rate of the tertiary sector was 7.5% (Source: National Bureau of Statistics, 2016).

During the first half of 2016, the A-share market was volatile with up and down fluctuations, and trading volume declined significantly as compared to the same period of last year. As of June 30, 2016, the SSE Composite Index fell 17.22% as compared to the end of 2015 and SZSE Component Index fell by 17.17%. SSESME Composite Index decreased by 17.88% while Growth Enterprise Index fell by 17.92%. During the first half of the year, the turnover volume of A-shares amounted to RMB63,653.731 billion (according to the number of transactions), representing a year-on-year decrease of 54.01%; the margin financing and securities lending business experienced a moderate decline. As of June 30, 2016, the balance of margin financing and securities lending on the Shenzhen stock market and the Shanghai stock market was RMB853,584 million, recording a decrease of 27.31% as compared with figures as at the end of 2015. Meanwhile, with the relatively rapid expansion in the financing volume in the primary market, equity financing size reached RMB632.190 billion, representing a year-on-year increase of 8.37%. Financing of enterprise bonds amounted to RMB325.650 billion, representing a year-on-year increase of 79.86%; financing of corporate bonds amounted to RMB1,602.381 billion, representing a year-on-year increase of 112.15% (Source: WIND Information, statistics of the Company, 2016).

Based on the unaudited financial statements prepared in accordance with the PRC GAAP, the total assets, net assets, net capital, customers' transaction settlement fund amount (including the credit trading fund) in the industry, market value of securities under custodianship and the total principal sum of funds under management of the 126 securities firms were RMB5.75 trillion, RMB1.46 trillion, RMB1.18 trillion, RMB1.74 trillion, RMB29.92 trillion and RMB14.78 trillion as of June 30, 2016, representing a decrease of 10.44%, a slight increase of 0.69%, a decrease of 5.60%, a decrease of 15.53%, a decrease of 11.03% and an increase of 24.41% as compared with those at the end of 2015, respectively. During the first half of 2016, 117 of the 126 securities firms in the industry were profitable, with the operating income totaling RMB157.079 billion, a year-on-year decrease of 52.47%. Specifically, the net income was RMB55.976 billion from securities trading agency services, a year-on-year decrease of 64.67%; RMB24.116 billion from securities underwriting and sponsorship, a year-on-year increase of 50.25%; RMB7.143 billion from financial advisory service, a year-on-year increase of 64.06%; RMB2.333 billion from investment consultancy, a year-on-year increase of 21.19%; RMB13.434 billion from asset management, a year-on-year increase of 9.99%; RMB24.486 billion from securities investment (including changes in fair value), a year-on-year decrease of 73.40%; and RMB16.904 billion from the net interest income, a year-on-year decrease of 53.86%. The net profit was RMB62.472 billion on a full-year basis, a year-on-year decrease of 59.22% (Source: Securities Association of China, 2016).

As of June 30, 2016, the total assets of the Group amounted to RMB357,609 million, which decreased by 14.67% as compared to the beginning of the year. The equity attributable to owners of the Company amounted to RMB73,599 million, which decreased by 5.06% as compared to the beginning of the year. During the Reporting Period, the total revenue and other income of the Group was RMB13,654 million, a year-on-year decrease of 43.09%; the total expenses was RMB8,551 million, a year-on-year decrease of 33.33%; net profit attributable to owners of the Company was RMB4,030 million, a year-on-year decrease of 52.05%.

## Section 3 Directors' Report

**(II) Analysis of Principal Business**

The Company is positioned as a provider of comprehensive capital market services with industry-leading innovative capabilities focused on serving China's quality SMEs and affluent individuals. The Group has built a diversified business serving the various needs of corporations (especially SMEs), individuals (especially affluent individuals), institutional investors, financial institutions and government clients. The main business of the Group can be categorized into four segments, namely investment banking, wealth management, trading and institutional client services and investment management.

<b>Investment Banking</b>	<b>Wealth Management</b>	<b>Trading and Institutional Client Services</b>	<b>Investment Management</b>
◆ Equity finance	◆ Retail brokerage and wealth management	◆ Equity sales and trading	◆ Asset management
◆ Debt finance	◆ Margin financing and securities lending	◆ Fixed income sales and trading	◆ Fund management
◆ Financial advisory	◆ Repurchase transactions	◆ OTC sales and trading	◆ Private equity investment management
		◆ Investment research	◆ Alternative investment
		◆ Asset custody	

During the Reporting Period, the total revenue and other income of the Group decreased by 43.09% year-on-year to RMB13,654 million, of which the total revenue and other income from the investment banking business amounted to RMB1,365 million, representing a year-on-year increase of 73.57%; the total revenue and other income from the wealth management business amounted to RMB6,086 million, representing a year-on-year decrease of 55.11%; the total revenue and other income from the trading and institutional client services business amounted to RMB3,009 million, representing a year-on-year decrease of 49.86% and the total revenue and other income from the investment management business amounted to RMB2,761 million, representing a year-on-year increase of 2.07%.

**1. Investment Banking Segment**

The Group's investment banking segment mainly comprises equity financing, debt financing and financial advisory services. During the Reporting Period, total revenue and other income generated from the investment banking business segment was RMB1,365 million, representing a year-on-year increase of 73.57%. Business particulars of the investment banking segment are as follows:

**(1) Equity financing business**

During the first half of the year, the overall performance of equity financing presented a stabilizing trend. During the period from January to June 2016, a total of 348 equity financing projects were issued in the A-share market, representing a year-on-year decrease of 20.55%. The financing amount was RMB632.190 billion, representing a year-on-year increase of 8.27%. Among these projects, there were 68 Initial Public Offerings (IPO) with financing amount of RMB32.465 billion, representing a year-on-year decrease of 64.80% and 77.80%, respectively. (Source: WIND Information, 2016).

During the Reporting Period, the investment banking business of the Company continued to pursue the client-focused value by acquiring in-depth understanding of customers' needs, strengthened project quality control and promoted the transformation from the traditional mode of "channel investment bank" to the integrated financial mode of "resource allocation investment bank" in order to consolidate and expand its market leading position. Onshore and offshore connected operations continued to be implemented in the investment banking business through establishing an information sharing mechanism for onshore and offshore project teams, thereby integrating onshore and offshore client and project resources effectively and enhancing the international business competitiveness of the Company.

During the Reporting Period, the Company completed 28 equity financing projects and was ranked No. 2 in the industry; the lead underwritten amount was RMB31.773 billion which was ranked No.6 in the industry. Among these projects, the Company was lead underwriter for 7 IPOs and was ranked No. 1 in the industry. The Company's realized commission and fee income was RMB554 million from equity underwriting and sponsorship during the Reporting Period, representing a year-on-year increase of 11.26%.

Details of the equity underwriting and sponsorship business of the Company during the Reporting Period are set out below:

Items	January to June 2016		January to June 2015	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial Public Offerings (IPOs)	27.62	7	38.56	12
Refinancing offerings	290.10	21	67.03	13
<b>Total</b>	<b>317.73</b>	<b>28</b>	<b>105.59</b>	<b>25</b>

Source: Statistics of the Company, 2016.

(2) Debt financing business

During the first half of 2016, driven by the supply-side market reforms and development of direct financing policies, the bond market maintained rapid growth. The volume of corporate bonds reached a historical high, and innovative new products, such as project bonds, green bonds and perpetual bonds, were launched. From January to June 2016, the market issued a total of 5,022 credit bonds, representing a year-on-year increase of 50.81%; the offering size was RMB5,390.30 billion, representing a year-on-year increase of 35.95%, of which the enterprise bond financing was RMB325.65 billion, a year-on-year increase of 79.86%; and the corporate bond financing was RMB1,602.381 billion, a year-on-year increase of 112.15% (Source: WIND Information, 2016).

## Section 3 Directors' Report

The Company rapidly adjusted the customer structure of its corporate bond business, continued to promote its resource synergy management and the establishment of an incentive mechanism. It also increased efforts to develop large-scale projects, especially projects of central government controlled enterprises, and has achieved notable progress. The total amount of credit bonds issued by the Company during the first half of the year ranked No. 7 in the industry, and its enterprise bond underwritten amount ranked No. 4 (Source: WIND Information, 2016). During the Reporting Period, the Company's underwritten amount of bonds with AAA rating reached RMB37.0 billion (Source: statistics of the Company, 2016), which further boosted the market position of the Company. Meanwhile, the Company made forward-looking planning in the area of project bonds; a total amount of RMB24.0 billion in carpark project bonds was approved and issued as of June 30, 2016. This constituted an important factor in relation to the strengthening of the Company's position in the enterprise bond market.

The Company's realized commission and fee income was RMB391 million from its bond underwriting business during the Reporting Period, representing a year-on-year increase of 275.87%.

**Details on bond deals underwritten by the Company during the Reporting Period are shown in the table below:**

Items	January to June 2016		January to June 2015	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	175.50	13	49.50	6
Corporate bonds	432.00	44	45.00	3
Debt financing targeted instruments of non-financial enterprises	56.30	49	21.50	5
Financial bonds	90.00	3	37.50	1
<b>Total</b>	<b>753.80</b>	<b>69</b>	<b>153.50</b>	<b>15</b>

Source: Statistics of the Company, 2016.

(3) Financial advisory business

The Company's financial advisory business mainly comprises mergers and acquisitions (M&A) and restructuring of listed companies, as well as New Third Board listings. During the Reporting Period, commission and fee income of RMB326 million was realized, representing a year-on-year growth of 95.63%.

During the first half of 2016, the State continued to implement supply-side reform and State-owned enterprise reform strongly through M&A and restructuring to consolidate resources and enhance liquidity. Meanwhile, the presence of leaders in emerging industries also accelerated quickly, and M&A activities continued to prolong its hot trend. During the Reporting Period, the Company further strengthened transaction matching and professional execution capabilities and actively developed its cross-border M&A business, and the M&A and restructuring financial advisory services maintained an overall growth trend. During the Reporting Period, the Company was engaged as financial advisor to 12 projects on significant asset restructuring (based on the statistics of the number of M&A and restructuring deals approved by the China Securities Regulatory Commission (CSRC)) and was ranked No. 2 in the industry.



During the first half of 2016, the New Third Board market continued to develop rapidly by riding on its trend in 2015; there were 2,556 newly listed companies and RMB65.269 billion was raised from targeted offerings (Source: NEEQ (National Equities Exchange and Quotations) Website, 2016). As of June 30, 2016, a total of 7,685 listed companies were sponsored in the market, of which there were 953 innovative enterprises, representing 12.4% of the total number. As of the end of the Reporting Period, the Company acted as lead brokerage for 255 newly listed companies on the New Third Board in aggregate and sponsored 258 companies in aggregate for listing, and was ranked No. 6 in the industry (Source: Database of EASTMONEY, 2016). According to the list of innovative listed enterprises formally released by the NEEQ on 24 June 2016, the listing of 43 innovative enterprises was supervised by the Company and it ranked No. 4 in the industry (Source: NEEQ (National Equities Exchange and Quotations Website, 2016)

In addition, for its overseas investment banking business, the Company mainly developed the relevant business through GF Capital (Hong Kong), a subsidiary of its wholly-owned subsidiary GFHK, etc. During the Reporting Period, GFHK acted as the principal underwriter for 6 deals (including IPO, refinancing and bond offerings) through its subsidiaries.

## 2. Wealth Management Segment

The Group's wealth management segment mainly comprises retail brokerage and wealth management, margin financing and securities lending and repurchase transactions. During the Reporting Period, the total revenue and other income from the wealth management business segment was RMB6,086 million, representing a year-on-year decrease of 55.11%. Business particulars of the wealth management segment are as follows:

### (1) Retail brokerage and wealth management business

The Group provides brokerage services for the customers to trade stocks, bonds, fund products, warrants, futures and other tradable securities. During the first half of 2016, the turnover of shares on the market was RMB69.24 trillion (according to the number of transactions), representing a year-on-year decrease of 52.89%; average daily turnover was RMB577 billion (according to the parties involved in the transactions), representing a year-on-year decrease of 53.29% (Source: WIND Information, 2016). Meanwhile, with the launching of the measure of multiple accounts for each individual and the rapid development of Internet securities, the competition in the retail brokerage and wealth management business has become increasingly fierce, leading to a continual decline in the level of commissions.

Under such background, the Company developed both wealth management and Internet finance as twin engines to pursue the strategic objectives of the Company. In the area of wealth management, by actively preparing a service platform and promoting advisory service persistently, the Company has achieved an Internet-based transformation in its operation platform and business model to continuously satisfy the customer experience in domains of investment, services and product demand. Meanwhile, the Company continuously strived to lower its operating costs and to enhance its business efficiency. During the Reporting Period, the Company launched the self-developed Beta Bull (貝塔牛) smart investment advisory system as a pioneer in the securities industry, to provide investment advisory services on equities and asset allocation to customers and fill the gap of investment advisory services for mass market customers to satisfy their wealth management needs.

## Section 3 Directors' Report

Meanwhile, in the area of Internet finance, in order to cope with the changes in the market competition pattern, the Company further enhanced its transformation to embrace the opportunities and challenges brought by Internet finance and the regulatory environment, and promoted Internet services in an all-round way. On one hand, the Company actively promoted the Internet marketing and continued its strategic cooperation with leading Internet enterprises, so as to massively diversify its business. At the same time, based on the Internet thinking, the Company employed the mature "Golden Key" system as a platform to focus on "Questions and Answers", off-site account opening and online wealth management outlets at Taojin Circle. This has continuously improved the operation efficiency. By grasping the market opportunities successfully, the Company took a leading position in the industry in terms of the number and amount of accounts opened. In the area of Internet wealth management business, the Company continuously optimized the user experience of Yitaojin E-commerce platform and increased the product quantity, innovated the wealth management account, introduced the cash management tool, transfer market and other new business under Taojin wallets, and improved the Internet wealth management business chain. As of the end of June 2016, the performance results of the Company's e-commerce platforms took leading positions in the industry, with the number of mobile-phone securities users exceeding 8.66 million, the sales and transfer amount of products of the Yitaojin E-commerce platform exceeding RMB44 billion in the first half of the year, representing a year-on-year increase of 74%, and the number of users served on the WeChat platform exceeding 2.6 million. The accounts opened on the Company's online self-service system increased from 93.62% in 2015 to 98.80% in the Reporting Period as a percentage of the total number of accounts opened. During the first half of 2016, the "Golden Key" system provided services to more than 1.81 million investors in aggregate, representing a year-on-year increase of 14.92%; over 3.45 million service orders were executed, representing a year-on-year increase of 50.24%; and a total of 5,435 online wealth management outlets were opened.

In addition, the Company vigorously promoted the transformation of its country-wide business outlets towards the comprehensive operation direction, positioning the branches as the point of undertaking various businesses for the Company. The branches have gradually become the marketing window and service base of the Company's various businesses, to realise the provision of comprehensive financial services, and promote the transformation from traditional retail business mode to wealth management mode, and from single brokerage business to comprehensive business.

The Company pays attention to strengthening the implementation of securities investor education, and it was officially awarded the National Internet Investor Education Base by the CSRC in May 2016. The Company held all-round publicity through mobile securities, WeChat, trading software and websites, and continuously enlarged the sphere of influence of investor education base to allow more investors to be benefitted.

During the Reporting Period, the Company's trading volume of shares and fund products was RMB5.99 trillion (Source: WIND Information, 2016), representing a year-on-year decrease of 58.05%, which ranked No. 5 in the industry. The commission and fee income from the Company's securities trading agency business was RMB2,498 million, representing a year-on-year decrease of 66.18%.

The trading volume and market share of the Company's securities trading agency business during the Reporting Period are shown in the table below:

Type of securities	Trading volume from January to June 2016 (RMB100 million)		Trading volume from January to June 2015 (RMB100 million)	
		Market share from January to June 2016		Market share from January to June 2015
Stocks	59,014.46	4.61%	139,675.06	5.02%
Funds	858.19	0.82%	3,054.54	1.95%
Bonds	125,251.87	6.34%	55,064.56	4.90%
Total	185,124.52	5.51%	197,794.16	4.87%

Note 1: Source: WIND Information and the statistics of the Company;

Note 2: The data in the above table are data of the parent company;

Note 3: The market share refers to the ratio of trading volume of this kind of securities to the total trading volume of this kind of securities in the Shanghai and Shenzhen stock markets for the same period.

In respect of the financial product sales agency business, commission and fee income of the Company was RMB86 million during the Reporting Period, representing a year-on-year decrease of 59.49%.

In futures brokerage business, the Group has developed its futures brokerage business through its wholly-owned subsidiary, GF Futures, and provided the transaction and clearing services for customers in major international commodity markets through GF Futures (Hong Kong), a wholly-owned subsidiary of GF Futures, and GF Financial Markets (UK) Limited, a wholly-owned subsidiary of GF Futures (Hong Kong). During the Reporting Period, commission and fee income generated from the futures brokerage business of GF Futures was RMB151 million, representing a year-on-year decrease of 16.99%.

In regions outside of the PRC, the Group provides brokerage services to high-net-worth individuals and retail customers through GF Brokerage (Hong Kong), a subsidiary of its wholly-owned subsidiary, GFHK, covering the stocks listed on the Hong Kong Stock Exchange and other overseas exchanges. During the Reporting Period, new products such as equity linked notes, index linked notes and hedge funds were launched to satisfy specific demands from high-net-worth customers. During the Reporting Period, the total revenue and other income from the securities brokerage business of GFHK amounted to RMB131 million, representing a year-on-year decrease of 10.88%.

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## (2) Margin financing and securities lending business

During the first half of 2016, trading volume in the A-share market declined significantly as compared to the same period of the previous year; the margin financing and securities lending business also experienced a decline by a certain extent. As of June 30, 2016, the balance of the margin financing and securities lending of the Shanghai and Shenzhen stock markets was RMB853.584 billion, representing a decrease of 27.31% as compared to the end of 2015 (Source: WIND Information, 2016).

Facing a complex market environment, the Company focused on strengthening the management of margin financing and securities lending customers, attached high importance to compliance risk management of business development, strictly implemented the requirements for customers' appropriateness management and classified and graded management, strengthened investor education and risk disclosure, and guided the customers to conduct professional investment and rational investment. The Company determined the financing business scale scientifically, reasonably and carefully according to the level of its net capital, customer status and risk management ability, and established a comprehensive anti-cyclical dynamic adjustment mechanism by capturing the development rhythm and speed of the margin financing and securities lending business to control the operating leverage properly and prevent business risk effectively.

As of June 30, 2016, the closing balance of the Company's margin financing and securities lending business was RMB48.176 billion, representing a decrease of 28.01% as compared to the end of 2015; market share was 5.64%, which ranked No. 5 on a consolidated basis. The Company recorded interest income of RMB2,116 million from its margin financing and securities lending business during the Reporting Period, representing a year-on-year decrease of 52.68%.

## (3) Repurchase transaction business

During the Reporting Period, the stock-pledged repo business of the Company maintained growth. As of June 30, 2016, the balance of stock-pledged repo business developed by propriety funds of the Company was RMB6.681 billion, representing a decrease of 4.05% as compared to the end of 2015. Due to the substitution and diversion effect of the stock-pledged repo business, the scale of securities transactions with repurchase agreements continued to decline. As of the end of the Reporting Period, the balance of financing funds used in the business of securities transactions with repurchase agreements of the Company was RMB360 million, representing a decrease of 3.49% as compared to the end of 2015.

During the Reporting Period, interest income from the resale transaction business of the Group was RMB268 million, representing a year-on-year decrease of 29.11%. This was mainly attributed to the cancellation of the prepayment requirement in the subscription applications under the new share subscription policy, which caused the "Ueasy" new share financing and subscription business launched by the Company in the stock-pledged repo business to suspend subsequently, resulting in a decrease in income as compared to the same period of the previous year.

### 3. Trading and Institutional Client Services Segment

The Group's trading and institutional client services business mainly includes the stock sales and trading business, fixed income sales and trading business, OTC sales and trading business, investment research business and asset custody business. During the Reporting Period, the total revenue and other income from the trading and institutional client services business segment was RMB3,009 million, representing a year-on-year decrease of 49.86%. Business particulars of the trading and institutional client services segment are as follows:

#### (1) Stock sales and trading business

The Company mainly sells the shares underwritten by it to institutional clients for its stock sales and trading business, as well as engages in market-making and trading of shares and equity linked financial products and equity derivative products. The institutional clients of the Company mainly include the National Social Security Fund, commercial banks, insurance companies, fund companies, financial companies, trust companies, listed companies and qualified foreign investors who are approved to invest in China's capital market by the China Securities Regulatory Commission and other investors.

As one of the first batch of players in the stock index futures market, the Company also uses stock index futures to hedge the risk of the stock portfolio of the Company. In addition, the Company currently provides liquidity to various exchange traded funds (ETF), including single-market ETFs, cross-market ETFs, cross-border ETFs, bond ETFs, and gold ETFs.

The Company provides a channel for domestic institutional clients to invest in the international capital market, and has developed international institutional clients extensively in Hong Kong. The Company assists the international clients to invest in the Chinese capital market through the QFII and RQFII plans.

During the Reporting Period, the Company properly grasped the stock market information, flexibly controlled its investment position and successfully averted the investment risk. During the Reporting Period, the net investment gains from the stock sales and trading business were RMB-84 million.

#### (2) Fixed income sales and trading business

The fixed income sales and trading of the Company consists mainly of sales of underwritten bonds to institutional clients, and market-making and trading of financial products and interest rate derivatives with fixed income.

The Company conducts trading in various types of fixed income and derivative products on the interbank bond market and exchanges in the PRC and provides market-making services, such as government bonds, local government bonds, policy-based financial bonds, central bank notes, medium term notes, short-term financing bonds, enterprise bonds, company bonds, government bond futures and interest rate swaps. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the interest rate risk arising from trading transactions and market-making activities. In addition, the Company vigorously expands the FICC business. The Company possesses the membership of the Shanghai Gold Exchange. Meanwhile, the Company is one of the first two securities firms granted with market-maker qualification of the interbank bond market this year. During the Reporting Period, the Company ranked 71st in the trading volume of bonds in China according to the statistical data from January to June 2016, and ranked No. 5 among securities firms (Source: www.chinabond.com.cn, 2016).

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During the Reporting Period, the Company accurately grasped the fixed income market information, enhanced the level of investment and achieved excellent results. The net investment gains from fixed income sales and trading business of the Company were RMB2,477 million, representing a year-on-year increase of 87.88%.

(3) OTC sales and trading business

The Company designs and sells a variety of OTC products, including non-standard products, structured notes and OTC derivatives. Meanwhile, the Company provides liquidity support to non-standard products and structured notes products through OTC. As of the end of the Reporting Period, the Company has issued 3,226 OTC products in aggregate with an aggregate amount of more than RMB290 billion. The market value of the products as at the end of the period exceeded RMB50 billion. Specifically, the Company issued approximately 617 new OTC products with an aggregate amount of RMB68.0 billion (source: statistics of the Company, 2016). OTC products issued by it include the structured products, financial derivatives - equity income swaps, OTC options, asset management products of the subsidiaries of the Company, third-party asset management products, third-party specified fund products and private equity fund custodian products.

Since 2016, the integrated service nature of institutional clients in the structured notes business of the Company was apparent, institutional client customization in the first half of the year accounted for more than 90% of the total volume of new additions. Diversity of floating income products continued to increase; underlying assets of linked structured notes had coverage over various domestic and overseas markets since the beginning of this year, including overseas individual stocks, overseas indices; crude oil ETF, commodities, New Third Board indices, etc., to satisfy the customized investment demand of investors, and our product diversity was in a leading position within the industry. During the Reporting Period, the size of bilateral OTC transfer transactions was approximately RMB21.6 billion, which continued to maintain a leading advantage in the industry.

The Company carries out the New Third Board market-making business. As of June 30, 2016, the Company provided market-making services for 185 New Third Board enterprises; and the industries mainly cover TMT, biological medicine, huge consumption, high-end manufacturing industry and others. In the New Third Board business, the Company is committed to provide a diversified capital pattern, industrial transformation and market value management service for the high-quality New Third Board enterprises.

(4) Investment research business

The investment research business of the Group mainly comprises investment research services provided in areas such as macro economy and strategy, industry and listed companies, fixed income and financial engineering for the institutional clients. To be specific, our investment research services cover the provision of research reports and customized investment research services for the National Social Security Fund, insurance companies, fund companies, private equity funds, financial companies, securities companies and other institutional investors in Hong Kong and the PRC. The Company's equity research covers over 640 listed companies in the PRC in 25 industries, and over 80 companies listed on the Hong Kong Stock Exchange. The outstanding research capacity of the Company enjoys a high reputation in the industry. The Company's research team ranked No. 4 in the "Best Local Research Team" of New Fortune for four consecutive years.

During the Reporting Period, the total revenue and other income from the investment research business of the Company was RMB146 million, representing a year-on-year decrease of 34.73%.



(5) Asset custody business

The Company provides high-quality asset custody and fund operation outsourcing services for various asset management products; the targets for the provision of such services include fund companies and their subsidiaries, futures companies and their subsidiaries, securities companies and their asset management subsidiaries, private equity fund managers and various other asset management institutions; and its services include various services such as asset custody, account management, clearing and settlement, fund accounting, asset valuation, fund compliance monitoring, performance evaluation, fund investment risk analysis and the outsourcing of overall back-office operations of funds.

As of the end of June 2016, the total size of assets to which asset custody and fund operation outsourcing services were provided by the Company was RMB89.645 billion, of which the size of custodian products was RMB53.785 billion, and the size of products for operation outsourcing services was RMB35.860 billion.

4. Investment Management Segment

The Group's investment management business segment mainly covers asset management business, fund management business, private equity investment business and alternative investment business. During the Reporting Period, the total revenue and other income from the investment management business segment was RMB2,761 million, representing a year-on-year increase of 2.07%. Business particulars of the investment management segment are as follows:

(1) Asset management business

Asset management services provided by the Group aim to preserve and increase the value of financial assets for its clients. The Group's asset management clients include individuals and institutional investors. The Group carries out asset management business through its subsidiaries, namely GF Asset Management, GF Futures and GF Asset Management (Hong Kong).

GF Asset Management manages the investments of client assets of various asset categories and investment strategies, including stocks, fixed-income and quantitative investments. GF Asset Management carries out investment management through three types of schemes, including the collective asset management schemes, targeted asset management schemes and specific asset management schemes. In addition, GF Asset Management actively carries out overseas asset management business through the scheme of qualified domestic institutional investors.

As of the end of June 2016, GF Asset Management managed 118 collective asset management schemes with the size of collective assets under management amounting to RMB416.285 billion, representing a year-on-year increase of 283.85%; GF Asset Management managed 286 targeted asset management schemes with the size of targeted assets under management amounting to RMB 241.423 billion, representing a year-on-year increase of 2.90%; during the Reporting Period, the size of enterprise ABS managed by GF Asset Management was RMB 21.146 billion, representing a year-on-year increase of 620.48%. Both leasing asset securitization products and receivable asset securitization products issued by GF Asset Management in the exchange markets were among top rankings in the industry, creating an influence over the industry and a leading advantage. As of the end of the Reporting Period, the total size of assets under management of GF Asset Management ranked fourth in the securities industry. The management size of collective schemes ranked first and the active management size ranked second (Source: the website of Asset Management Association of China, 2016).

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During the Reporting Period, the size and income of the asset management business of GF Asset Management are as follows:

	Size of Assets under Management (RMB100 million)		Management Fee Income (RMB100 million)	
	June 30, 2016	June 30, 2015	January to June 2016	January to June 2015
Collective asset management business	<b>4,162.85</b>	1,084.51	<b>7.76</b>	3.74
Targeted asset management business	<b>2,414.23</b>	2,346.08	<b>0.88</b>	0.61
Specific asset management business	<b>211.46</b>	29.35	<b>0.19</b>	0.01
Total	<b>6,788.54</b>	3,459.94	<b>8.83</b>	4.36

Source: Statistics of the Company, 2016.

During the Reporting Period, the total management fee income realized by GF Asset Management was RMB883 million, representing a year-on-year increase of 102.49%.

The Group carries out futures asset management business mainly through GF Futures. GF Futures was one of the first batch of companies which obtained the qualification to engage in asset management business. As of June 30, 2016, GF Futures was operating 58 asset management plans and the size of assets under management was RMB4.497 billion.

In the area of overseas asset management business, the Group provides consulting services and management for various investment instruments through GF Asset Management (Hong Kong), a wholly-owned subsidiary of GFHK. GFHK is one of the first Sino-funded financial institutions in Hong Kong granted with RQFII qualification, which may collect RMB funds in Hong Kong to invest in the securities market in the PRC through GF Asset Management (Hong Kong). As of June 30, 2016, GF Asset Management (Hong Kong) established and managed 2 fund-based public equity funds (GF China RMB Fixed Income Fund and GF China Growth Fund), 4 fund-based private equity products, 3 private equity funds cooperated with external parties and 1 Luxembourg UCITS fund cooperated with external parties. As of June 30, 2016, the size of assets under management of GF Asset Management (Hong Kong) was HKD 10.04 billion, which increased by 31.1% as compared to the end of 2015.

(2) Fund management services

The Group carries out fund management services through its controlled subsidiary, GF Fund, and an associate, E Fund.

As of June 30, 2016, the Company held 51.13% of the equity interest in GF Fund. GF Fund managed 98 open-ended fund products. As of June 30, 2016, the total size of funds from public offerings managed by GF Fund reached RMB234.1 billion, which decreased by 29.07% as compared to the end of 2015; in this respect, the Company is ranked No. 12 in the industry (Source: Asset Management Association of China, 2016).

During the Reporting Period, the total revenue and other income realized by GF Fund was RMB1,231 million, representing a year-on-year decrease of 16.64%; the net profit attributable to shareholders of GF Fund was RMB353 million, representing a year-on-year decrease of 18.52%.



As of June 30, 2016, the Company held 25% of the equity interest in E Fund and became one of the three parallel largest shareholders. E Fund managed 92 open-ended funds. As of June 30, 2016, the total size of funds from public offerings managed by E Fund reached RMB405.7 billion, which decreased by 29.57% as compared to the end of 2015 and ranking No. 4 in the industry (Source: Asset Management Association of China, 2016).

During the Reporting Period, the net profit realized by E Fund was RMB769 million, representing a year-on-year increase of 10.74%.

(3) PE (private equity) investment management services

The Group mainly engages in PE investment management business through its wholly-owned subsidiary, GF Xinde.

During the Reporting Period, GF Xinde and the funds under its management completed a total of 23 equity investment deals with an investment amount of RMB718 million. As of June 30, 2016, GF Xinde completed investments in 150 equity investment projects, of which 17 projects are listed on the A-share market in China through initial public offering (IPO), and 5 projects exited by way of merger and acquisition of listed companies.

Meanwhile, GF Xinde actively develops asset management services for its equity investment. It has set up seven fund management platforms, including Xinjiang GF Xinde Wensheng Investment Management Co., Ltd., GF Xinde Zhisheng Investment Management Co., Ltd., GF Xinde Medical Capital Management Co., Ltd., Zhuhai GF Xinde Aofei Capital Management Co., Ltd., Zhuhai GF Xinde Aodong Fund Management Co., Ltd., Shenzhen Qianhai GF Xinde Zhongshan Public M&A Fund Management Co., Ltd. and Shanghai GF Yong Capital Investment Management Co., Ltd. to manage the PE funds and mezzanine funds. GF Xinde cooperated with Bay City Capital, a U.S.A. leading life science investment institution to initiate the establishment of an international life sciences fund, enabling the pace of business expansion of the Group at the international level to accelerate. GF Xinde actively explores a diversified profit model and good results have been achieved.

As of June 30, 2016, GF Xinde set up and managed 13 PE funds and 8 mezzanine funds. The total size of funds under management amounted to RMB13.472 billion, representing an increase of 80.81% as compared to the end of 2015. During the Reporting Period, the total revenue and other income realized by GF Xinde was RMB340 million, representing a year-on-year decrease of 28.92%.

In the overseas market, the Group made numerous equity investments through GF Investment (Hong Kong), a wholly-owned subsidiary of GFHK, of which a leading B2C Internet special vehicle enterprise in China invested by GF Investments (Hong Kong) in November 2015 was officially listed on the New Third Board on July 22, 2016.

(4) Alternative investment

In the area of alternative investment, the Group actively develops such business through GF Qianhe and focuses on investments in the products or areas of, inter alia, non-public offering of shares and non-standardized fixed income instruments.

During the Reporting Period, GF Qianhe invested in a total of 7 projects with an investment amount of RMB509 million. As of June 30, 2016, the accumulated number of investment projects was 53, with an aggregate investment amount of RMB5.029 billion, of which 20 project investments have been fully exited. During the Reporting Period, the total revenue and other income realized by GF Qianhe was RMB185 million, representing a year-on-year decrease of 8.30%.

## Section 3 Directors' Report

## 5. The Company's Development Strategy and Outlook

The Company has established a 5-year development strategy. In the second half of the year, the Company will continue to regard the core values of "Inquisitiveness, Integrity, Client Focus and Teamwork" and the operation and management philosophy of "Stable Operation, Continual Innovation, Performance-driven Culture and Business Synergies" as strategic guiding ideology, be focused on increasing the productivity and the comprehensive compliance and risk control management level; actively get rid of the old to make way for the new; cultivate and enhance new competitiveness; enable the Company to become more stable, healthier and more sustainable; devote every effort to build the Company into a dominating player of the securities industry; and to become a modern investment bank with international competitiveness, brand influence and systematic significance.

In the future, the Company will actively implement the service concept of "Customer First", enhance management, increase efficiency, further strengthen risk compliance management, optimize the business structure, consolidate and enhance the existing business advantages, deepen comprehensive operation layout, vigorously cultivate and develop international business. The service for investment banks will continue to perfect the collaborative mechanism of comprehensive services for the clients and value development, enhance the ability to serve the real economy and national strategies, focus on enhancing the cross-border merger and acquisition business capability and help the clients develop. The wealth management business will further utilize the leading advantages of the platform to realize the transformation of the marketing and service system towards online mode through "Internet +" by optimizing customer segmentation management and service abilities, strengthening the securities investor education. The service for trading and institutional clients will grasp the growth trend of service for institutional clients and gradually complete the transformation from a product center to a comprehensive financial solution center. Active efforts will be made in expanding institutional investors and increasing the proportion of revenue from the capital intermediary business. Through making use of the comprehensive advantages of large platform and large coordination of investment management business, the Company can continually meet various investment demands of the clients and constantly improve the investment performance and then significantly increase the size of assets under management.

The Company will continue to establish comprehensive compliance and risk control management system, perfect regular risk inspection system, further improve rules and regulations, perfect procedures and standards of business operation, optimize compliance and assessment mechanism, enhance restraining force, effectively improve comprehensive compliance and risk control management ability and promote the Company's sustainable and healthy development.

### III. ANALYSIS ON FINANCIAL STATEMENTS

#### 1. Analysis on Consolidated Statements of Profit or Loss

##### Revenue composition

Item	January to June 2016	January to June 2015	Unit: RMB'000	
			Amount of increase/ decrease	Percentage of increase/ decrease
Commission and fee income	6,531,113	10,603,385	(4,072,272)	-38.41%
Interest income	3,945,771	6,564,510	(2,618,739)	-39.89%
Net investment gains	3,357,943	6,675,929	(3,317,986)	-49.70%
Other income and gains or losses	(180,674)	149,050	(329,724)	—
<b>Total revenue and other income</b>	<b>13,654,153</b>	<b>23,992,874</b>	<b>(10,338,721)</b>	<b>-43.09%</b>

During the period from January to June 2016, due to market volatility, the trading volume of stocks and funds decreased. Total revenue and other income of the Group was RMB13,654 million, representing a decrease of 43.09% as compared with the revenue of RMB23,993 million for the corresponding period of 2015.

##### Commission and fee income

Item	January to June 2016	January to June 2015	Unit: RMB'000	
			Amount of increase/ decrease	Percentage of increase/ decrease
Commission on securities dealing and brokerage and handling fee income	2,835,358	8,079,260	(5,243,902)	-64.91%
Underwriting and sponsors fees	1,063,952	623,409	440,543	70.67%
Commission on futures and options contracts dealing and brokerage and handling fee income	151,148	179,208	(28,060)	-15.66%
Asset management and fund management fee income	2,017,247	1,434,928	582,319	40.58%
Consultancy and financial advisory fee income	413,243	252,333	160,910	63.77%
Others	50,165	34,247	15,918	46.48%
<b>Total commission and fee income</b>	<b>6,531,113</b>	<b>10,603,385</b>	<b>(4,072,272)</b>	<b>-38.41%</b>

The decrease in total revenue and other income is primarily reflected in the commission and fee income of RMB6,531 million for the period from January to June 2016, which has decreased by RMB4,072 million or 38.41% as compared with the corresponding period of 2015, mainly due to a decrease of RMB5,244 million in commission on securities dealing and brokerage and fee income compared with the corresponding period of last year as a result of decreased trading amount of stock and funds by our brokerage clients.

## Section 3 Directors' Report

**Interest income and net investment gains**

The decrease in total revenue and other income is also attributable to the interest income of RMB3,946 million for the period from January to June 2016, which has decreased by RMB2,619 million or 39.89% compared with the corresponding period of 2015, mainly attributable to decreased interest income from advances to customers and securities lending. Net investment gains for the period from January to June 2016 was RMB3,358 million, representing a decrease of RMB3,318 million or 49.70% as compared with the corresponding period of 2015, mainly attributable to decreased net realized gains from disposal of financial assets at fair value through profit or loss and available-for-sale financial assets.

**Expenses composition**

Unit: RMB'000

Item	January to June 2016	January to June 2015	Amount of increase/ decrease	Percentage of increase/ decrease
Depreciation and amortization	146,905	135,972	10,933	8.04%
Staff costs	3,230,136	6,281,439	(3,051,303)	-48.58%
Commission and fee expenses	167,386	202,723	(35,337)	-17.43%
Interest expenses	3,505,124	4,151,748	(646,624)	-15.57%
Other operating expenses	1,493,098	2,019,954	(526,856)	-26.08%
Impairment losses	8,508	34,917	(26,409)	-75.63%
<b>Total expenses</b>	<b>8,551,157</b>	<b>12,826,753</b>	<b>(4,275,596)</b>	<b>-33.33%</b>

During the period from January to June 2016, total expenses of the Group was RMB8,551 million, representing a decrease of 33.33% compared with RMB12,827 million for the corresponding period of 2015. The decrease in total expenses is mainly reflected in the decrease in staff costs. Staff costs for the period from January to June 2016 decreased by RMB3,051 million compared with the corresponding period of 2015, along with the corresponding decrease in the Group's revenue and payroll.

During the period from January to June 2016, the Group realized net profit attributable to owners of the Company of RMB4,030 million, representing a year-on-year decrease of 52.05%; basic earnings per share was RMB0.53, representing a year-on-year decrease of 57.94%; return on weighted average net assets was 5.13%, representing a year-on-year decrease of 11.05 percentage points.

2. Analysis on Consolidated Statements of Financial Position

Unit: RMB'000

Item	June 30, 2016	Composition	December 31, 2015	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
<b>Non-current assets</b>	<b>27,674,843</b>	7.74%	26,241,522	6.26%	1,433,321	5.46%
Of which: Available-for-sale financial assets	16,866,595	4.72%	17,850,015	4.26%	(983,420)	-5.51%
Investments in associates	2,617,657	0.73%	2,552,462	0.61%	65,195	2.55%
Property and equipment	1,590,717	0.44%	1,579,745	0.38%	10,972	0.69%
Financial assets held under resale agreements	1,463,574	0.41%	1,835,232	0.44%	(371,658)	-20.25%
Deferred tax assets	1,334,606	0.37%	269,442	0.06%	1,065,164	395.32%
Investments in joint ventures	666,606	0.19%	795,042	0.19%	(128,436)	-16.15%
Loan and receivable investments	1,076,789	0.30%	499,640	0.12%	577,149	115.51%
Advances to customers	415,692	0.12%	220,837	0.05%	194,855	88.23%
<b>Current assets</b>	<b>329,934,213</b>	92.26%	392,855,493	93.74%	(62,921,280)	-16.02%
Of which: Bank balances	97,477,047	27.26%	106,250,453	25.35%	(8,773,406)	-8.26%
Advances to customers	50,877,468	14.23%	68,969,706	16.46%	(18,092,238)	-26.23%
Financial assets at fair value through profit or loss	80,045,197	22.38%	83,912,240	20.02%	(3,867,043)	-4.61%
Available-for-sale financial assets	70,951,569	19.84%	78,732,563	18.79%	(7,780,994)	-9.88%
Clearing settlement funds	12,102,525	3.38%	31,222,061	7.45%	(19,119,536)	-61.24%
Financial assets held under resale agreements	7,832,714	2.19%	11,910,685	2.84%	(4,077,971)	-34.24%
Deposits with exchanges and non-bank financial institutions	3,897,790	1.09%	5,277,796	1.26%	(1,380,006)	-26.15%
Loan and receivable investments	1,366,847	0.38%	99,953	0.02%	1,266,894	1267.49%
<b>Total assets</b>	<b>357,609,056</b>	100.00%	419,097,015	100.00%	(61,487,959)	-14.67%
<b>Current liabilities</b>	<b>241,506,875</b>	85.80%	263,258,470	77.59%	(21,751,595)	-8.26%
Of which: Accounts payable to brokerage clients	99,183,586	35.24%	118,137,085	34.82%	(18,953,499)	-16.04%
Financial assets sold under repurchase agreements	68,695,462	24.41%	85,395,761	25.17%	(16,700,299)	-19.56%
Short-term financing payables	15,660,160	5.56%	21,643,800	6.38%	(5,983,640)	-27.65%
Other liabilities	12,694,784	4.51%	10,515,964	3.10%	2,178,820	20.72%
Bonds payable	19,080,340	6.78%	6,976,681	2.06%	12,103,659	173.49%
<b>Net current assets</b>	<b>88,427,338</b>		129,597,023		(41,169,685)	-31.77%
<b>Non-current liabilities</b>	<b>39,962,172</b>	14.20%	76,017,716	22.41%	(36,055,544)	-47.43%
Of which: Bonds payable	37,268,765	13.24%	72,270,186	21.30%	(35,001,421)	-48.43%
Long-term loans	2,478,632	0.88%	3,469,168	1.02%	(990,536)	-28.55%
<b>Total liabilities</b>	<b>281,469,047</b>	100.00%	339,276,186	100.00%	(57,807,139)	-17.04%
<b>Total equity</b>	<b>76,140,009</b>		79,820,829		(3,680,820)	-4.61%

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As of June 30, 2016, total assets of the Group were RMB357,609 million, representing a decrease of RMB61,488 million or 14.67% over the end of 2015; total liabilities were RMB281,469 million, representing a decrease of RMB57,807 million or 17.04% over the end of 2015.

As of June 30, 2016, non-current assets were RMB27,675 million, representing an increase of 5.46% over the end of 2015, which is attributable to increase in financial leasing receivables and deferred tax assets; current assets were RMB329,934 million, representing a decrease of RMB62,921 million or 16.02% over the end of 2015, of which bank balances, clearing settlement funds and advances to customers decreased in total by RMB45,985 million, such decrease being attributable to market volatility, decrease in the size of brokerage business and decline in the margin financing and securities lending business; current liabilities were RMB241,507 million, representing a decrease of 8.26% over the end of 2015, which is attributable to decrease in the accounts payable to brokerage clients and financial assets sold under repurchase agreements within one year; as of June 30, 2016, net current assets were RMB88,427 million, representing a decrease of RMB41,170 million or 31.77% over the end of 2015; non-current liabilities were RMB39,962 million, representing a decrease of 47.43% over the end of 2015, which is attributable to bonds due for repayment.

As of June 30, 2016, the Group's equity attributable to owners of the Company was RMB73,599 million, representing a decrease of RMB3,920 million or 5.06% over the end of 2015, which is attributable to dividend payables of RMB6,097 million in June. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of June 30, 2016 was 70.54%, representing a decrease of 2.94 percentage points compared with the gearing ratio of 73.48% at the end of 2015, while the Group's assets and liabilities structure remained relatively stable.

#### Borrowings and debt financing

As of June 30, 2016, total borrowings and debt financing of the Group amounted to RMB77,245 million. The following table sets forth details of the Group's borrowings and debt financing:

Item	Unit: RMB'000	
	June 30, 2016	December 31, 2015
Borrowings	2,757,144	896,010
Short-term financing payable	15,660,160	21,643,800
Bonds payable	56,349,105	79,246,867
Long-term loans	2,478,632	3,469,168
Total	<b>77,245,041</b>	<b>105,255,845</b>

RMB2,000 million of the long-term loans are due within 36 months and bearing interest at 7% per annum. For details of the interest rates and maturities of borrowings, short-term financing payables and bonds payable, please refer to notes 31, 32 and 38 to the attached financial report.

Apart from borrowings and debt financing instruments, the Company also raised funds through inter-bank lending as well as on-market and OTC repurchase, with balance due to banks and other financial institutions and financial assets sold under repurchase agreements amounting to RMB5,732 million and RMB68,695 million, respectively as of June 30, 2016.

Save as disclosed in this report, as of June 30, 2016, the Group did not have any outstanding mortgages, pledges, debentures, loan capital, bank overdrafts, borrowings or other similar debts or liabilities under acceptances or letter of credits, any guarantees or other material contingent liabilities.

### 3. Analysis on the Consolidated Statements of Cash Flow

During the period from January to June 2016, net decrease in cash and cash equivalents of the Group was RMB7,230 million. Of which:

During the period from January to June 2016, net cash from operating activities was RMB18,243 million, representing an increase of RMB79,803 million compared with the corresponding period of 2015. The change primarily reflected (1) an increase of RMB93,371 million in operating cash inflow as a result of a reduction in the size of advances to customers; (2) an increase of RMB38,162 million in operating cash inflow as a result of the disposal of financial assets at fair value through profit or loss; (3) an increase of RMB53,594 million in operating cash outflow as a result of the decrease in financial assets sold under repurchase agreements.

During the period from January to June 2016, net cash from investing activities was RMB6,774 million, representing an increase of RMB21,227 million compared with the corresponding period of 2015, primarily attributable to an increase in the disposal of available-for-sale financial assets.

Net cash used in financing activities was RMB32,247 million during the period from January to June 2016, representing an increase of RMB132,454 million compared with the corresponding period of 2015, primarily attributable to the bonds payable and short-term financing payables which were due for repayment.

### 4. Explanation of Changes in the Scope of Financial Statements Consolidation

#### 1. Subsidiaries newly included in the scope of consolidation during the Reporting Period

GF Fund Management Co., Ltd. established a subsidiary, namely Zhuhai Ruiyuan Huikang Investment Partnership L.P. (珠海瑞元匯康投資合夥企業(有限合夥)), through its subsidiary Ruiyuan Capital Asset Management Co., Ltd. (瑞元資本管理有限公司) during the current period.

GF Xinde Investment Management Co., Ltd. contributed into its subsidiaries, namely Zhuhai GF Xinde Aodong Medicine Industry Investment Center L.P. (珠海廣發信德敖東醫藥產業投資中心(有限合夥)) and Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Enterprise L.P. (中山廣發信德公用環保夾層投資企業(有限合夥)), and included them in the scope of consolidation during the current period.

GF Holdings (Hong Kong) Corporation Limited contributed into its subsidiary, namely GF Global Capital Co., Ltd. and included it in the scope of consolidation during the current period.

GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司) established a subsidiary, namely Shanghai GF Hengjin Equity Investment Fund Management Co., Ltd. (上海廣發恒進股權投資基金管理有限公司) through Zhuhai Qianzhen Investment Management Co., Ltd. (珠海乾貞投資管理有限公司).

After GF Holdings (Hong Kong) Corporation Limited acquired the entire equity interests in Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司), a joint venture of GF Qianhe Investment Co., Ltd., GF Qianhe Investment Co., Ltd. gained control of Guangfa Financial Leasing (Guangdong) Co., Ltd., which was included in the scope of consolidation.

#### 2. During the current period, 10 funds and asset management schemes were newly included in the scope of consolidation, and 2 asset management schemes were excluded from the scope of consolidation.

### 5. Principal Accounting Policies and Changes in Accounting Estimates

During the Reporting Period, there were no significant changes in the principal accounting policies and key accounting estimates; and significant accounting errors requiring rectification had not occurred in the Company.



#### IV. ANALYSIS ON CORE COMPETITIVENESS

##### 1. Market-oriented mechanism, balanced and diversified ownership structure, and perfect corporate governance

The Company is the only one not controlled by the State among China's top ten securities firms, and there is no controlling shareholder. Over the past 16 years, the top three shareholders have been Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all public listed companies). As of June 30, 2016, the shareholding percentages of Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities and their respective concerted parties were 16.70%, 16.42%, 10.18% (excluding HKSCC Nominees Limited, the shares held by HKSCC Nominees Limited are owned by Non Registered Shareholders of H Shares) respectively, forming a stable equity structure. A sustainable, balanced and diversified ownership structure arrangement provides strong support for the Company to form a sound governance structure, and ensures that the Company maintains its market operation mechanism, which facilitates the Company to achieve sustained and healthy development.

In accordance with the requirements of modern enterprise system, the Company has established a corporate governance structure – consisting of the general meeting of shareholders, board of directors, supervisory committee and the operating management – and the corresponding operating mechanism. The Company safeguards the right to know and right of decision-making for the shareholders and board of directors and establishes the internal hierarchical authorization and power balance mechanism by means of key governance documents such as the Articles of Association, Rules of Procedure of the General Meeting of Shareholders, Rules of Procedure of the Meeting of Board of Directors, Rules of Procedure of the Meeting of the Supervisory Committee, the Working Instructions of the Chairman and the Working Instructions of the General Manager. The Company adopts a scientific operations decision-making system. All major matters are handled as per the collective decision-making mechanism. The decision-making of the various businesses is handled strictly in accordance with the stipulated approval process. The individual sections of the approval process are conducted with professional judgment, maintenance of standards and risk control in accordance with the defined roles and responsibilities.

##### 2. Excellent Corporate Culture and Stable Management Team

With the core value of “knowledge for power, pragmatism and dedication; customer first and win-win cooperation”, the Company has carried out the management philosophy of “steady operations, sustainable innovation; performance orientation, efficient coordination” to seek sustained, healthy and stable development. The Company adheres to the securities business as the core, integrates resources and develops beyond national borders so as to create an innovative integrated financial services platform, maintain a leading position in the industry and construct an important modern investment bank in the system in the near future. The Company will further rely on the national foreign development strategy, speed up its plan for internationalization, actively participate in the international competition, and gradually increase the proportion of revenue from international operations.

Sound corporate culture will boost the Company's cohesion and momentum. The Company has a highly stable management team and a core business team with low turnover rate of talent. The management team members have an average of more than 17 years of managerial experience in securities and finance and relevant sectors and have served an average term of approximately 16 years. Over the past three years, the voluntary turnover rates of the middle and senior levels of the management team and the employees are 1% and 2% or so, thus greatly boosting client confidence, the continuity and stability of its various businesses.

As of the end of the Reporting Period, the Company's investment advisory team ranked No. 1 in terms of its size in the industry and possessed consulting experience of more than 9 years on average. The Company has been one of the securities firms with the largest sponsor representative teams in the industry. The research results of the analyst team of the Company have been among the top rankings of the “Best Local Research Team” awarded by New Fortune for many years. Over 15% of the employees of the headquarters of the Company possess overseas working experience or have been educated overseas, which constitutes a talent pool for the international business development of the Company.



**3. Time-tested effective risk and compliance management mechanism**

The Company's risk management ability is at the forefront of the industry, and has been repeatedly tested in the Company's development process. The Company is one of the first batch of pilot compliance management brokerages selected by the China Securities Regulatory Commission, one of the first brokerages to implement a comprehensive risk management strategy, and one of four major brokerages which has not received investment or restructuring due to operating losses among the first batch of brokers established from the end of the 80's to the early 90's. The Company has upheld the "steady operations" concept by firmly conforming to the compliance base line and implementing the risk control life-line persistently. The Company has consistently adhered to a modest risk preference and core management philosophy of income corresponding to risks, supported the steady development of the business through modest risk-bearing, effective risk management, actively responding to and disposing of risks and independent oversight of risk, and has ensured that the risks tolerated by the Company remain within the set tolerance level. On one hand, the Company carried out compliance management in close combination with business needs to adequately conduct compliance law argumentation and service business; meanwhile, the compliant operation of business is supervised through measures such as system construction, process improvement, inspection and implementation. On the other hand, with respect to problems and risks identified, appropriate compliance management measures are promptly taken to carry out supervision and accountability, enhance the Company's internal control, properly mitigate and deal with risks, and timely adjust and improve the business process to form a long-term mechanism for ensuring compliant operations. The Company has set up a comprehensive compliance risk management system with effective coverage of compliance risk culture, governance structure, mechanism and practice, and infrastructure facilities to gradually realize the vertical management of branches, sub-branches and subsidiaries through compliance risk control. Over the years, the Company's asset quality has been excellent, the main risk management indicators are better than the regulatory indicators, the safety margin of leverage regulatory indicators is relatively huge, with a strong ability to resist risks.

**4. The main operating indicators have ranked in the forefront of the industry for many years with continuous enhancement in brand value**

Adhering to the management philosophy of "steady operations, sustainable innovation; performance orientation, efficient coordination", the Company has explored with dedication and forged ahead in the competitive and complex environment of the industry. It has withstood the test of major changes in the industry, and has been one of the securities firms with the largest influence in the Chinese capital market for many years. The total assets, net assets, net capital, operating revenue, net profit and other main indicators rank among the top in the industry. The details of the operating performance indicators are as follows:

**Rankings of the Main Business Indicators of the Company from 2013 to 2015 and January – June 2016**

Items	January to June/End of June 2016	2015/Year End	2014/Year End	2013/Year End
Total assets	3	3	4	4
Operating revenue	3	4	4	4
Net profit	4	5	5	4
Net capital	4	4	3	4
Net assets	5	5	4	3

(Source: Securities Association of China)

*Note 1: Statistics on the January to June 2016 indicators are based on unaudited parent company data prepared in accordance with PRC GAAP; the statistics in 2015, 2014 and 2013 indicators are based on audited parent company data prepared in accordance with PRC GAAP.*

While seeking economic benefits and market position, both reputation and brand of the Company have been enhancing persistently. Brand value ranked No. 2 and No. 22 respectively among securities firms and in the financial industry in China in the 2015 "Hurun Brand List", and the company has become one of the Best 100 Brands of China (ranking No. 93). The Company insists on serving customers, nurturing employees and generating returns for shareholders by contributing actively to the community and the public through organizing public welfare activities such as the "GF Securities Social Charity Foundation", and a number of projects including the "Micro Enterprising Initiative for University Students" and "Assistance for Youths" have relatively high influence in society which disseminated the corporate citizen image of the Company and established its social charity brand.

## Section 3 Directors' Report

### 5. Full licenses and achieving the relative balanced development of the business structure

Our Group possesses licenses for a full range of services including investment banking, wealth management, transaction and institutional client services and investment management. The various main businesses of the Company have achieved relatively balanced development and rank among the top in the industry. Meanwhile, the Company is the controlling shareholder of GF Futures, GF Fund, GFHK, GF Xinde, GF Qianhe and GF Asset Management, and also holds shares in E Fund, GF Equity Exchange, E-Capital Transfer Co., Ltd., China Securities Credit Investment Co., Ltd. and China Securities Internet System Co., Ltd. (中證機構間報價系統股份有限公司), as well as investments in generic financial sectors such as financial leasing, Internet small loans, PPP and QDLP, building a preliminary financial group structure. With a full range of business licenses of the securities industry, top-ranked main businesses and conglomerated financial services capabilities, the Company was able to boost its core competitiveness continuously.

### 6. Leading financial model in the industry

The Group attaches high importance to innovation in the long-term and sustainable development of the Company. It has been exploring for innovations in each aspect of management, business, service and technology and received good effects. The Company has been emphasizing on innovations in the field of information technology. It has changed from mainly outsourcing in the past to mainly focusing on independent development of core technology. During the past three years, it has recruited 75 local leading Internet technological talents and gradually established a financial technology-based team with an engineer culture and especially with independent research and development capabilities. The Company made active explorations in areas such as brokerage O2O, financial e-commerce and securities trading, etc. Core products with independent intellectual property rights will be researched and developed in the areas of market cloud services, robot investment consultation, trading terminals, intermediate segments of transactions and financial social platform. Innovations in the technical fields of container technology, big data and high performance computation for application scenarios in the securities industry will be explored continuously. The Company was the first in the industry to launch the first robot investment advisory system in order to satisfy the wealth management needs of medium and small sized investors. Applications have been made for three patents (two invention patents, one utility patent). One utility patent has been obtained.

## V. ANALYSIS ON INVESTMENTS

### 1. External Equity Investments

#### (1) External investments

Investment amount in the Reporting Period (RMB)	External Investments		Change
	Investment amount in the same period of the previous year (RMB)		
650,000,000.00	2,950,000,000.00		-77.97%
<b>Investees</b>			
Name of company	Main business	Equity interest in the investee held by the listed company	
GF Qianhe Investment Co., Ltd.	Alternative investment	100%	

#### (2) Equity interest held in financial enterprises

Unit: RMB

Name of investee	Investment cost as at 30 June 2016	No. of shares held as at 30 June 2016 (Shares)	Percentage of equity interest in the company (%)	Book value as at June 30, 2016	Profit or loss from January to June 2016	Changes in owners' equity from January to June 2016	Accounting items	Source of shares
GF Fund	213,969,600.00	64,880,000.00	51.13	1,509,652,131.81	179,889,117.98	-93,173,094.72	Long-term equity investment	Capital contribution
GF Futures	1,192,417,000.00	1,300,000,000.00	100	1,188,493,562.37	75,985,829.71	5,380,919.96	Long-term equity investment	Capital contribution
GFHK	4,655,627,000.00	5,600,000,000.00	100	4,655,627,000.00	88,079,777.88	166,523,730.27	Long-term equity investment	Capital contribution
GF Asset Management	1,000,000,000.00	1,000,000,000.00	100	1,000,000,000.00	476,466,486.74	16,846,158.13	Long-term equity investment	Capital contribution
Total	<u>7,121,013,600.00</u>	—	—	<u>9,873,990,186.48</u>	<u>1,013,280,795.91</u>	38,174,866.00	—	—

Note 1: Financial enterprises include commercial banks, securities companies, fund companies, insurance companies, trust companies, futures companies, etc. The above table sets out the equity interest in non-listed financial enterprises held by the parent company;

Note 2: The profit or loss of the Reporting Period refers to the effect of the investment on the Company's consolidated net profit attributable to the parent company of the current Reporting Period;

Note 3: Changes in owners' equity in the Reporting Period refers to the effects of other owners' equity other than changes in paid-up capital and the effect on profit or loss in the Reporting Period as stated in Note 2 above.

## Section 3 Directors' Report

**(3) Securities investment**

No.	Type of securities	Stock code	Short name	Initial investment amount (RMB)	Quantity held as at the end of the period (units or shares)	Book value as at the end of the period (RMB)	Percentage of total investment in securities as at the end of the period	Profit or loss for the Reporting Period (RMB)
1	Monetary market fund	270014	GF Money Market Fund B	3,572,508,250.33	3,572,508,250.33	3,572,647,595.52	2.42%	157,421,596.12
2	Monetary market fund	000010	E Fund Day B	3,384,906,799.05	3,384,906,799.05	3,384,906,799.05	2.30%	63,782,687.98
3	Open fund	119538	Tongrun No.23	2,530,999,995.22	2,468,940,509.00	2,854,095,228.40	1.94%	66,634,393.74
4	Monetary market fund	001374	China AMC Cash Income Money Market Fund-B	2,524,830,402.63	2,524,830,402.63	2,524,830,402.63	1.71%	30,724,062.21
5	Monetary market fund	163820	Bank of China Currency B	2,095,295,951.68	2,095,295,951.68	2,095,295,951.68	1.42%	23,444,102.94
6	Government bond investment	019540	16 Government Bond 12	1,653,774,896.73	16,550,000.00	1,654,834,500.00	1.12%	562,875.48
7	Monetary market fund	000665	Bosera Cash Income Money Market Fund B	1,535,879,967.34	1,535,879,967.34	1,535,879,967.34	1.04%	14,662,488.15
8	Monetary market fund	000980	China Universal Tianfutong B	1,505,995,016.80	1,505,995,016.80	1,505,995,016.80	1.02%	9,845,694.91
9	Fund	N/A	GF Global Assets	1,326,408,930.00	2,000,000.00	1,372,700,601.66	0.93%	0.00
10	Monetary market fund	000509	GF Qiandaizi	1,318,955,281.89	1,318,955,281.89	1,318,955,281.89	0.89%	15,217,895.18
	Other securities investments held as at the end of the period			124,640,130,046.19	—	125,559,157,198.79	85.21%	2,478,219,329.15
	Profit and loss on disposal of securities investment in the Reporting Period			—	—	—	—	99,894,742.69
	Total			146,089,685,537.86	—	147,379,298,543.76	100.00%	2,960,409,868.55

**Note 1:** The table presents the top ten securities held by the Company as at the end of the period listed in the sequence of the ratio of book value as at the end of the period to the total investment in securities of the Company as at the end of the period;

**Note 2:** The securities investment set out in this table refers to investment in stocks, warrants, bonds, funds, stock index futures, etc. Of which, only the part of financial assets held for trading in the consolidated statements are included in stock investment;

**Note 3:** Other securities investments refer to securities investments other than the top ten securities;

**Note 4:** Profit and loss in the Reporting Period include the investment gains, profit or loss on fair value changes and asset impairment loss arising from holding such securities by the Company in the Reporting Period;

**Note 5:** In addition, the Company and China Securities Finance Corporation Limited ("CSF") entered into the Master Agreement for OTC Derivatives Trading in the China Securities Futures Market (中國證券期貨市場外衍生品交易主協議) and the Confirmation of Return Swaps Trading (收益互換交易確認書), respectively, in July and September 2015, allocating a total of RMB13,863,790,000.00 to CSF for investment. A special account will be set up by CSF for this investment for the purpose of unified operation and the Company will share the investment risks and returns in accordance with the investment ratio.

**(4) Particulars of equity interest held in other listed companies**

**A. Equity interest held in other listed companies**

Unit: RMB

Stock code	Short name	Initial investment amount	Percentage of equity interest in the company	Book value as at the end of the period	Profit and loss for the Reporting Period	Changes in owners' equity in the Reporting Period	Accounting items	Source of shares
000623	Jilin Aodong	57,899,827.07	3.72%	831,266,784.70	9,995,191.80	-199,903,836.00		Underwriting and purchase
601688	Huatai Securities	476,141,437.28	0.48%	494,600,718.04	0.00	-20,913,349.60		Purchase
000858	Wuliangye	307,365,527.75	0.35%	434,546,962.85	0.00	70,131,311.25		Purchase
002777	Jiuyuan Yin Hai	19,499,350.00	4.88%	310,781,502.55	1,950,000.00	246,431,502.55		Purchase
300242	MIG Unmobi	111,897,566.60	2.51%	233,747,040.86	144,280.53	-54,461,311.26		Purchase
300407	Keyvia Electric	14,580,000.00	3.97%	213,948,000.00	540,000.00	26,202,368.93	Financial assets available-for-sale	Purchase
000158	Changshan Textile	32,000,000.00	1.21%	213,246,461.13	614,100.68	-31,395,841.38		Purchase
600999	China Merchants Securities	187,123,056.97	0.20%	193,897,126.50	2,902,581.23	-61,106,973.20		Purchase
002572	Suofeiya	94,505,914.77	0.68%	166,812,210.52	1,488,863.00	38,472,219.92		Purchase
300070	OriginWater	165,130,936.05	0.33%	153,306,646.08	408,125.97	-63,142,481.44		Purchase
	Equity interest in other listed companies	1,605,252,067.06	—	2,069,967,278.77	15,946,400.17	-505,093,741.60		—
	Total	3,071,395,683.55	—	5,316,120,732.00	33,989,543.38	-554,780,131.83	—	—

Note 1: The table sets out the equity interest held in other listed companies which was included in the available-for-sale financial assets of the Company;

Note 2: Profit and loss for the Reporting Period refers to the investment gains, profit or loss on fair value changes and asset impairment loss arising from holding such securities by the Company in the Reporting Period;

Note 3: Changes in owners' equity in the Reporting Period exclude deferred tax effect.

**B. Dealings in the shares of other listed companies**

Name of shares	Number of shares at the beginning of the period (Shares)	Number of shares purchased in the Reporting Period (Shares)	Number of shares sold in the Reporting Period (Shares)	Number of shares at the end of the period (Shares)	Amount of funds used (RMB)	Investment gains received (RMB)
IPO	162,738.00	321,901.00	269,438.00	215,201.00	2,679,435.46	11,552,019.97
Others	289,667,242.00	38,472,072.00	79,222,188.00	248,917,126.00	271,873,425.79	345,691,896.53
Total	289,829,980.00	38,793,973.00	79,491,626.00	249,132,327.00	274,552,861.25	357,243,916.50

Note 1: Number of shares purchased in the Reporting Period include number of additional shares arising from bonus issue in the Reporting Period and additional listed shares arising from direct investment in listing enterprises.

Note 2: The table sets out the sale and purchase of shares in other listed companies which was included in the available-for-sale financial assets of the Company.

## Section 3 Directors' Report

**2. Entrusted Wealth Management, Derivative Investment and Entrusted Loans****(1) Entrusted wealth management**

N/A

**(2) Derivative investment**

N/A

**(3) Entrusted loans**

Borrower	Related party	Loan amount (RMB ten thousand)	Lending interest rate	Guarantor or Collateral	Use of loan proceeds by the borrower
Pingdingshan Shunyi Farming Co., Ltd. (平頂山市順義養殖有限公司)	No	2,000.00	8.8%	Property as collateral	Supplement the working capital of the borrower
Total	—	2,000.00	—	—	—
Extension, overdue or litigation matters (if any)	Nil				
Responding measures to the risks of extension, overdue or litigation matters (if any)	Nil				
Disclosure date of announcement (if any) of approval for entrusted loan by the Board	N/A				
Disclosure date of announcement (if any) of approval for entrusted loan by the General Meeting of Shareholders	N/A				

**3. Use of proceeds****Overall utilization of proceeds raised by H-share offering**

Pursuant to the Reply of Approval for the Issuance of Overseas Listed Foreign Shares by GF Securities Co., Ltd. (關於核准廣發證券股份有限公司發行境外上市外資股的批覆) with reference number Zheng Jian Xu Ke [2015] No.347 issued by the China Securities Regulatory Commission (CSRC) issued on March 5, 2015, and upon the review and approval by the 8th Meeting of the Eighth Session of the Board of Directors of the Company, and upon the review and approval by the Second Extraordinary General Meeting of Shareholders in 2014, the Company issued and listed H-shares on the Main Board of the Hong Kong Stock Exchange on April 10, 2015. An aggregate of 1,479,822,800 H-shares were issued under Public Offering and International Placing at the issue price of HKD18.85 per share. Subsequently, the Company issued 221,973,400 H-shares by the exercise of the Over-allotment Option on April 13, 2015 at an issue price of HKD18.85 per share. The Company had issued a total of 1,701,796,200 H-shares in the offering and received a total amount of HKD32.079 billion in proceeds, equivalent to RMB25.680 billion, and the net amount of proceeds after deducting issuance expenses was approximately RMB25.077 billion.

Pursuant to the prospectus for the listing of H-shares, approximately 50% of the net proceeds from the H-share offering will be used for the development of the wealth management business, approximately 20% will be used for the development of the investment management business, investment banking business and trading and institutional client services, approximately 30% will be used in international business. To the extent that the above net proceeds from the offering are not immediately required for the above purposes, such proceeds will be used to supplement working capital in the short term and be invested in liquid asset classes for preservation and appreciation of value. The Company will apply the proceeds from the H-share offering in all the businesses gradually in accordance with the plan and pursuant to the relevant requirements as set out in the prospectus for the listing of H-shares.

As of June 30, 2016, out of the proceeds from the H-share offering, RMB12.539 billion was used in wealth management business, primarily used to, inter alia, develop margin financing and securities lending business, establish the strategic Internet financial platform and wealth management platform. RMB5.015 billion was used in the investment management business, investment banking business and trading and institutional client services, primarily used to, inter alia, expand the size of assets under investment management, increase investment in seed funds, innovate and develop investment management products, participate in market-making in the markets of various types of financial products and provide liquidity support. RMB3.328 billion was used in international business, primarily used to increase investments in the investment management business and trading and institutional client services of the Hong Kong region. RMB4.195 billion (These funds represent HK\$5.237 billion resolved by the Board of the Company to be injected into GFHK. Matters relating to the capital injection are in progress) was used to supplement working capital and carry out short-term investment business. The Company will apply the proceeds from the H-share offering in all the businesses gradually in accordance with the plan and pursuant to the relevant requirements as set out in the prospectus for the listing of H-shares.

The proceeds from the issuance of H Shares that will be used in international operations will be invested in phases as planned under the principle of prudence. On April 20, 2015, it was resolved to inject HK\$4.16 billion into GFHK with the proceeds from the issuance of H Shares at the 14th meeting of the Eighth session of the Board of Directors held by the Company. This capital injection has been completed. On September 2, 2015, it was resolved to inject HK\$5.237 billion into GFHK with the proceeds from the issuance of H Shares at the 23rd meeting of the Eighth session of the Board of Directors held by the Company. Matters relating to the capital injection are in progress.

#### 4. Analysis on Principal Subsidiaries and Associates

Particulars of principal subsidiaries and associates

Name of company	Type of company	Principal business	Registered capital	Unit: RMB		
				Total assets as at 30 June 2016	Net assets as at 30 June 2016	Net profit from January to June 2016
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment advisory and asset management.	RMB1,300,000,000	13,141,673,894.42	1,750,996,026.50	75,985,829.71
GF Xinde	Subsidiary	Equity investment; provide financial advisory service in equity investment for customer and other business approved by the CSRC.	RMB2,800,000,000	7,859,662,050.33	5,141,138,656.49	274,533,626.17
GFHK	Subsidiary	Investment holding; conducts investment banking, stock sales and trading, asset management and overseas equity investment through professional subsidiaries and other business approved by the Hong Kong SFC.	HKD 5,600,000,000	12,579,756,191.67	5,206,505,902.25	71,889,067.58
GF Qianhe	Subsidiary	Project investment; investment management, investment consulting.	RMB3,550,000,000	5,122,364,983.62	4,528,129,607.55	107,778,687.07
GF Asset Management	Subsidiary	Securities asset management	RMB1,000,000,000	2,658,528,541.26	2,412,333,856.86	476,466,486.74
GF Fund	Subsidiary	Offering of funds, sales of funds, asset management and other business approved by the CSRC.	RMB126,880,000	5,786,406,294.93	4,213,274,966.29	360,649,643.86
E Fund	Associate	Offering of funds, sales of funds; asset management; other business approved by the CSRC.	RMB120,000,000	8,271,490,704.99	6,171,802,115.85	768,584,771.77
Guangdong Equity Exchange	Associate	Provide premise, facilities and ancillary services for the listing, transferring, financing, registration, custodian and settlement of non-listed company equities, debts, equity products and related financial products, other business approved to carry out in compliance with the laws.	RMB100,000,000	141,005,345.71	110,164,467.30	2,263,030.27

#### 5. Significant projects invested with funds other than proceeds from offering

Unit: RMB

Project name	Investment amount of the Reporting Period	Actual accumulative investment amount as of the end of the Reporting Period	Project progress	Project earnings	Disclosure Date (if any)	Disclosure Index (if any)
Total	81,292,258.05	993,131,712.05	—	—	—	



## Section 3 Directors' Report

**VI. FORECAST OF OPERATING RESULTS FOR JANUARY TO SEPTEMBER 2016**

N/A

**VII. EXPLANATION OF THE BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE FOR THE “QUALIFIED AUDIT REPORT” IN THE CURRENT REPORTING PERIOD ISSUED BY THE AUDITOR**

N/A

**VIII. EXPLANATION OF THE BOARD OF DIRECTORS ON THE RELEVANT MATTERS RELATING TO THE “QUALIFIED AUDIT REPORT” OF THE PREVIOUS YEAR**

N/A

**IX. IMPLEMENTATION OF PROFIT DISTRIBUTION BY THE COMPANY IN THE REPORTING PERIOD**

Pursuant to the 2015 Profit Distribution Plan passed by the shareholders at the 2015 Annual General Meeting of the Company held on June 28, 2016, the following proposal was affirmed: Based on the 7,621,087,664 shares as at the dividend distribution record date of the Company, cash dividend of RMB8.0 (tax inclusive) per share will be distributed to every 10 shares held by all shareholders, the total amount of cash dividends to be distributed will be RMB6,096,870,131.20.

The Company published the announcements relating to the distribution of the 2015 final dividends for H-shares on the HKExnews website of the Hong Kong Stock Exchange on June 28 and July 4, 2016, respectively, and the Company published the Announcement on the Implementation of Profit Distribution for A-shares for 2015 on August 16, 2016. The shareholding record date for the profit distribution for A-shares for 2015 was August 23, 2016, and the ex-dividend date was August 24, 2016. As of August 24, 2016, the profit distribution for A-shares and H-shares of the Company were completed.

**X. PROPOSAL OF PROFIT DISTRIBUTION AND CAPITAL RESERVE CAPITALIZATION FOR THE CURRENT REPORTING PERIOD**

The Company has not recommended any proposal for profit distribution or capital reserve capitalization for the interim period.



## XI. REGISTRATION FORM FOR RECEPTION OF ACTIVITIES SUCH AS RESEARCH, COMMUNICATION AND INTERVIEW DURING THE REPORTING PERIOD

Reception time	Reception location	Reception method	Type of participants	Participants	Main content of discussions and information provided
January 1, 2016 – June 30, 2016	Nil	Telephone communication	Individual	Individual	Operation and development conditions of the Company
January 12, 2016	Company Headquarters	Field research	Institution	Huatai Securities, Golden Eagle Fund, Jinyang Investment, Qianhai Equity Fund	Operation and development conditions of the Company
March 21, 2016	Island Shangri-la, Hong Kong	Performance road show	Institution	Analysts invited by GF Securities 2015 Analyst Conference	Company strategies and business development conditions
March 21, 2016	Island Shangri-la, Hong Kong	Performance road show	Institution	Investors invited by GF Securities 2015 Investor Referral Conference	Company strategies and business development conditions
April 1, 2016	Company Headquarters	Field research	Institution	China Investment Securities, Dongguan Securities, Golden Eagle Fund	Operation and development conditions of the Company
April 1, 2016	Nil	Teleconference	Institution	Turiya Fund	Operation and development conditions of the Company
April 5, 2016	Company Headquarters	Field research	Institution	Changjiang Securities, First Seafrong Fund	Operation and development conditions of the Company
April 6, 2016	Conrad Hong Kong	Performance road show	Institution	Investors invited by Credit Suisse Annual Asian Investment Conference	Company strategies and business development conditions
April 21, 2016	Island Shangri-la, Hong Kong	Performance road show	Institution	Investors invited by DBS Vickers to Lunch & Presentation for POA	Company strategies and business development conditions
April 26, 2016	Xixi Hotel, Hangzhou	Performance road show	Institution	Investors invited by Haitong Securities to the Spring Exchange Meeting of Listed Companies	Company strategies and business development conditions
April 29, 2016	Nil	Teleconference	Institution	2016 First Quarter Results Announcement of GF Securities – Analysts invited to the Analyst Teleconference	Company strategies and business development conditions
April 29, 2016	Company Headquarters	Field research	Institution	Macquarie Funds, Allianz Global Investors, AMP Capital, BNP Paribas Investment Partners	Operation and development conditions of the Company
May 13, 2016	Mandarin Oriental Hong Kong	Performance road show	Institution	Investors invited by Citigroup to the investors' meeting on listed companies	Company strategies and business development conditions
May 13, 2016	Nil	Teleconference	Institution	Macquarie Funds	Operation and development conditions of the Company
May 17, 2016	Hilton Shenzhen Futian	Performance road show	Institution	Investors invited to the HSBC China Seminar	Company strategies and business development conditions

## Section 3 Directors' Report

Reception time	Reception location	Reception method	Type of participants	Participants	Main content of discussions and information provided
May 17, 2016	Company Headquarters	Field research	Institution	Mirabaud, BOCI	Operation and development conditions of the Company
May 19, 2016	Company Headquarters	Field research	Institution	Fuh Hwa Securities Investment, Invesco, Schroders, Tristar Capital, HSBC	Operation and development conditions of the Company
May 19, 2016	Luncheon	Field research	Institution	Fuh Hwa Securities Investment, Invesco, Schroders, Tristar Capital, HSBC	Operation and development conditions of the Company
May 26, 2016	Rosewood Beijing Hotel	Performance road show	Institution	Investors invited to the Morgan Stanley China Summit	Company strategies and business development conditions
May 31, 2016	Company Headquarters	Field research	Institution	Bank of Communications Asset Management Business Centre, Asset Management Business Centre (Hong Kong)	Operation and development conditions of the Company
June 15, 2016	Company Headquarters	Field research	Institution	BOC International (UK) Co., Ltd., BOCI Securities Limited, City National Rochdale	Operation and development conditions of the Company
June 15, 2016	Grand Hyatt Beijing	Performance road show	Institution	Investors invited by JP Morgan Chase 2016 China Summit	Company strategies and business development conditions

*Note: The record chart of investor relationship activities regarding the reception of investors of the above institutions by the Company is disclosed on the website of Shenzhen Stock Exchange (<http://www.szse.cn/>) and the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn))*

## Section 4 Significant Events

### I. CORPORATE GOVERNANCE

The Company places emphasis on maintaining a high standard of corporate governance to protect the interests of shareholders and increase shareholders' value. The Company has established a modern corporate governance structure by reference to provisions such as "Company Law", "Securities Laws", "Regulations for Supervision and Administration of Securities Companies" and "Rules for Governance of Securities Companies", "Mandatory Provisions of Articles of Association of Companies Listing Overseas", "SZSE Listing Rules" and "Corporate Governance Code" of Appendix 14 to the "Hong Kong Listing Rules". The Company has established corporate governance bodies such as the general meeting of shareholders, the board of directors, supervisory committee, and operating management. During the Reporting Period, the general meeting of shareholders, the board of directors, the supervisory committee and the operating management performed their respective duties and acted with due diligence, which ensured the standard operation of the Company. From the listing of the Company until the end of the Reporting Period, there has been no difference between the actual situation of corporate governance and the requirements of the relevant provisions of the "Company Law" and the CSRC, and the Company has fully complied with the code provisions in the Corporate Governance Code and has met most of the recommended best practice provisions as set out in the Corporate Governance Code. Meanwhile, the Company has attached great importance to risk prevention and control, continued to optimize and improve the compliance management framework and earnestly built a strong bottom line for compliance.

The board of directors and the supervisory committee will examine the corporate governance and operation of the Company from time to time to comply with the relevant requirements of the "SZSE Listing Rules" and the "Hong Kong Listing Rules" and protect the interests of shareholders.

During the Reporting Period, the Company convened 1 general meeting of shareholders, 4 meetings of the board of directors, 2 meetings of the supervisory committee, 1 meeting of the Strategy Committee, 1 meeting of the Risk Management Committee, 2 meetings of the Audit Committee, 1 meeting of the Remuneration and Nomination Committee, 1 annual report work meeting of independent non-executive directors, 1 meeting held between the chairman and non-executive directors.

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the "Hong Kong Listing Rules" as the code of conduct for securities transactions of the Company by all directors, supervisors and relevant employees (same definition as in the "Corporate Governance Code"). According to specific inquiries addressed to directors and supervisors of the Company, during the Reporting Period, all directors and supervisors have strictly complied with the standards as stipulated in the "Model Code for Securities Transactions by Directors of Listed Issuers".

### II. LITIGATIONS

- GF Commodity Markets appealed on the case of confirmation on cargo ownership against Ningbo Yager International Trade Transportation Company (寧波雅戈爾國際貿易運輸有限公司) ("Yager") and Shanghai Hengye International Logistics Co., Ltd. (上海恒燁國際物流有限公司) ("Hengye")

In November 2013 and June 2014, GF Commodity Markets stored 1,269.25 tonnes of polyethylene in batches in the warehouse of Hengye in Shanghai. On October 11, 2014, GF Commodity Markets issued an instruction for taking delivery of goods to Hengye, but Hengye refused to take out the goods from the warehouse due to a dispute over cargo ownership. On October 14, 2014, Yager applied to the People's Court of Jinzhou Prefecture of Ningbo City ("Jinzhou Court") and seized the 1,269.25 tonnes of polyethylene (contract amount being RMB14.84 million) sent for storage in the warehouse of Hengye by GF Commodity Markets. On October 17, 2014, GF Commodity Markets made an application to Jinzhou Court dissenting the property seizure, and Jinzhou Court informed GF Commodity Markets on October 30 that its application was rebutted. On November 5, 2014, Yager sued Hengye in the Jinzhou Court (case number: 2014 Yong Jin Shang Chu Zi No.1904), requesting Hengye to hand over 3,909.328 tonnes of polyethylene to it. On November 27, 2014, GF Commodity Markets applied to Jinzhou Court to participate in the trial of the case 2014 Yong Jin Shang Chu Zi No.1904 as a third party, and asked Jinzhou Court to confirm that the ownership of 1,269.25 tonnes of polyethylene belonged to GF Commodity Markets. Jinzhou Court consented to the participation of GF Commodity Markets in the litigation as a third party, but the request of GF Commodity Markets was refused by judgment of the court on May 15, 2015, and GF Commodity Markets was liable to bear the legal costs of RMB55,340. On June 3, 2015, GF Commodity Markets filed an appeal to the Intermediate People's Court of Ningbo City (case number: 2015 Zhe Yong Shang Zhong No.823), demanding the judgment at the first instance be revoked and confirming the ownership of 1,269.25 tonnes of polyethylene belonged to GF Commodity Markets. However, the request of GF Commodity Markets was refused by judgment of the Intermediate People's Court of Ningbo City on November 2, 2015, and GF Commodity Markets was liable to bear the legal costs of RMB55,340. On December 29, 2015, GF Commodity Markets applied to the Higher People's Court of Zhejiang Province for a retrial (case number: 2016 Zhe Min Shen No.107), but the application was rebutted on January 22, 2016.

## Section 4 Significant Events

2. GF Commodity Markets sued Guangdong Zhenrong Energy Co., Ltd. (“Zhenrong”) for repayment of money in default under sale and purchase agreement and petitioned to declare Zhenrong in bankruptcy

On June 24, 2014, GF Commodity Markets and Zhenrong signed the Sale and Purchase Agreement, pursuant to which Zhenrong purchased 360 tonnes of cathode nickel by way of a trade acceptance bill (in the amount of RMB50,937,840.00 with the due date on December 22, 2014, for which Zhenrong was both the payer and acceptor). On June 25, GF Commodity Markets delivered 360 tonnes of cathode nickel to Zhenrong. On December 15, 2014, GF Commodity Markets submitted the trade acceptance bill to the Lujiazhui Software Park sub-branch of ICBC for bill collection, and was informed by the Lujiazhui Software Park sub-branch of ICBC that there was insufficient balance in the bank account of Zhenrong and the bill was dishonored. After several attempts to demand for payment, Zhenrong paid RMB5,000,000 to GF Commodity Markets on February 13, 2015, and no more payment was made thereafter. On May 28, 2015, GF Commodity Markets filed a civil case to the First Intermediate People’s Court of Shanghai (case number: 2015 Hu Yi Zhong Min Si Shang Chu Zi No.25), demanding Zhenrong to repay the amount owed and costs including penalty. On June 8, 2015, Zhenrong disputed over the jurisdiction of the court but was rejected by the court on June 23, 2015. On July 8, 2015, Zhenrong filed an appeal against the ruling on the jurisdiction dispute, but was rejected by the Higher People’s Court of Shanghai on June 23, 2015 by upholding the ruling over the jurisdiction of the court. On January 21, 2016, the First Intermediate People’s Court of Shanghai made first instance verdicts that Zhenrong shall pay, within 10 days after the date of effect, GF Commodity Markets the due payment, including payment for the goods of RMB45,937,840, the interests incurred on RMB50,937,840, the default payment of RMB2,546,892, the indemnification for damage of RMB2,546,892 and attorney fee of RMB100,000 and that all the other petitions of GF Commodity Markets were rejected. On 6 February 2016, Zhenrong lodged an appeal to the Higher People’s Court of Shanghai. On 11 August 2016, GF Commodity Markets has confirmed the receipt of the second instance civil judgment of Shanghai Higher People’s Court (2016 Hu Min Zhong No.135號) (hereinafter referred to as the “judgment”). The judgment held that the grounds of appeal of Zhenrong could not be established and should be rebutted; and that the facts were clearly found and the law was correctly applied in the first instance judgement and that the first instance judgement should be upheld. A verdict was made as follows: the appeal was rejected and the original judgment was upheld.

On June 16, 2015, GF Commodity Markets filed a petition for bankruptcy against Zhenrong in the Intermediate People’s Court of Guangzhou (case number: 2015 Sui Zhong Fa Min Po Zi No.13) on the grounds that Zhenrong was unable to repay its debts after the due date and demanded the court to declare Zhenrong bankrupt for liquidation. On July 14, 2015, a hearing took place in the Intermediate People’s Court of Guangzhou. On September 29, 2015, the application of GF Commodity Markets was rejected by the Intermediate People’s Court of Guangzhou. On October 21, 2015, GF Commodity Markets filed an appeal to the Higher People’s Court of Guangdong Province. On March 31, 2016, the Higher People’s Court of Guangdong Province made the judgment of the second instance, the appeal was rejected and the original judgment was upheld.

### III. MEDIA QUERIES

During the Reporting Period, the Company did not have any general media queries.

### IV. EVENTS RELATING TO BANKRUPTCY RESTRUCTURING

During the Reporting Period, there was no event relating to bankruptcy restructuring as far as the Company is concerned.

## V. DISPOSAL AND ACQUISITION OF ASSETS

### 1. Acquisition of Assets

During the Reporting Period, the Group did not acquire any assets.

### 2. Disposal of Assets

During the Reporting Period, the Group did not dispose of any major assets.

### 3. Corporate Merger

In 2015, GF Qianhe, a wholly-owned subsidiary of the Company, and an independent third party established the joint venture, Guangfa Financial Leasing (Guangdong) Co., Ltd., and held 57.75% and 42.25%, respectively of its shares. On January 13, 2016, GFHK, a wholly-owned subsidiary of the Company, acquired the entire equity interest in Guangfa Financial Leasing (Guangdong) Co., Ltd. held by the independent third party. From then on, GF Qianhe gained control of Guangfa Financial Leasing (Guangdong) Co., Ltd. and incorporated it into the scope of consolidation.

## VI. IMPLEMENTATION OF EQUITY INCENTIVE OF THE COMPANY AND ITS IMPACT

During the Reporting Period, the Group did not have any equity incentive scheme.

## Section 4 Significant Events

## VII. MATERIAL RELATED PARTY TRANSACTIONS

## 1. Related Party/Connected Transactions relating to Day-to-Day Operations

Based on the related persons as defined in the SZSE Listing Rules, the day-to-day related transactions during the Reporting Period are as follows:

Related Party	Type and Contents of the Related Party Transaction	Related Party Transaction Price Determination and Decision Making Procedure	Estimated Transaction Amount for the Current Period	Amount Incurred for the Current Period	
				Amount (RMB) (tax inclusive)	Percentage of Amount for Comparable Transaction
E Fund	Trading unit seat rental income and fund sale agency fee income	Market Principle	Based on the actual amount incurred	14,971,688.45	4.98%
Bluedon Information Security Technology Co., Ltd.	Securities underwriting and sponsor fee income	Market Principle	Based on the actual amount incurred	6,784,000.00	0.64%
Bluedon Information Security Technology Co., Ltd.	Financial advisory fee income	Market Principle	Based on the actual amount incurred	27,636,000.00	7.79%
Harvest Fund Management Co., Ltd.	Trading unit seat rental income and fund sale agency fee income	Market Principle	Based on the actual amount incurred	6,945,642.65	2.31%
Golden Eagle Asset Management Co., Ltd.	Trading unit seat rental income and fund sale agency fee income	Market Principle	Based on the actual amount incurred	1,170,870.34	0.39%

Note 1: The aforesaid contents are disclosed pursuant to related parties as defined thereto in SZSE Listing Rules, while financial statements are disclosed pursuant to related parties as defined in Accounting Standards for Business Enterprises;

Note 2: Mr. Qin Li, Executive Director of the Company, serves as a director of E Fund; Mr. Tan Yue, Supervisor of the Company, serves as an independent director of Bluedon Information Security Technology Co., Ltd. and Golden Eagle Asset Management Co., Ltd.; Mr. Tang Xin, Independent Non-executive Director of the Company, serves as an independent director of Harvest Fund Management Co., Ltd.

## 2. Related Party/Connected Transactions in Respect of Acquisition and Sale of Assets

During the Reporting Period, the Company did not have any related party transactions in respect of acquisition and sale of assets.

### 3. Related Party/Connected Transactions in Respect of Joint Foreign Investment

During the Reporting Period, the Company did not have material related party transactions in respect of joint foreign investment.

- (1) In May 2015, GF Xinde, a subsidiary of the Company, jointly initiated the establishment of Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd. (hereinafter referred to as “M&A Fund Management Company”) and Zhuhai GF Xinde Environmental Protection Industry Investment Fund Partnership Company (limited partnership), with Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd. (hereinafter referred to as “Public Utilities Environmental Protection”), a wholly-owned subsidiary of Zhongshan Public Utilities (a shareholder of the Company).

The M&A Fund Management Company was established on June 11, 2015 with a registered capital of RMB10 million. As of the end of the Reporting Period, GF Xinde has completed its capital contribution of RMB6 million. Zhuhai GF Xinde Environmental Protection Industry Investment Fund Partnership Company (limited partnership) was established on September 22, 2015 with the total size of the fund expected to be RMB500 million (subject to adjustment based on the development need). As of the end of the Reporting Period, GF Xinde and the M&A Fund Management Company have completed their capital contribution of RMB90 million and RMB5 million, respectively.

For details, please refer to the 2015 Annual Report of the Company and the relevant announcement published on CNINFO (巨潮資訊網) (<http://www.cninfo.com.cn>) on May 12, 2015.

On September 30, 2015, GF Xinde, a subsidiary of the Company, the M&A Fund Management Company and the Public Utilities Environmental Protection jointly invested in the establishment of Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Company (Limited partnership) (中山廣發信德公用環保夾層投資企業 (有限合夥)) with a registered capital of RMB43 million. GF Xinde, the M&A Fund Management Company and the Public Utilities Environmental Protection have contributed RMB25.73 million, RMB124,700 and RMB17.15 million, respectively, representing 59.84%, 0.29% and 39.88% of the capital contribution. As of the end of the Reporting Period, GF Xinde and the M&A Fund Management Company have completed their respective capital contributions. Under the SZSE Listing Rules, the amount involved in the above related transaction is below the statutory disclosure threshold standard. Under the Articles of Association, it is not subject to consideration and approval by the Board.

- (2) In June 2015, GF Xinde, a subsidiary of the Company, jointly initiated the establishment of Zhuhai GF Xinde Aodong Fund Management Co., Ltd. (hereinafter referred to as “Fund Management Company”) and Zhuhai GF Xinde Aodong Pharmaceutical Industry Investment Center (limited partnership) (hereinafter referred to as “Pharmaceutical Industry Fund”) with Jilin Aodong, a shareholder of the Company. Moreover, Jilin Aodong and the Fund Management Company jointly initiated the establishment of Jilin Aodong Innovative Industry Fund Management Center (limited partnership).



## Section 4 Significant Events

The Fund Management Company was established on July 1, 2015 with a registered capital of RMB20 million. GF Xinde has completed its capital contribution of RMB12 million. The Pharmaceutical Industry Fund was established on October 28, 2015 with the total size of the fund expected to be RMB500 million (subject to adjustment based on the development need). As of the end of the Reporting Period, GF Xinde and the Pharmaceutical Industry Fund have completed their respective capital contributions of RMB294 million and RMB10 million. Jilin Aodong Innovative Industry Fund Management Center (limited partnership) was established on August 7, 2015 with the total size of the fund expected to be RMB300 million (subject to adjustment based on the development need). In 2015, the Fund Management Company has completed its capital contribution of RMB10 million, with all the funds being in place.

For details, please refer to the 2015 Annual Report of the Company, and the relevant announcement published on CNINFO (巨潮資訊網) (<http://www.cninfo.com.cn>) and the HKExnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on June 18, 2015.

#### 4. Amounts due to or from Related Parties

Amount due to or from related parties under the SZSE Listing Rules

		Unit: RMB	
Item Name	Related Party	Amount as of the end of the Current Period	Amount as of the beginning of the Current Period
Seat commission and trailing commission receivable	E Fund	5,354,831.07	12,194,315.04
Short-term financing payables (structured notes) and interest payable	Guangdong GF Hulian Small Loan Co., Ltd.	—	11,158,794.52
Seat commission and trailing commission receivable	Harvest Fund Management Co., Ltd.	1,912,143.44	4,603,849.96
Seat commission and trailing commission receivable	Golden Eagle Asset Management Co., Ltd.	488,771.85	—

Note: The aforesaid contents are disclosed pursuant to related parties as defined thereto in SZSE Listing Rules, while financial statements are disclosed pursuant to related parties as defined in Accounting Standards for Business Enterprises.

During the Reporting Period, the amounts due to or from related parties mentioned above all facilitated the Company to expand its operations in the ordinary course of business and increase profit opportunities, and were implemented at a fair price and will not damage the interests of the Company and those of small and medium shareholders.

During the Reporting Period, the Company did not have any non-operational amounts due to or from related parties.

#### 5. Other Related Party/Connected Transactions

In March 2016, the Company participated in the private stock placement of Liaoning Cheng Da Biotechnology Co., Ltd. (遼寧成大生物股份有限公司), a subsidiary of the Company's shareholder, Liaoning Cheng Da, on the NEEQ. The number of shares involved was 4 million shares of RMB18 each with a total amount of RMB72 million. According to the SZSE Listing Rules and the Hong Kong Listing Rules, the amount of the above related party/connected transaction has not reached the statutory disclosure threshold and is exempt from being submitted to the Board of Directors for consideration and approval pursuant to the Articles of Association.

### VIII. MISAPPROPRIATION OF THE LISTED COMPANY'S FUNDS BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES FOR NON-OPERATING PURPOSES

The Company has no controlling shareholders. Neither the Company's controlling shareholder nor any of its related parties has misappropriated the Company's funds for non-operating purposes during the Reporting Period.

## IX. MAJOR CONTRACTS AND THEIR PERFORMANCE

### 1. Custody, Contracting and Leases

During the Reporting Period, there were no custody, contracting and leases, nor were there any previous custody, contracting and leases which were extended to this Reporting Period.

In May 2013, the Company and Guangzhou Construction Co., Ltd. entered into the “Construction General Contract for GF Securities Tower”. Guangzhou Construction Co., Ltd. is the construction general contractor for GF Securities Tower. The tentative contract price is RMB657 million.

### 2. Guarantees

#### External Guarantees Provided by the Company and Subsidiaries (Excluding Guarantees Provided to Subsidiaries)

Name of the Guaranteed	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Guarantee Amount	Actual Date of Occurrence (Data of Agreement)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Fulfilled or Not	Guarantee Provided to Related Parties or Not
None	—	—	—	—	—	—	—	—	—
Total amount of external guarantees approved during the Reporting Period (A1)				0	Total actual amount of external guarantees during the Reporting Period (A2)				0
Total amount of external guarantees approved as at the end of the Reporting Period (A3)				0	Total actual outstanding balance of external guarantees as at the end of the Reporting Period (A4)				0

#### Guarantees Between the Company and its Subsidiaries

Name of the Guaranteed	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Guarantee Amount	Actual Date of Occurrence (Data of Agreement)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Fulfilled or Not	Guarantee Provided to Related Parties or Not
GF Financial Markets (UK) Limited (the Guangdong Branch of the Export-Import Bank of China issued a financing letter of guarantee (or standby letter of credit), and the Company provided a counter-guarantee for the above financing letter of guarantee (or standby letter of credit).)	May 30, 2015	US\$80 million and relevant interest and expenses (if any)	—	—	0	Joint and several liability guarantee	Nil	Not yet fulfilled	No
Total amount of guarantees provide to subsidiaries as approved during the Reporting Period (B1)				0	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)				0
Total amount of guarantees provided to subsidiaries as approved as at the end of the Reporting Period (B3)			RMB530.496 million		Total actual outstanding balance of guarantees provided to subsidiaries as at the end of Reporting Period (B4)				0

## Section 4 Significant Events

Guarantees among Subsidiaries								
Name of the Guaranteed	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Guarantee Amount	Actual Date of Occurrence (Data of Agreement)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Fulfilled or Not	Guarantee Provided to Related Parties or Not
GF Securities (Hong Kong) Brokerage Limited (GF Holdings Hong Kong provided a guarantee to it)	December 19, 2013	HK\$50 million and relevant interest and expenses (if any)	December 2013	HK\$50 million	Joint and several liability guarantee	From the date of agreement until one month after the bank receives a written notice from the guarantor or the liquidator or the receiver of the guarantor to terminate this guarantee.	No	No
GF Securities (Hong Kong) Brokerage Limited (GF Holdings Hong Kong provided a guarantee to it)	May 14, 2014	HK\$70 million and relevant interest and expenses (if any)	May 2014	HK\$70 million	Joint and several liability guarantee	From the date of agreement until six months after the bank receives a written notice from the guarantor or the liquidator or the receiver of the guarantor to terminate this guarantee.	No	No
<b>Total amount of guarantees provided to subsidiaries as approved during the Reporting Period (C1)</b>			0	<b>Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)</b>				RMB102.564 million
<b>Total amount of guarantees provided to subsidiaries as approved as at the end of the Reporting Period (C3)</b>		RMB102.564 million		<b>Total actual outstanding balance of guarantees provided to subsidiaries as at the end of Reporting Period (C4)</b>				RMB102.564 million
<b>Total amount of guarantees provided by the Company (i.e. total the first three major items)</b>								
<b>Total amount of guarantees approved during the Reporting Period (A1+B1+C1)</b>			0	<b>Total actual amount of guarantees during the Reporting Period (A2+B2+C2)</b>				RMB102.564 million
<b>Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)</b>		RMB633.060 million		<b>Total actual outstanding balance of guarantees as at the Reporting Period (A4+B4+C4)</b>				RMB102.564 million
<b>Actual total guarantee amount (i.e. A4+B4+C4) as a percentage of net assets of the Company</b>								0.14%
<b>Including:</b>								
<b>Amount of guarantees provided to shareholders, de facto controllers and their related parties (D)</b>								0
<b>Amount of liability guarantees provided directly or indirectly to secured subjects with gearing ratio above 70% (E)</b>								0
<b>Amount of total guarantees above 50% of net assets (F)</b>								0
<b>Total of the above 3 amounts of guarantees (D+E+F)</b>								0
<b>Explanation on outstanding guarantees, guarantee liabilities occurred during the Reporting Period or possible joint and several liabilities that may arise on outstanding guarantees (if any)</b>				GFHK will be subject to potential debt liabilities under the current guarantee which will increase the potential gearing ratio level of GFHK.				
<b>Explanation on the provision of external guarantee in violation of the required procedures (if any)</b>								None

Note: Guarantees of GF Securities (Hong Kong) Brokerage Limited are calculated by the HKD/RMB exchange rate of 1:0.8547 as at June 30, 2016. Guarantees of GF Financial Markets (UK) Limited are calculated by the middle price of USD/RMB exchange rate of 1:6.6312 as at June 30, 2016.

### 3. Other Material Contracts

During the Reporting Period, the Company had no other material contracts.

### 4. Other Material Transactions

During the Reporting Period, the Company had no other material transactions.

## X. COMMITMENTS DURING THE REPORTING PERIOD OR IN PRIOR PERIODS BUT CONTINUED IN THE REPORTING PERIOD UNDERTAKEN BY THE COMPANY OR SHAREHOLDERS WHO HAD MORE THAN 5% EQUITY INTEREST

Commitments	Undertaking party	Undertaking Type	Details of the Commitment	Date of Commitments	Term of Commitments	Performance
Undertakings made in the commitment/ asset restructuring as set out in the share conversion commitment/acquisition report or equity change report	The Company and the shareholders, directors, supervisors and senior management of the Company	Others	<ol style="list-style-type: none"> <li>GF Securities and its directors, supervisors and senior management have made undertakings that upon completion of this transaction, GF Securities, as a public company, will strictly perform its obligations in information disclosure and investor education. After listing, in addition to meeting the requirements for information disclosure by listed companies in general, GF Securities will make sufficient disclosure in regular reports on information regarding customer asset protection, risk control, compliance inspection, commencement of innovative business and risk management according to its own characteristics to enhance the unveiling of risks for investors.</li> <li>GF Securities and its directors, supervisors and senior management have made undertakings that they will strictly comply with the requirements of the Administrative Measures for Risk Indicators of Securities Companies, enhance the risk management system, improve the risk monitoring mechanism, establish a real time risk monitoring system, strengthen dynamic monitoring of risks and enhance capabilities in identifying, measuring and controlling risks to enhance the level of risk management.</li> <li>To avoid peer competition with the surviving company after share conversion and merger by absorption and regulate possible related transactions, Liaoning Cheng Da and Jiin Aodong have made the following undertakings: ① Being the largest and second largest shareholders of the surviving company after share conversion and merger by absorption, they have undertaken not to operate the same business as that operated by the surviving company, and not to indirectly operate or participate in the investment of enterprises which compete or may compete with the business of the surviving company. At the same time, they have also warranted that they will not use their capacity as shareholders to harm the proper interest of the surviving company and other shareholders. In addition, they will procure their wholly-owned subsidiaries or subsidiaries in which they have more than 50% equity interest or relative controlling interest to comply with the above undertakings. ② With respect to related transactions conducted by Liaoning Cheng Da and Jiin Aodong and their respective related parties with the surviving company in future, the decision-making procedure for related transactions of listed companies will be strictly performed and the market pricing principles will be observed to ensure fairness, impartiality and equity and the legitimate interest of minority shareholders will not be prejudiced.</li> <li>Liaoning Cheng Da and Jiin Aodong have issued the Undertakings on Maintaining the Independence of the Yan Bian Road Construction Co., Ltd. respectively and warrant to realize staff independence, asset independence, business independence, financial independence and organization independence with the Company.</li> </ol>	February 6, 2010	Nil	All undertaking parties have strictly performed their commitments.

## Section 4 Significant Events

Commitments	Undertaking party	Undertaking Type	Details of the Commitment	Date of Commitments	Term of Commitments	Performance
Undertakings made in initial public offering or refinancing	Nil	Nil	Nil	Nil	Nil	Nil
Undertakings on equity incentive	Nil	Nil	Nil	Nil	Nil	Nil
Other undertakings made to medium and small shareholders of the Company	Nil	Nil	Nil	Nil	Nil	Nil
Net capital guarantee undertakings provided to GF Asset Management	GF Securities	Others	In order to support expansion and strengthening of GF Asset Management, fulfill the requirement of sustainable development of its business, and enhance the utilization efficiency of funds of the Company at the same time, the Company has provided net capital guarantee undertakings up to RMB1 billion (RMB1 billion incl., the same below) to GF Asset Management for a term starting from the notice date of the Board Resolution (September 29, 2015) until its net capital is able to satisfy the requirements of the regulatory authority on an ongoing basis.	September 29, 2015	From the notice date of the Board Resolution (September 29, 2015) until its net capital is able to satisfy the requirements of the regulatory authority on an on-going basis.	GF Securities strictly performed the undertakings.
Net capital guarantee undertakings provided to GF Asset Management	GF Securities	Others	In order to support GF Asset Management, a wholly-owned subsidiary of the Company, for its continuous compliance with the regulatory requirements on risk indicators, the Company has provided GF Asset Management with additional net capital guarantee undertakings of up to RMB3 billion (RMB3 billion incl.), among which, net capital guarantee undertakings of RMB2.5 billion were provided for a term from the date on which the same was considered and approved by the board of directors until September 30, 2016; and net capital guarantee undertakings of RMB0.5 billion were provided for a term until its net capital was able to satisfy the requirements of the regulatory authority on an ongoing basis.	July 18, 2016	Net capital guarantee undertakings of RMB2.5 billion were provided for a term from the date on which the same was considered and approved by the board of directors until September 30, 2016; and net capital guarantee undertakings of RMB0.5 billion were provided for a term until its net capital was able to satisfy the requirements of the regulatory authority on an ongoing basis.	GF Securities strictly performed the undertakings.
Whether the undertakings are performed timely?	Yes					

## XI. APPOINTMENT AND REMOVAL OF ACCOUNTANTS

On June 28, 2016, after consideration and approval by the 2015 Annual General Meeting of the Company, Deloitte Touche Tohmatsu was re-appointed as the auditing firm for the Company in 2016.

The Company has not appointed any accountants to audit the interim financial report. Deloitte Touche Tohmatsu has reviewed the interim financial report in accordance with the International Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

## XII. PENALTY AND RECTIFICATION

In May 2016, the Company was imposed regulatory measure of interviews and order of rectification by the National Equities Exchange and Quotations Co., Ltd. because the submission of New Third Board listed company market-making application and the due diligence conducted by the Company did not comply with the requirements of its rules.

The Company attaches huge importance to this case. It has promptly organized and deployed implementation of rectification and has submitted the rectification reports to the NEEQ as scheduled. The Company has strengthened the training for the New Third Board business, amended and improved the relevant system and formulated documentation for the criteria of establishing a New Third Board project, the process of entering into agreements, the basic template of due diligence investigation and the guidelines for internal approval standards, in order to confirm the system process mechanism, clarify various normative requirements for business commencement, and further regulate the development of the New Third Board business. Together with the experience from this risk incident, the Company has further adjusted and strengthened the management of quality control and continuous supervision, clarified the duties of the quality control department and the persistent supervisory personnel, so that full-process risk control will be performed well for projects on a continuous basis.

## XIII. UNVEILING THE RISKS OF ILLEGALITY, NON-COMPLIANCE AND DELISTING

N/A

## XIV. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

The qualifications for individual businesses that the Company has obtained from January to June 2016 include:

No.	Type of License	Approval Department	Issue Date
1	Qualification as a market maker in the national interbank bond market	People's Bank of China	January 2016
2	Qualification for consultancy services relating to the secrets of the military industry	The Office of Scientific and Technological Industry of National Deference in Guangdong Province	May 2016

## Section 4 Significant Events

**XV. SIGNIFICANT ISSUES OF SUBSIDIARIES OF THE COMPANY**

1. On April 1, 2016, with the approval of the Financial Conduct Authority, GF Financial Markets (UK) Limited, a wholly-owned subsidiary of GF Futures Co., Ltd. which in turn is a wholly-owned subsidiary of the Company, obtained qualifications for finance and financial derivative operations.
2. On April 6, 2016, with the approval of the Guangdong Province Administration for Industry and Commerce, Guangdong Guangtong Lease Co., Ltd. (廣東廣通租賃有限公司) was renamed as Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司) and renewed its business license.
3. In May and June 2016, the Company injected capital of RMB650 million in total into GF Qianhe in two tranches. Following the completion of the capital increases, the registered capital of GF Qianhe reached RMB3.55 billion.

**XVI. PARTICULARS OF OTHER SIGNIFICANT ISSUES****1. Changes in Brokerage Branches**

As of June 30, 2016, the Company had 20 branch offices and 264 securities brokerage branches (including 138 A-type brokerage branches, 46 B-type brokerage branches and 80 C-type brokerage branches) located in 31 provinces, municipalities directly under the central government and autonomous regions in China.

As of June 30, 2016, nine brokerage branches of the Company have completed relocating within the same city.

<b>No.</b>	<b>Name of Securities Brokerage Branch Before Relocation</b>	<b>Name of Securities Brokerage Branch After Relocation</b>
1	Xinghua Road Brokerage Branch in Shekou of GF Securities Co., Ltd.	Houhai Brokerage Branch in Shekou of GF Securities Co., Ltd.
2	Hou Street Brokerage Branch in Dongguan of GF Securities Co., Ltd.	Hou Street Brokerage Branch in Dongguan of GF Securities Co., Ltd.
3	Youyi South Street Brokerage Branch in Shijiazhuang of GF Securities Co., Ltd.	Zhongshan East Road Brokerage Branch in Shijiazhuang of GF Securities Co., Ltd.
4	High-tech Software Park Road Brokerage Branch in Zhuhai of GF Securities Co., Ltd.	High-tech Software Park Road Brokerage Branch in Zhuhai of GF Securities Co., Ltd.



Section 4 Significant Events

No.	Name of Securities Brokerage Branch Before Relocation	Name of Securities Brokerage Branch After Relocation
5	Xinghu Road Brokerage Branch in Nanning of GF Securities Co., Ltd.	Fengxiang Road Brokerage Branch in Nanning of GF Securities Co., Ltd.
6	Yanjiang East Road Brokerage Branch in Heyuan of GF Securities Co., Ltd.	Yuewang Road Brokerage Branch in Heyuan of GF Securities Co., Ltd.
7	Jinan Road Brokerage Branch in Dongying of GF Securities Co., Ltd.	North 1st Road Brokerage Branch in Dongying of GF Securities Co., Ltd.
8	Hengqin Brokerage Branch in Zhuhai of GF Securities Co., Ltd.	Yongtai Road Brokerage Branch in Jinwan, Zhuhai of GF Securities Co., Ltd.
9	Central Street Brokerage Branch in Hengshui of GF Securities Co., Ltd.	Yucai South Street Brokerage Branch in Hengshui of GF Securities Co., Ltd.

- On January 14, 2016, the Company received the “Notice on the Increase in Holding of Shares of GF Securities” (the “Notice”) from Jilin Aodong, a shareholder of the Company. Pursuant to the Notice, Jilin Aodong, based on its confidence in the future sustainable and stable development of the Company and the current situation of sharp decline in the capital market, purchased stocks of the Company through the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. As of January 14, 2016, the total number of shares of the Company owned by Jilin Aodong and its person acting in concert — Aodong International (Hong Kong) Industrials Co., Ltd., was 1,271,835,267, accounting for 16.69% of the total share capital of the Company. Jilin Aodong has become the largest shareholder of the Company.

Please see the relevant announcements disclosed on the website of CNINFO (<http://www.cninfo.com.cn>) and the HKExnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) by the Company on January 15, 2016 for details.

- On April 28, 2016, the thirtieth meeting of the Eighth session of the Board considered and approved the “Resolution on the Provision of Borrowings to GF Futures Co., Ltd., GF Xinde Investment Management Co., Limited, GF Securities Asset Management (Guangdong) Co., Ltd. and GF Holdings (Hong Kong) Corporation Limited, the Wholly-owned Subsidiaries of the Company”, pursuant to which it was agreed that borrowings of up to RMB3 billion (inclusive) will be provided to GF Futures, GF Xinde, GF Asset Management and GFHK, the wholly-owned subsidiaries of the Company, for an effective term of three years; each single borrowing has a term of up to one year, and can be revolved within the limit. As of the end of the Reporting Period, the Company provided borrowings of approximately RMB1.444 billion in total to its wholly-owned subsidiaries.

Please see the relevant announcements disclosed on the website of CNINFO (<http://www.cninfo.com.cn>) and the HKExnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) by the Company on April 29, 2016 for details.

## Section 4 Significant Events

4. The classification result of the Company in 2016 was reduced from Class A Grade AA to Class B Grade BBB. The decline in rating was mainly attributed to the investigation conducted by the CSRC on the external information system access. Pursuant to the relevant regulations, the classification result was mainly for use by the securities regulatory authorities. The CSRC would implement differentiated regulatory policies for securities companies of different classes in accordance with the classification results of securities companies on the aspects of administrative licensing, supervision of resources allocation, on-site inspection and off-site inspection frequency, which would have certain impacts on the Company in areas such as risk reserve provision and insurance fund contribution, etc. The classification result for 2016 reflected the compliance and risk control problems arising from some aspects during the process of business development of the Company last year, which raised warning to the Company and was worth deep reflection. Since last year, the Company has carried out comprehensive rectification of its existing deficiencies. Currently, the Company is operating normally with adequate capital and all businesses are progressing smoothly. In the future, the Company will take this as a warning to further raise the level of compliance and risk control management, exert efforts to improve the overall competitiveness, enhance the capability of serving the real economy and national strategies and strive to develop itself into a modern investment bank with international competitiveness within a relatively short period of time.

## XVII. MATTERS RELATED TO BONDS OF THE COMPANY

### 1. Basic information of bonds of the Company

The Company, considered and approved by the 24th Meeting and the 26th Meeting of the Seventh Session of the Board and considered and approved by the 3rd extraordinary general meeting of shareholders in 2012 and the 1st extraordinary general meeting of shareholders in 2013, was approved to publicly issue corporate bonds of not more than RMB12 billion (inclusive) with a term of not more than 10 years (inclusive). On May 17, 2013, with the review of the CRSC Issuance Examination Commission, the application for the public issuance of corporate bonds was approved. On May 31, 2013, the Company has obtained the “Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds (Zheng Jian Xu Ke [2013] No. 725)” (“Reply”) (《關於核准廣發證券股份有限公司公開發行公司債券的批覆》(證監許可[2013]725號)文件) from the CSRC and was approved to publicly issue corporate bonds with a face value of not more than RMB12 billion to the public. The Reply would be valid within 24 months from the date of approval of issuance.

Section 4 Significant Events

On June 19, 2013, the Company completed the issuance of corporate bonds for the current period. There were three types of bonds during this period. The details of the bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB10,000)	Coupon	Debt Service
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13GF01	112181	June 19, 2013	June 17, 2018	150,000	4.50%	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type II)	13GF02	112182	June 19, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13GF03	112183	June 19, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	Shenzhen Stock Exchange						
Appropriateness arrangement of investors	<p>Target investors are social public investors who hold security accounts with the initial letters of A, B, D or F opened in the registered companies (excluding purchasers prohibited by laws and regulations) and institutional investors opening eligible securities accounts in the registered companies (excluding purchasers prohibited by laws and regulations).</p> <p>Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing or holding bonds of this term shall observe relevant laws and regulations and the relevant provisions of the CSRC and assume corresponding legal responsibilities on their own.</p>						
Interest payment of corporate bonds during the Reporting Period	<p>On June 17, 2016, the Company paid the interest for the above corporate bonds from June 17, 2015 to June 16, 2016. Wherein, the interest for "13GF01", "13GF02" and "13GF03" are RMB4.50 (with tax)/piece, RMB4.75 (with tax)/piece and RMB5.10 (with tax)/piece respectively.</p>						
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if any).	<p>"13GF01" includes special articles for redemption and redenomination interest rate.</p> <p>Redemption: after the issuer has issued the announcement for whether increase the nominal interest rate of 3+2-year type of bonds of the term or increase the range, investors have the right to choose to sell back their all or part 3+2-year type of bonds of the term to the issuer at par on the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term. Redenomination interest rate: the issuer has the right to decide if to increase the nominal interest rate of 2 years after increasing bonds of the term as at the 3rd year during the duration for such 3+2-year type of bonds of the term. The issuer will publish on the information disclosure media designated by the CSRC for the announcement that if to increase the nominal interest rate of 3+2-year type of bonds of the term or increase the range on the 30th trading day prior to the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term. If the issuer has not executed its right to increase the interest rate, the original nominal interest rate for that for the duration of 3+2-year type of bonds of the term will remain the same.</p> <p>During the Reporting Period, the Company issued the "First Reminding Announcement Regarding Non-redemption Interest Rate of "13GF01" and Implementation Measures on Redemption by Investors" (《關於 13廣發01 票面利率不調整和投資者回售實施辦法的第一次提示性公告》), "Second Reminding Announcement Regarding Non-redemption Interest Rate of "13GF01" and Implementation Measures on Redemption by Investors" (《關於 13廣發01 票面利率不調整和投資者回售實施辦法的第二次提示性公告》) and "Third Reminding Announcement Regarding Non-redemption Interest Rate of "13GF01" and Implementation Measures on Redemption by Investors" (《關於 13廣發01 票面利率不調整和投資者回售實施辦法的第三次提示性公告》) on May 4, 2016, May 5, 2016 and May 6, 2016, respectively. The Company chose not to increase the nominal interest rate of "13GF01". Upon expiry of redemption application period, according to the bond redemption application report provided by Shenzhen Office of China Securities Depository and Clearing Co., Ltd., the effective redemption application for "13GF01" was 0 with amount of RMB0 (without tax). The number of outstanding bonds in custody was 15 million.</p>						

Section 4 Significant Events

**2. Information about bond trustee and credit rating agency**

Bond trustee:

Name	China Merchants Securities Co., Ltd.	Business address	38-45th floor, Building A, Jiangsu Mansion, Yitianlu, Futian District, Shenzhen	Contact	Zhang Huanhuan, Wang Dawei	Tel of contact	0755- 82943666
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Credit rating agency for tracking rating of corporate bonds during the Reporting Period:

Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizangnanlu, Huangpu District, Shanghai
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Reason of change, procedures to be conducted and influence on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed (if applicable)

During the Reporting Period, there were no changes in the bond trustee and credit rating agency.

**3. Use of proceeds from bond offering**

Use of proceeds from bond offering

The proceeds from corporate bond offering, with the offering expenses deducted, have all been used to replenish the Company’s working capital, including the incremental investment in such businesses as sales and trading of fixed-income products, margin financing and securities lending, asset management and other innovative businesses.

Year-end balance (RMB10,000)

1,200,000

Operation of special account for the funds raised

When the aforesaid corporate bond was issued, the Company designated a special account for the collection of funds raised according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company’s working capital according to the plan set forth in the prospectus.

Consistency of the use of proceeds with the commitments, the planned use and other agreements in the prospectus

The use of proceeds is consistent with the commitments, the planned use and other agreements in the prospectus.

**4. Corporate bond rating**

When the aforesaid corporate bonds were issued, the Company retained China Cheng Xin Securities Credit Rating Co., Ltd. (“CCXR”) as the rating agency of these corporate bonds. Pursuant to the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2013] No. 001) and Credit Rating Reports on Corporate Bond of GF Securities Co., Ltd. in 2013 issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance. CCXR’s AAA rating of the corporate bonds of GF Securities Co., Ltd. in 2013 indicates the extremely high credit quality and low credit risks of such bonds.

During the effective period of the credit rating of the aforementioned corporate bond and the duration of such bonds, CCXR continuously monitored factors such as changes in the Company’s external business environment, operations, financial conditions and the debt service coverage, and continuously analysed the credit risks of such bonds. On April 15, 2016, CCXR updated and maintained the AAA rating of the aforesaid corporate bonds, i.e. the credit rating outlook was stable.

**5. Corporate bond credit enhancement mechanism, debt repayment schedule and other debt repayment safeguard measures**

The above corporate bonds bear no warranties.

The debt repayment plan of the above corporate bonds is as follows: interest shall be paid once every year within the duration of the bonds and the last batch of interest shall be paid together with the principal. The “13GF01” shall be paid on June 17 every year from 2014 to 2018, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period; “13GF02” interest shall be paid on June 17 every year from 2014 to 2018, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period; “13GF03” interest shall be paid on June 17 every year from 2014 to 2023, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period. The bond interest of this period shall be paid through registration authorities and relevant institutions. The detailed matters about interest payment shall be explained through the interest payment announcement by the issuer through the media designated by the CSRC according to the relevant national provisions. According to the national tax law and regulations, the investor shall assume the relevant tax payable for the bonds invested in this period.

The Company’s debt repayment safeguard measures include: establishing the Bondholder Meeting Rules; retaining a bond manager; establishing special repayment work team; improving profitability and optimizing structure of assets and liabilities; the Company has strong comprehensive strength and good credit; disclosing information strictly. Furthermore, if it is predicted that the interest and principal of the bonds cannot be repaid on time when due or if the interest and principal of the bonds cannot be repaid at the end of the period, the Company shall at least adopt the following measures: 1. No profits shall be distributed to the shareholders; 2. Significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed; 3. Salary and bonus of Directors and senior management shall be reduced or suspended; 4. The main responsible person shall not be transferred.

During the Reporting Period, the above corporate bond’s credit increase mechanism, debt repayment schedule and the other debt repayment supporting measures were not changed.

**6. Convening of meetings of bondholders during the Reporting Period**

During the Reporting Period, no bondholder meeting was held by the Company.

**7. Performance of bond trustee during the Reporting Period**

During the Reporting Period, China Merchants Securities Co., Ltd., as the trustee of “GF Securities 2013 Corporate Bond”, actively performed the relevant obligations as a trustee from January to June 2016 according to relevant laws, rules and regulations such as the Management Measures on Corporate Bond Issuance and Trading, and the Code of Conduct for Corporate Bond Trustee; while performing the relevant responsibilities of a trustee, China Merchants Securities Co., Ltd., had no conflict of interests with the Company.

The Report on the Trusteeship of GF Securities 2013 Corporate Bond Publically Issued (2015), issued by China Merchants Securities Co., Ltd., has been disclosed publicly on the Shenzhen Stock Exchange by April 16, 2016. Investors are advised to pay attention to this.

## Section 4 Significant Events

**8. Outstanding overdue debts of the Company**

There is not any outstanding overdue debts of the Company.

**9. Redemption of other bonds and debt financing instruments during the Reporting Period***(1) Interest payment for short-term financing bills*

The Company has neither short-term financing bills due nor made any interest payment for redemption during the Reporting Period.

*(2) Interest payment for short-term corporate bonds of securities firms*

During the Reporting Period, the Company has paid interests for a total of 4 short-term corporate bonds, in accordance with the “Notice of the Shenzhen Stock Exchange on Accepting the Registration of GF Securities Co., Ltd. for Issuing Short-term Corporate Bond of Securities Firms in 2014 (Shen Zheng Shang [2014] No. 410)” (《關於接受廣發證券股份有限公司2014年度證券公司短期公司債券發行備案的通知書》(深證上[2014]410號)) and the “No Objection Letter to GF Securities Co., Ltd. for the Short-Term Corporate Bond of Securities Firms in 2015 Meeting Transfer Conditions of the SZSE (Shen Zheng Han [2015] No. 551)” (《關於廣發證券股份有限公司2015年證券公司短期公司債券符合深交所轉讓條件的無異議函》(深證函[2015]551號)):

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (days)	Coupon	Interest payment
GF 1501	300,000	March 9, 2015	365	5.30%	Principal and interest paid upon maturity on March 8, 2016
GF 1503	600,000	May 19, 2015	366	4.30%	Principal and interest paid upon maturity on May 19, 2016
GF 1505	600,000	May 27, 2015	240	4.34%	Principal and interest paid upon maturity on January 22, 2016
GF 1601	300,000	March 14, 2016	95	2.90%	Principal and interest paid upon maturity on June 17, 2016

As of the end of the Reporting Period, three of the Company’s short-term corporate bonds have not matured. The total balance was RMB15 billion. Key information on these bonds is as below:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (days)	Coupon
GF 1602	500,000	April 15, 2016	365	3.10%
GF 1603	500,000	May 13, 2016	270	3.28%
GF 1604	500,000	May 23, 2016	365	3.27%

(3) *Interest payment for subordinated bonds*

On February 10, 2014, the Company’s first extraordinary general meeting of 2014 considered and passed the Proposal on the Issuance of Subordinated Bonds, approving the Company’s issuance of up to RMB20 billion (inclusive) of subordinated bonds by batches.

On December 29, 2014, the Company’s third extraordinary general meeting of 2014 considered and passed the Proposal on the Issuance of Subordinated Bonds, approving the Company’s issuance of up to RMB60 billion (including those already issued according to the resolutions of the first extraordinary general meeting of 2014) of subordinated bonds by batches.

On July 21, 2015, the 2015 First Extraordinary General Meeting of the Company considered and approved the “Resolution on the Authorization Granted to the Company for the Issuance of Corporate Onshore and Offshore Debt Financing Instruments”, pursuant to which it was agreed that the balances of the issuance of the corporate onshore and offshore debt financing instruments would be not more than RMB200 billion (inclusive) in aggregate and would comply with the requirements of the relevant laws and regulations on the limit of the issuance of the corporate onshore and offshore debt financing instruments. The authorized committee would determine the size of debt financing instruments of various types and maturities in accordance with the market conditions and the capital needs of the Company. It was agreed to issue corporate bonds on an one-off or multiple issuances or multi-tranche issuances bases (including domestic corporate bonds; offshore debt financing instruments such as US dollar, Euro, and other foreign currency denominated corporate bonds and offshore RMB-denominated corporate bonds, medium term note programme, foreign currency notes and commercial papers and other offshore debt financing instruments), subordinated bonds (including perpetual subordinated bonds), and asset securitization products (collectively, the “Corporate Onshore and Offshore Debt Financing Instruments”). The Company implemented the subsequent issuance and authorization of the above-mentioned Corporate Onshore and Offshore Debt Financing Instruments in accordance with this Resolution.

During the Reporting Period, the Company paid interest for a total of seven subordinated bonds:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (years)	Coupon	Interest payment
15 GF 01	300,000	January 30, 2015	1+2	5.55%	On January 30, 2016, the Company exercised its rights of redemption, with both principal and interests paid
15 GF 02	350,000	March 30, 2015	1+2	5.40%	On March 30, 2016, the Company exercised its rights of redemption, with both principal and interests paid
15 GF 03	900,000	April 29, 2015	1+2	5.40%	On April 29, 2016, the Company exercised its rights of redemption, with both principal and interests paid
15 GF 04	600,000	May 29, 2015	1+2	5.00%	On May 29, 2016, the Company exercised its rights of redemption, with both principal and interests paid
15 GF 05	900,000	May 29, 2015	2	5.35%	On May 29, 2016, the Company paid interest accrued from May 29, 2015 to May 28, 2016
15 GF 06	500,000	June 8, 2015	1+2	5.00%	On June 8, 2016, the Company exercised its rights of redemption, with both principal and interests paid
15 GF 07	800,000	June 15, 2015	2+1	5.40%	On June 15, 2016, the Company paid interest accrued from June 15, 2015 to June 14, 2016



## Section 4 Significant Events

As of the end of the Reporting Period, seven of the Company's subordinated bonds, in a total balance of RMB37.3 billion were outstanding. Key information on these bonds as of the end of the Reporting Period is as below:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (years)	Coupon
14 GF 01	300,000	July 24, 2014	2+2	5.70%
14 GF 02	300,000	July 24, 2014	3+2	5.90%
15 GF 05	900,000	May 29, 2015	2	5.35%
15 GF 07	800,000	June 15, 2015	2+1	5.40%
16 GF 01	430,000	May 9, 2016	1+2	3.30%
16 GF 02	500,000	June 13, 2016	2+1	3.50%
16 GF 03	500,000	June 21, 2016	3+2	3.70%

#### 10. Bank credit, use of banking facilities and repayment of bank loans during the Reporting Period

The Company standardizes its operation with excellent reputation, very strong profitability and solvency, excellent credit record, and maintains excellent cooperation relationship with all large-scale commercial banks. During the Reporting Period, it obtained credit line from many commercial banks, including national banks, joint-stock commercial banks, city commercial banks, rural commercial banks and foreign banks. The bank credit obtained by the Company during the Reporting Period could meet its demands for funds for daily operations and business development.

The Company did not borrow from banks during the Reporting Period, and there was no outstanding bank loan at the end of the Reporting Period. The Company is a member of the interbank market. It paid back the credit inter-bank interest and principal on a timely basis during the Reporting Period, and the outstanding fund borrowed from banks was RMB3,500,000,000 as of the end of Reporting Period.

#### 11. Performance of relevant agreement or commitment of the corporate bond during the Reporting Period

During the Reporting Period, the Company strictly performed the agreements and commitments as set out in the above corporate bond prospectus, and there was no negative effect on bond investors due to the ineffective performance of the relevant agreement or promises as set out in the corporate bond prospectus.

#### 12. Major issues occurred during the Reporting Period

During the Reporting Period, there were no major issues as listed in Article 45 of the Management Measures on Corporate Bond Issuance and Trading.

#### 13. Guarantor for the corporate bond

None

## XVIII ADMINISTRATIVE LICENSE DECISIONS MADE BY REGULATORY AUTHORITIES DURING THE REPORTING PERIOD

No.	Regulatory authority	Administrative license decisions (including other important letters from regulatory authorities)
1	Guangdong Province Administration for Industry and Commerce	Notice on Approval of Registration Change (Three in One) (Yue He Bian Tong Nei Zi [2016] No. 1600034352) 核准變更登記通知書(三證合一) (粵核變通內字[2016] 第1600034352號)
2	Shenzhen Stock Exchange	No Objection Letter for 2016 Subordinated Bonds of Securities Firms of GF Securities Co., Ltd. Meeting Transfer Conditions of SZSE (Shen Zheng Han [2016] No. 386) 關於廣發證券股份有限公司2016年證券公司次級債券符合深交所轉讓條件的無異議函(深證函[2016] 386號)
3	The PBOC	Affirmative Decision of Administrative License from the People's Bank of China (Market Maker in the National Interbank Bond Market) (Yin Shi Chang Xu Zhun Yu Zi [2016] No. 4) 中國人民銀行准予行政許可決定書 (全國銀行間債券市場做市商) (銀市場許准予字[2016]第4號)
4	Guangzhou Branch of the PBOC	Guangzhou Branch Office of the PBOC Distributing the Notice on Reply of the Credit Reference Center of the PBOC on Linking Guangzhou Branch of Chinatrust Commercial Bank and GF Securities Co., Ltd. into Credit System (Guang Zhou Yin Ban Fa [2016] No. 213) 中國人民銀行廣州分行辦公室轉發中國人民銀行徵信中心關於中國信託商業銀行廣州分行及廣發證券股份有限公司接入徵信系統的覆函的通知 (廣州銀辦發[2016]213號)
5	Guangdong Bureau of the CSRC	Reply on the Approval of Gu Naikang's Qualification as a Supervisor of Securities Company (Guang Dong Zheng Jian Xu Ke [2016] No. 18) 關於核准顧乃康證券公司監事任職資格的批覆(廣東證監許可[2016] 18號)
6	Guangdong Bureau of the CSRC	Reply on the Approval of Tan Yue's Qualification as a Supervisor of a Securities Company (Guang Dong Zheng Jian Xu Ke [2016] No.19) 關於核准譚躍證券公司監事任職資格的批覆(廣東證監許可 [2016] 19號)
7	Guangdong Bureau of the CSRC	Reply on the Approval of Wu Zhaoming's Qualification as a Chairman of a Securities Company (Guang Dong Zheng Jian Xu Ke [2016] No.7) 關於核准吳釗明證券公司董事長類任職資格的批覆(廣東證監許可[2016] 7號)

## Section 4 Significant Events

**XIX. INDEX OF INFORMATION DISCLOSURE**

During the Reporting Period, the following information of A Shares has been published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (巨潮資訊網) (<http://www.cninfo.com.cn>) by the Company (excluding announcements on H Shares):

<b>No.</b>	<b>Matters of announcements</b>	<b>Date of Publication</b>
1	Announcement on the Key Financial Information for December 2015	January 12, 2016
2	Estimated Results for the Year 2015	January 12, 2016
3	Suggestive Announcement Regarding the Change of the Largest Shareholder	January 15, 2016
4	Announcement on the Resolutions of the Twenty-eighth Meeting of the Eighth Session of the Board of Directors	January 16, 2016
5	Announcement on Increasing the Registered Capital of GF Futures to RMB1.3 Billion	January 22, 2016
6	Announcement on the Results of Redemption and Delisting of "15GF01" Subordinated Bonds	February 1, 2016
7	Announcement on the Resignation of Supervisor, Mr. Xu Xinzong	February 3, 2016
8	Announcement on the Key Financial Information for January 2016	February 5, 2016
9	Announcement on the Key Financial Information for February 2016	March 5, 2016
10	Announcement on the Results of the Issuance of the 2016 First Tranche of Short-term Corporate Bonds of Securities Firms	March 15, 2016
11	Announcement on the Resolutions of the Eleventh Meeting of the Eighth Session of the Supervisory Committee	March 19, 2016
12	Resolutions of the Twenty-ninth Meeting of the Eighth Session of the Board of Directors	March 19, 2016
13	Highlights of the 2015 Annual Report	March 19, 2016
14	Special Reports on the Deposition and Usage of the Funds Raised in 2015	March 19, 2016
15	Announcement on the Estimated Daily Related/Connected Transactions for 2016	March 19, 2016
16	Announcement on Becoming a Market Maker in the National Inter-bank Bond Market	March 25, 2016
17	Announcement on the Results of Redemption and Delisting of "15GF02" Subordinated Bonds	March 30, 2016
18	Announcement on the Key Financial Information for March 2016	April 12, 2016
19	Announcement on the Results of the Issuance of the 2016 Second Tranche of Short-term Corporate Bonds of Securities Firms	April 16, 2016
20	Announcement on the Renewal of "Three in One" Business License	April 26, 2016
21	Announcement on the Resolutions of the Thirtieth Meeting of the Eighth Session of the Board of Directors	April 29, 2016
22	2016 First Quarterly Report	April 29, 2016
23	Announcement on Provision of Loans to Wholly-owned Subsidiaries, GF Futures Co., Ltd., GF Xinde Investment Management Co., Ltd., GF Securities Asset Management (Guangdong) Co., Ltd. and GF Holdings (Hong Kong) Corporation Limited	April 29, 2016

Section 4 Significant Events

No.	Matters of announcements	Date of Publication
24	Announcement on the Resolutions of the Twelfth Meeting of the Eighth Session of the Supervisory Committee	April 29, 2016
25	Announcement on the Results of Redemption and Delisting of "15GF03" Subordinated Bonds	April 29, 2016
26	First Reminding Announcement Regarding Non-redemption Coupon Rate of "13GF1" and Implementation Measures on Redemption by Investors	May 4, 2016
27	Second Reminding Announcement Regarding Non-redemption Coupon Rate of "13GF01" and Implementation Measures on Redemption by Investors	May 5, 2016
28	Third Reminding Announcement Regarding Non-redemption Coupon Rate of "13GF01" and Implementation Measures on Redemption by Investors	May 6, 2016
29	Announcement on the Key Financial Information for April 2016	May 7, 2016
30	Announcement on Application for Redemption of "13GF01" Corporate Bonds	May 11, 2016
31	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	May 11, 2016
32	Notice of the 2015 Annual General Meeting	May 13, 2016
33	Announcement on the Results of the Issuance of the 2016 Short-term Corporate Bonds (Third Tranche) of Securities Firms	May 17, 2016
34	Announcement on the Results of the Issuance of the 2016 Short-term Corporate Bonds (Fourth Tranche) of Securities Firms	May 25, 2016
35	Announcement on the Results of Redemption and Delisting of "15GF04" Subordinated Bonds	May 30, 2016
36	Announcement on the Resolutions of the Thirty-first Meeting of the Eighth Session of the Board of Directors	June 3, 2016
37	Announcement on the Key Financial Information for May 2016	June 7, 2016
38	Announcement on the Results of Redemption and Delisting of "15GF06" Subordinated Bonds	June 8, 2016
39	Announcement on the Interest Payment in 2016 for 2013 Corporate Bonds	June 13, 2016
40	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	June 15, 2016
41	Announcement on Results of Redemption of "13GF01" Corporate Bonds	June 17, 2016
42	Suggestive Announcement Regarding the 2015 Annual General Meeting	June 23, 2016
43	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	June 24, 2016
44	Announcement on the Resolutions of the 2015 Annual General Meeting	June 29, 2016

## Section 4 Significant Events

During the Reporting Period, the Company disclosed the following information of H Shares on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) (excluding overseas regulatory announcements):

No.	Matters of announcements	Date of Publication
1	Monthly Return of Equity Issuer on Movements in Securities for the month ended December 31, 2015	January 7, 2016
2	Announcement on the Key Financial Information for December 2015	January 12, 2016
3	Estimated Results for the Year 2015	January 12, 2016
4	Resignation of Supervisor	February 3, 2016
5	Announcement on the Key Financial Information for January 2016	February 4, 2016
6	Supplementary Announcement Regarding the Resignation of Mr. Xu Xinzong as Supervisor	February 4, 2016
7	Monthly Return of Equity Issuer on Movements in Securities for the month ended January 31, 2016	February 4, 2016
8	Date of Board Meeting	March 4, 2016
9	Announcement on the Key Financial Information for February 2016	March 4, 2016
10	Monthly Return of Equity Issuer on Movements in Securities for the month ended February 29, 2016	March 4, 2016
11	2015 Annual Results Announcement	March 18, 2016
12	Monthly Return of Equity Issuer on Movements in Securities for the month ended March 31, 2016	April 7, 2016
13	Announcement on the Key Financial Information for March 2016	April 11, 2016
14	Date of Board Meeting	April 13, 2016
15	Annual Report 2015	April 21, 2016
16	2016 First Quarterly Report	April 28, 2016
17	Announcement on the Key Financial Information for April 2016	May 6, 2016
18	Monthly Return of Equity Issuer on Movements in Securities for the month ended April 30, 2016	May 6, 2016
19	Notice of AGM	May 12, 2016
20	Announcement on the Key Financial Information for May 2016	June 6, 2016
21	Monthly Return of Equity Issuer on Movements in Securities for the month ended May 31, 2016	June 6, 2016
22	Poll Results of the 2015 Annual General Meeting, Election of Supervisors for the Eighth Session of the Supervisory Committee and Distribution of Final Dividend for 2015	June 28, 2016

## Section 5 Changes in Shareholdings and Particulars About Shareholders

### I. CHANGES IN SHAREHOLDINGS

During the Reporting Period, there has not been any change in the share capital structure of the Company.

Unit: Shares

	Before the change		Increase/decrease (+/-)					After the change	
	Number of shares	Percentage (%)	New issue	Conversion		Others	Sub-total	Number of shares	Percentage (%)
				Bonus issue	from reserves				
I. Shares with selling restrictions	0	0	-	-	-	-	-	0	0
1. State-owned shares	0	0	-	-	-	-	-	0	0
2. Shares held by state-owned legal entities	0	0	-	-	-	-	-	0	0
3. Shares held by domestic investors	0	0	-	-	-	-	-	0	0
Of which: Shares held by domestic legal entities	0	0	-	-	-	-	-	0	0
Shares held by domestic natural individuals	0	0	-	-	-	-	-	0	0
4. Shares held by foreign investors	0	0	-	-	-	-	-	0	0
Of which: Shares held by foreign legal entities	0	0	-	-	-	-	-	0	0
Shares held by foreign individuals	0	0	-	-	-	-	-	0	0
II. Shares without selling restrictions	7,621,087,664	100	-	-	-	-	-	7,621,087,664	100
1. RMB-denominated ordinary shares	5,919,291,464	77.67	-	-	-	-	-	5,919,291,464	77.67
2. Domestic listed foreign shares	0	0	-	-	-	-	-	0	0
3. Listed foreign shares	1,701,796,200	22.33	-	-	-	-	-	1,701,796,200	22.33
4. Others	0	0	-	-	-	-	-	0	0
III. Total number of shares	7,621,087,664	100	-	-	-	-	-	7,621,087,664	100

**Impact of changes in shareholdings on financial indicators including the basic and diluted earnings per share and net asset per share attributable to the ordinary shareholders of the Company in the recent year and the last period**

N/A

**Total number of shares of the Company and changes in the shareholding structure and the assets and liabilities structure of the Company**

N/A

## Section 5 Changes in Shareholdings and Particulars About Shareholders

**II. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS IN THE COMPANY**

Unit: Share

Total number of ordinary shareholders at the end of the Reporting Period		156,848 (of which, 154,759 were A shareholders, 2,089 were registered H shareholders)		Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period (if any)		NA		
Shareholdings of ordinary shareholders who hold more than 5% of the shares or shareholdings of the top ten ordinary shareholders								
Name of shareholder	Capacity of shareholder	Percentage of shareholding (%)	Number of ordinary shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of ordinary shares with selling restrictions held	Number of ordinary shares without selling restrictions held	Pledge or freeze	
							Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31	1,699,970,980	-175,000	0	1,699,970,980		
Jilin Aodong Pharmaceutical Group Co., Ltd.	Domestic general legal entity	16.43	1,252,297,867	7,644,941	0	1,252,297,867		
Liaoning Cheng Da Co., Ltd.	Domestic general legal entity	16.40	1,250,154,088	0	0	1,250,154,088		
Zhongshan Public Utilities Group Co., Ltd.	Domestic general legal entity	9.01	686,754,216	0	0	686,754,216		
Jiayu Guan Hongcheng Electric Energy Limited	Domestic general legal entity	2.92	222,883,941	-3,359,000	0	222,883,941	Pledge	220,000,000
China Securities Finance Corporation Limited	Domestic general legal entity	2.76	210,295,153	-14,026,057	0	210,295,153		
Puning Xinhong Industrial Investment Co., Ltd.	Domestic general legal entity	1.91	145,936,358	0	0	145,936,358	Pledge	144,000,000
Heungkong Group Limited	Domestic general legal entity	1.57	119,286,246	0	0	119,286,246		
Central Huijin Asset Management Ltd.	State-owned legal entity	1.29	98,149,700	0	0	98,149,700		
Anhui Huamao Textile Co. Ltd.	Domestic general legal entity	0.57	43,140,000	-7,060,000	0	43,140,000		

**Shareholdings of top ten ordinary shareholders without selling restrictions**

Name of shareholder	Number of ordinary shares without selling restrictions held as at the end of the Reporting Period	Type of shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,699,970,980	Listed foreign shares	1,699,970,980
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867	RMB-dominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,250,154,088	RMB-dominated ordinary shares	1,250,154,088
Zhongshan Public Utilities Group Co., Ltd.	686,754,216	RMB-dominated ordinary shares	686,754,216
Jiayu Guan Hongcheng Electric Energy Limited	222,883,941	RMB-dominated ordinary shares	222,883,941
China Securities Finance Corporation Limited	210,295,153	RMB-dominated ordinary shares	210,295,153
Puning Xinhong Industrial Investment Co., Ltd.	145,936,358	RMB-dominated ordinary shares	145,936,358
Heungkong Group Limited	119,286,246	RMB-dominated ordinary shares	119,286,246
Central Huijin Asset Management Ltd.	98,149,700	RMB-dominated ordinary shares	98,149,700
Anhui Huamao Textile Co. Ltd.	43,140,000	RMB-dominated ordinary shares	43,140,000

Note 1: Among the H shareholders of the Company, shares of non-registered shareholders are held by HKSCC Nominees Limited;

Note 2: In the table above, shares held by HKSCC Nominees Limited are listed foreign shares (H Shares) and shares held by the other shareholders are RMB-denominated ordinary shares (A Shares);



Section 5 Changes in Shareholdings and Particulars About Shareholders

- Note 3: According to the information publicly disclosed on July 9, 2016 by Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities, Jilin Aodong held 20,237,400 H Shares of the Company through its wholly-owned subsidiary, Aodong International (Hong Kong) Industrials Co., Limited, representing 0.27% of the total share capital of the Company; Liaoning Cheng Da held 1,473,600 H Shares of the Company through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), a wholly-owned subsidiary of Liaoning Chengda Steel Co., Ltd (遼寧成大鋼鐵貿易有限公司), which was in turn a subsidiary controlled by Liaoning Cheng Da, representing 0.019% of the total share capital of the Company; and Zhongshan Public Utilities held 89,085,800 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際 (香港) 投資有限公司), representing 1.17% of the total share capital of the Company. The above shares are held by HKSCC Nominees Limited on their behalf;*
- Note 4: According to the public information disclosed on February 4, 2016 by Zhongshan Public Utilities, as of January 31, 2016, Zhongshan Public Utilities held 84,819,400 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Co., Ltd., representing 1.11% of the total share capital of the Company. At this point, Zhongshan Public Utilities and its persons acting in concert held both A Shares and H Shares of the Company, together representing 10.12% of the total share capital of the Company, and thereby becoming a substantial shareholder of the Company under the Hong Kong Listing Rules;*
- Note 5: On May 31, 2016, BlackRock, Inc. declared its interests to the Hong Kong Stock Exchange, which disclosed that it held a total of 79,500,722 H Shares of the Company, representing 4.67% of the Company's H share capital. On February 4, 2016, Credit Suisse Group AG declared its interests to the Hong Kong Stock Exchange, which disclosed that it held a total of 82,372,990 H Shares of the Company, representing 4.84% of the Company's H share capital. On October 27, 2015, Morgan Stanley declared its interests to the Hong Kong Stock Exchange, which disclosed that it held a total of 65,469,377 H Shares of the Company, representing 3.84% of the Company's H share capital. On July 14, 2015, Fubon Life Insurance Co., Ltd. declared its interests to the Hong Kong Stock Exchange, which disclosed that it held a total of 157,044,800 H Shares of the Company, representing 9.22% of the Company's H share capital. On April 10, 2015, L.R. Capital Principal Investment Limited declared its interests to the Hong Kong Stock Exchange, which disclosed that it held a total of 102,854,000 H Shares of the Company, representing 6.04% of the Company's issued H share capital upon the exercise of the over-allotment option. On April 20, 2015, CM International Capital Limited declared its interests to the Hong Kong Stock Exchange, which disclosed that it held a total of 82,283,200 H Shares of the Company, representing 4.84% of the Company's issued H share capital upon the exercise of the over-allotment option. The above shares are held by HKSCC Nominees Limited on their behalf;*
- Note 6: At the end of the Reporting Period, no shares of the Company were held by A shareholders mentioned above through credit-based securities accounts;*
- Note 7: At the end of the Reporting Period, no A shareholders mentioned above conducted agreed repurchase type securities trading;*
- Note 8: At the end of the Reporting Period, no A shareholders mentioned above caused an increase or a decrease in shares as a result of participating in refinancing business.*

### III. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

There was no controlling shareholder or de facto controller in the Company.

### IV. PROPOSAL ON OR IMPLEMENTATION OF A SHARE ACQUISITION PLAN BY SHAREHOLDERS OF THE COMPANY AND PERSONS ACTING IN CONCERT WITH THEM DURING THE REPORTING PERIOD

Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities, the shareholders of the Company with a shareholding of more than 5% convened a general meeting on July 21, 2015, May 11, 2015 and August 11, 2015, respectively, at which the "Resolution on Implementing Market Capitalization Management on Part of the Equity Interest in the Company" (《關於對部分公司股權實施市值管理的議案》) was considered and passed.

Please refer to the relevant announcements disclosed by Jilin Aodong on July 22, 2015 and Zhongshan Public Utilities on August 12, 2015 on the website of CNINFO (巨潮資訊網) (<http://www.cninfo.com.cn>) as well as those disclosed by Liaoning Cheng Da on May 12, 2015 on the website of the SSE (<http://www.sse.com.cn>) for details.

During the Reporting Period, Jilin Aodong, a shareholder of the Company, and its person acting in concert acquired 9,683,341 shares of the Company; and Zhongshan Public Utilities and its person acting in concert acquired 59,913,600 shares of the Company; while Liaoning Cheng Da and its person acting in concert did not acquire any shares of the Company.

## Section 5 Changes in Shareholdings and Particulars About Shareholders

**V. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES**

As of June 30, 2016, so far as the directors of the Company, having made all reasonable enquiries, are aware, the following parties (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

No.	Name of substantial shareholders	Type of shares	Nature of interests	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 1)/ Short position (Note 2)
1	Jilin Aodong Pharmaceutical Industry Group Co., Ltd.	A Share	Beneficial owner	1,252,297,867	16.43	21.16	Long position
		H Share	Interests in controlled corporation	20,237,400 (Note 3)	0.27	1.19	Long position
2	Liaoning Cheng Da Co., Ltd.	A Share	Beneficial owner	1,250,154,088	16.40	21.12	Long position
		H Share	Interests in controlled corporation	1,473,600 (Note 4)	0.02	0.09	Long position
3	Zhongshan Public Utilities Group Co., Ltd.	A Share	Beneficial owner	686,754,216	9.01	11.60	Long position
		H Share	Interests in controlled corporation	89,085,800 (Note 5)	1.17	5.23	Long position
4	Zhongshan Zhonghui Investment Group Company Limited	A Share	Interests in controlled corporation	686,754,216 (Note 6)	9.01	11.60	Long position
		H Share	Interests in controlled corporation	89,085,800 (Note 5)	1.17	5.23	Long position
5	Public Utilities International (Hong Kong) Investment Co., Ltd.	H Share	Beneficial owner	89,085,800 (Note 5)	1.17	5.23	Long position
6	Fubon Life Insurance Co., Ltd.	H Share	Beneficial owner	154,765,400 (Note 7)	2.03	9.09	Long position
7	Fubon Financial Holding Co., Ltd.	A Share	Interests in controlled corporation	827,000	0.01	0.01	Long position
		H Share	Interests in controlled corporation	154,765,400 (Note 7)	2.03	9.09	Long position
8	L.R. Capital Principal Investment Limited	H Share	Beneficial owner	102,854,000 (Note 8)	1.35	6.04	Long position
9	Wong Yuen Ping	H Share	Interests in controlled corporation	102,854,000 (Note 8)	1.35	6.04	Long position

*Note 1: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares increases;*

*Note 2: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines;*

*Note 3: Such 20,237,400 H Shares were held by Aodong International (Hong Kong) Industrials Co., Limited, a wholly-owned subsidiary of Jilin Aodong;*

*Note 4: Such 1,473,600 H Shares were held by Chengda Steel Hongkong Co., Limited. Liaoning Cheng Da held 100% of the issued shares of Liaoning Chengda Steel Co., Ltd, which held 100% of the issued shares of Chengda Steel Hongkong Co., Limited. As such, Liaoning Cheng Da and Liaoning Chengda Steel Co., Ltd are deemed to be interested in the Shares held by Chengda Steel Hongkong Co., Limited.;*

*Note 5: Such 89,085,800 H Shares were held by Public Utilities International (Hong Kong) Investment Co., Ltd., a wholly-owned subsidiary of Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited held 47.44% of the issued shares of Zhongshan Public Utilities, which held 100% of the issued shares of Public Utilities International (Hong Kong) Investment Co., Ltd. As such, Zhongshan Zhonghui Investment Group Company Limited and Zhongshan Public Utilities are deemed to be interested in the Shares held by Public Utilities International (Hong Kong) Investment Co., Ltd.;*

*Note 6: Such 686,754,216 A Shares were held by Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited held 47.44% of the issued shares of Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited was therefore deemed to be interested in the Shares held by Zhongshan Public Utilities.*

*Note 7: Such 154,765,400 H Shares were held by Fubon Life Insurance Co., Ltd., a wholly-owned subsidiary of Fubon Financial Holding Co., Ltd.;*

*Note 8: Such 102,854,000 H Shares were held by L.R. Capital Principal Investment Limited, a wholly-owned subsidiary of L.R. Capital Management Company (Cayman) Limited. Wong Yuen Ping held 35% interest in L.R. Capital Management Company (Cayman) Limited through Enjoy Fun Limited (BVI). Wong Yuen Ping was therefore deemed to be interested in the Shares held by L.R. Capital Principal Investment Limited;*

*Note 9: Under Part XV of the SFO, interest disclosure forms shall be submitted by shareholders of the Company upon satisfaction of certain conditions. If there are changes in the shareholders' shareholdings in the Company, shareholders of the Company are not required to inform the Company and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the information on their shareholdings submitted to the Hong Kong Stock Exchange.*

Section 5 Changes in Shareholdings and Particulars About Shareholders

Save as disclosed above, the Company is not aware of any other person (other than the directors, supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company as of June 30, 2016 required to be recorded in the register pursuant to Section 336 of the SFO.

**VI. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As of June 30, 2016, each of the directors, supervisors and chief executive of the Company had the following interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("Part XV of the SFO"), (a) which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to be held under such provisions of the SFO); or (b) which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Hong Kong Listing Rules (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange:

No.	Name	Position	Type of share	Nature of interests	Number of corresponding shares of the Company held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued H Shares of the Company (%)	Long position/ short position
1	Sun Shuming	Executive Director, Chairman	H Share	Trust share owner	132,562	0.0017	0.0078	Long position
2	Lin Zhihai	Executive Director, General Manager	H Share	Trust share owner	132,562	0.0017	0.0078	Long position
3	Qin Li	Executive Director, Standing Deputy General Manager	H Share	Trust share owner	132,554	0.0017	0.0078	Long position
4	Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	H Share	Trust share owner	132,562	0.0017	0.0078	Long position
5	Wu Zhaoming	Employee Representative Supervisor, Chairman of Supervisory Committee	H Share	Trust share owner	132,562	0.0017	0.0078	Long position
6	Cheng Huaiyuan	Employee Representative Supervisor	H Share	Trust share owner	79,532	0.0010	0.0047	Long position

*Note: On July 9, 2015, the Company received a notification letter from a number of employees. As these employees were confident in the Company's operating conditions and development prospects, they voluntarily raised approximately HKD1 billion and planned to purchase and hold the Company's H Shares through legal and regulatory channels, including the Qualified Domestic Institutional Investor (QDII) program, in order to benefit from the Company's growth. On January 22, 2016, the Company received notification from the executive directors, who had participated in the voluntary employee fund-raising plan to purchase the Company's H Shares. The manager of the relevant asset management plan disclosed the report on the asset management plan for the fourth quarter of 2015. According to the data disclosed in the report, the relevant executive directors have made a disclosure of interests on the website of the Hong Kong Stock Exchange.*

Save as disclosed above, as of June 30, 2016, none of the directors, supervisors or chief executives of the Company had or was deemed to have any interests 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), which would be required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or which would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

## Section 5 Changes in Shareholdings and Particulars About Shareholders

Saved as disclosed above, at no time was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements during the year to enable the directors of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **VII. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES**

Other than disclosed in this report, during the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any listed securities of the Company and its subsidiaries.

## Section 6 Preference Shares

Not applicable

## Section 7 Particulars about Directors, Supervisors and Senior Management

### I. CHANGES IN SHAREHOLDING OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the directors, supervisors and senior management did not directly hold shares, share options and restrictive shares of the Company.

### II. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reasons
Xu Xinzong	Supervisor	Resigned	February 1, 2016	Personal reasons
Tan Yue	Supervisor	Elected	June 28, 2016	Elected at the general meeting
Gu Naikang	Supervisor	Elected	June 28, 2016	Elected at the general meeting

On February 1, 2016, the Company received a resignation letter from Mr. Xu Xinzong, who applied to resign from his position as a supervisor of the Eighth Session of the Supervisory Committee of the Company due to his desire to devote more time to his other business.

Mr. Tan Yue and Mr. Gu Naikang were elected as supervisors of the Eighth Session of the Supervisory Committee of the Company at the 2015 Annual General Meeting of the Company held on June 28, 2016. The Company received the Reply on the Approval of Tan Yue's Qualification as a Supervisor of a Securities Company (《關於核准譚躍證券公司監事任職資格的批覆》) (Guang Dong Zheng Jian Xu Ke [2016]No.19) and the Reply on the Approval of Gu Naikang's Qualification as a Supervisor of a Securities Company (《關於核准顧乃康證券公司監事任職資格的批覆》) (Guang Dong Zheng Jian Xu Ke [2016]No.18) issued by the Guangdong Bureau of the CSRC on August 9, 2016 that Mr. Tan Yue's and Mr. Gu Naikang's qualifications as supervisors of a securities company were approved. Since then, Mr. Tan Yue and Mr. Gu Naikang have duly performed their duties as supervisors of the Company. Please see the relevant announcements disclosed on the website of CNINFO (<http://www.cninfo.com.cn>) and the HKEXnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) by the Company on August 11, 2016 for details.

**As at the date of the report, the Board of the Company is comprised of 11 directors as follows:**

Executive Directors: Mr. Sun Shuming, Mr. Lin Zhihai, Mr. Qin Li and Ms. Sun Xiaoyan;

Non-executive Directors: Mr. Shang Shuzhi, Mr. Li Xiulin and Mr. Chen Aixue;

Independent Non-executive Directors: Mr. Liu Jiwei, Mr. Yang Xiong, Mr. Tang Xin and Mr. Chan Kalok.

### III. STAFF AND REMUNERATION POLICIES

As of June 30, 2016, the Group had 11,397 employees, of whom a total of 9,863 were from the parent company and 1,534 were from the subsidiaries.

The remuneration package of the Company's employees comprises basic salary, performance bonus and staff benefits. The Company stringently abided by and strictly enforced the "Labor Law", "Labor Contract Law" and other external laws and regulations, and established sound human resources management systems and processes, including the "Management Regulation on the Salary for GF Securities Employees", "Administrative Measures on the Labor Contract for GF Securities Employees", and effectively protected the rights and interests for employees in labor protection, working conditions, salary payment, social insurance, working hours management, rest and vacation, the interests of female employees.

The Company established a comprehensive welfare and security system, including social insurance, annuity, housing subsidies, housing fund, supplementary medical insurance, benefits leave, union welfare, and welfare of female employees. The Company established a comprehensive welfare and security system, and it successively developed internal systems such as the "Administrative Measures on the Welfare for GF Securities Employee", the "Administrative Measures on the Welfare for Union Member of GF Securities" and the "Administrative Measures on the Benefits Leave for GF Securities Employee" to establish a comprehensive welfare and security system.

The Company is committed to strengthen the development of its talents, and to increase investment in training to improve staff quality. In order to implement its strategies in respect of talent development and team construction, the Company set up a training center operating as a first level department. The Company has established a sound training management system by improving the training management system, diversifying training channels, optimizing management of the training department and developing an internal team of trainers.

## Section 8 Financial Statements

### I. Review report

The 2016 Interim Financial Report of the Company prepared in accordance with IAS has not been audited but reviewed by Deloitte Touche Tohmatsu and the review report is enclosed hereinafter.

### II. Financial statements and notes (Enclosed hereinafter)



# Report on Review of Condensed Consolidated Financial Statements

**Deloitte.**  
**德勤**

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## TO THE BOARD OF DIRECTORS OF GF SECURITIES CO., LTD.

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

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 139, which comprise the condensed consolidated statement of financial position as at June 30, 2016 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

August 26, 2016

# Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2016

	NOTES	Six months ended June 30,	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue			
Commission and fee income	4	6,531,113	10,603,385
Interest income	5	3,945,771	6,564,510
Net investment gains	6	3,357,943	6,675,929
Total revenue		13,834,827	23,843,824
Other income and gains or losses	7	(180,674)	149,050
Total revenue and other income		13,654,153	23,992,874
Depreciation and amortisation	8	(146,905)	(135,972)
Staff costs	9	(3,230,136)	(6,281,439)
Commission and fee expenses	10	(167,386)	(202,723)
Interest expenses	11	(3,505,124)	(4,151,748)
Other operating expenses	12	(1,493,098)	(2,019,954)
Impairment losses		(8,508)	(34,917)
Total expenses		(8,551,157)	(12,826,753)
Share of results of associates and joint ventures		201,973	172,670
Profit before income tax		5,304,969	11,338,791
Income tax expense	13	(1,102,137)	(2,701,043)
Profit for the period		4,202,832	8,637,748
Attributable to:			
Owners of the Company		4,030,494	8,405,961
Non-controlling interests		172,338	231,787
		4,202,832	8,637,748
Earnings per share			
(Expressed in RMB Yuan per share)			
– Basic	14	0.53	1.26
– Diluted	14	0.53	1.26

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

For the six months ended June 30, 2016

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Profit for the period	4,202,832	8,637,748
Other comprehensive (expense) income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets:		
Net fair value changes during the period	(1,762,463)	4,064,486
Reclassification adjustment to profit or loss on disposal	(879,780)	(2,850,156)
Income tax impact	634,133	(241,195)
Subtotal	(2,008,110)	973,135
Share of fair value (loss) gain on available-for-sale financial assets of associates and joint ventures	(45,922)	68,094
Share of exchange differences arising on translation of associates	(2,531)	(77)
Exchange differences arising on translation	106,507	(1,325)
Other comprehensive (expense) income for the period, net of income tax	(1,950,056)	1,039,827
Total comprehensive income for the period	<u>2,252,776</u>	<u>9,677,575</u>
Attributable to:		
Owners of the Company	2,176,627	9,366,449
Non-controlling interests	76,149	311,126
	<u>2,252,776</u>	<u>9,677,575</u>

The accompanying notes presented on pages 85 to 139 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Financial Position

As at June 30, 2016

	NOTES	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Non-current assets</b>			
Property and equipment	15	1,590,717	1,579,745
Prepaid lease payments		312,901	317,715
Investment properties		24,407	25,275
Goodwill		2,218	2,174
Other intangible assets		190,817	213,943
Investments in associates	16	2,617,657	2,552,462
Investments in joint ventures	17	666,606	795,042
Available-for-sale financial assets	18	16,866,595	17,850,015
Advances to customers	19	415,692	220,837
Loan and receivable investments	20	1,076,789	499,640
Financial assets held under resale agreements	21	1,463,574	1,835,232
Other accounts receivable, other receivables and prepayments	22	1,032,264	—
Pledged/restricted bank deposits		80,000	80,000
Deferred tax assets	23	1,334,606	269,442
Total non-current assets		<b>27,674,843</b>	<b>26,241,522</b>
<b>Current assets</b>			
Advances to customers	19	50,877,468	68,969,706
Prepaid lease payments		9,628	9,628
Accounts receivable	24	1,380,736	2,519,141
Other accounts receivable, other receivables and prepayments	22	3,405,916	3,426,486
Amounts due from associates		5,355	12,194
Available-for-sale financial assets	18	70,951,569	78,732,563
Loan and receivable investments	20	1,366,847	99,953
Financial assets held under resale agreements	21	7,832,714	11,910,685
Financial assets at fair value through profit or loss	25	80,045,197	83,912,240
Derivative financial assets	26	247,213	270,579
Deposits with exchanges and non-bank financial institutions	27	3,897,790	5,277,796
Clearing settlement funds	28	12,102,525	31,222,061
Pledged/restricted bank deposits		334,208	242,008
Bank balances	29	97,477,047	106,250,453
Total current assets		<b>329,934,213</b>	<b>392,855,493</b>
Total assets		<b>357,609,056</b>	<b>419,097,015</b>

Condensed Consolidated Statement of Financial Position

As at June 30, 2016

	NOTES	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Current liabilities</b>			
Borrowings	31	2,757,144	896,010
Financial liabilities at fair value through profit or loss	25	694,823	—
Short-term financing payables	32	15,660,160	21,643,800
Due to banks and other financial institutions		5,731,581	1,750,000
Accounts payable to brokerage clients	33	99,183,586	118,137,085
Accounts payable to underwriting clients		—	350,000
Accrued staff costs	34	6,178,382	7,812,465
Other accounts payable, other payables and accruals	35	9,632,242	8,427,933
Provisions		60,581	60,581
Current tax liabilities		873,686	982,736
Other liabilities	36	12,694,784	10,515,964
Derivative financial liabilities	26	264,104	309,454
Financial assets sold under repurchase agreements	37	68,695,462	85,395,761
Bonds payable	38	19,080,340	6,976,681
Total current liabilities		<u>241,506,875</u>	<u>263,258,470</u>
Net current assets		<u>88,427,338</u>	<u>129,597,023</u>
Total assets less current liabilities		<u>116,102,181</u>	<u>155,838,545</u>

## Condensed Consolidated Statement of Financial Position

As at June 30, 2016

	NOTES	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Equity</b>			
Share capital		7,621,088	7,621,088
Capital reserve		31,864,053	31,864,032
Investment revaluation reserve		751,434	2,708,507
Translation reserve		166,349	63,143
General reserves		13,072,186	13,029,223
Retained profits		20,123,941	22,233,281
Equity attributable to owners of the Company		73,599,051	77,519,274
Non-controlling interests		2,540,958	2,301,555
Total equity		76,140,009	79,820,829
<b>Non-current liabilities</b>			
Other accounts payable, other payables and accruals	35	70,750	—
Deferred tax liabilities	23	144,025	278,362
Bonds payable	38	37,268,765	72,270,186
Long-term loans		2,478,632	3,469,168
Total non-current liabilities		39,962,172	76,017,716
Total equity and non-current liabilities		116,102,181	155,838,545

This condensed consolidated financial statements on pages 76 to 139 was approved for issue by the Board of Directors on August 26, 2016 and signed on its behalf by:

**Sun Shuming**  
Director

**Lin Zhihai**  
Director

The accompanying notes presented on pages 85 to 139 form part of these condensed consolidated financial statements.



# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2016

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment	Translation reserve	General reserves	Retained profits	Subtotal		
			revaluation reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2016 (Audited)	7,621,088	31,864,032	2,708,507	63,143	13,029,223	22,233,281	77,519,274	2,301,555	79,820,829
Profit for the period	—	—	—	—	—	4,030,494	4,030,494	172,338	4,202,832
Other comprehensive (expense) income for the period	—	—	(1,957,073)	103,206	—	—	(1,853,867)	(96,189)	(1,950,056)
Total comprehensive (expense) income for the period	—	—	(1,957,073)	103,206	—	4,030,494	2,176,627	76,149	2,252,776
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	245,881	245,881
Appropriation to general reserves	—	—	—	—	42,963	(42,963)	—	—	—
Dividends recognised as distribution (Note 39)	—	—	—	—	—	(6,096,871)	(6,096,871)	(82,627)	(6,179,498)
Others	—	21	—	—	—	—	21	—	21
At June 30, 2016 (Unaudited)	7,621,088	31,864,053	751,434	166,349	13,072,186	20,123,941	73,599,051	2,540,958	76,140,009
At January 1, 2015 (Audited)	5,919,291	8,587,817	1,952,136	(93,712)	9,397,723	13,847,625	39,610,880	1,766,576	41,377,456
Profit for the period	—	—	—	—	—	8,405,961	8,405,961	231,787	8,637,748
Other comprehensive income (expense) for the period	—	—	962,581	(2,093)	—	—	960,488	79,339	1,039,827
Total comprehensive income (expense) for the period	—	—	962,581	(2,093)	—	8,405,961	9,366,449	311,126	9,677,575
Issuance of H shares	1,701,797	23,694,517	—	—	—	—	25,396,314	—	25,396,314
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	80,966	80,966
Transaction cost of issuing of H shares	—	(603,215)	—	—	—	—	(603,215)	—	(603,215)
Change in equity interests of subsidiaries without loss of control	—	—	—	—	—	—	—	(2,554)	(2,554)
Appropriation to general reserves	—	—	—	—	38,704	(38,704)	—	—	—
Dividends recognised as distribution (Note 39)	—	—	—	—	—	(1,183,858)	(1,183,858)	(99,129)	(1,282,987)
At June 30, 2015 (Unaudited)	7,621,088	31,679,119	2,914,717	(95,805)	9,436,427	21,031,024	72,586,570	2,056,985	74,643,555

The accompanying notes presented on pages 85 to 139 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2016

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	5,304,969	11,338,791
Adjustments for:		
Interest expenses	3,505,124	4,151,748
Share of results of associates and joint ventures	(201,973)	(172,670)
Depreciation and amortisation	146,905	135,972
Impairment losses	8,508	34,917
Gain on disposal of property and equipment and other intangible assets	(694)	(542)
Foreign exchange losses (gains), net	23,560	(286,781)
Net realised gains from disposal of available-for-sale financial assets	(879,780)	(2,888,633)
Dividend income and interest income from available-for-sale financial assets	(1,369,175)	(794,877)
Interest income and net realised gains from loan and receivable investments	(6,294)	(17,378)
Gain on other investments	(6)	—
Unrealised fair value changes in financial assets at fair value through profit or loss	(11,000)	(153,812)
Unrealised fair value changes in financial liabilities at fair value through profit or loss	2,908	—
Unrealised fair value changes in derivatives	(24,414)	(77,788)
Operating cash flows before movements in working capital	6,498,638	11,268,947
Decrease (increase) in advances to customers	17,927,449	(75,443,856)
Decrease in due from banks	—	1,000,000
Decrease (increase) in interest receivables	317,792	(891,420)
Decrease in financial assets held under resale agreements	4,412,554	1,180,728
Decrease (increase) in financial assets at fair value through profit or loss	3,878,043	(34,284,376)
Decrease (increase) in deposits with exchanges and non-bank financial institutions	1,380,006	(1,863,005)
(Increase) decrease in pledged/restricted bank deposits	(92,200)	31,819
Increase in other assets	(321,915)	(413,302)
Decrease (increase) in clearing settlement funds-clients	20,458,564	(2,278,565)
Decrease (increase) in cash held on behalf of customers	229,359	(115,617,250)
(Decrease) increase in accounts payable to brokerage clients	(18,953,499)	117,622,640
Increase in financial liabilities at fair value through profit or loss	691,915	—
(Decrease) increase in accrued staff costs	(1,634,083)	2,896,537
(Decrease) increase in other accounts payable, other payables and accruals and other liabilities	(524,226)	1,389,534
(Decrease) increase in financial assets sold under repurchase agreements	(16,700,299)	36,893,942
Increase in due to banks and other financial institutions	3,981,581	377,000
Cash from (used) in operations	21,549,679	(58,130,627)
Income taxes paid	(1,779,348)	(1,654,685)
Interest paid	(1,527,776)	(1,775,534)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>18,242,555</b>	<b>(61,560,846)</b>

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2016

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>INVESTING ACTIVITIES</b>		
Dividends and interest received from investments	<b>1,787,688</b>	1,187,609
Purchases of property and equipment and other intangible assets	<b>(90,733)</b>	(106,093)
Proceeds from disposal of property and equipment and other intangible assets	<b>852</b>	17,982
Capital injection to associates	<b>—</b>	(593,033)
Proceeds from disposals of partial interest in associates	<b>1,225</b>	—
Capital injection to joint ventures	<b>(205,000)</b>	(310,200)
Purchase of additional interest in a subsidiary	<b>—</b>	(2,500)
Acquisition of a subsidiary (Note 46.2)	<b>53,335</b>	—
Cash inflows arising from the consolidation of asset management schemes and funds (Note 46.3)	<b>8,095</b>	620,086
Cash outflows arising from the deconsolidation of asset management schemes and funds (Note 46.4)	<b>(29,561)</b>	—
Purchases or proceeds from disposal of available-for-sale financial assets, net	<b>7,114,247</b>	(14,761,956)
Purchase of loan and receivable investments	<b>(1,916,996)</b>	(687,904)
Proceeds from disposal of loan and receivable investments	<b>72,953</b>	467,920
Payment on other investment activities	<b>(52,000)</b>	(285,000)
Proceeds from other investment activities	<b>30,000</b>	—
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>6,774,105</b>	(14,453,089)

## Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2016

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders	(70,621)	(1,282,987)
Repayment of borrowings interest	(17,726)	(18,063)
Repayment of short-term financing payables and bonds interest	(4,344,745)	(1,135,682)
Repayment of long-term loans interest	(111,027)	(104,712)
Capital injection from non-controlling shareholders	245,881	80,966
Net (repayment of) proceeds from short-term financing payables and bonds (repaid) issued	(28,482,720)	76,235,480
Net proceeds from borrowings	1,861,134	665,089
Repayment of long-term loans	(990,536)	—
Decrease in pledged/restricted bank deposits	—	399,148
Proceeds from issuance of H shares	—	25,396,314
Transaction cost paid on issuance of H shares	(366,257)	(28,398)
Proceeds from sale of scrap shares	21	—
Proceeds from other financial activities	29,844	—
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(32,246,752)</b>	100,207,155
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,230,092)</b>	24,193,220
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>20,382,120</b>	18,973,572
Effect of foreign exchange rate changes	25,073	(5,215)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>13,177,101</b>	43,161,577

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 1. GENERAL

With the approval of the People's Bank of China, Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank) established a securities department on April 9, 1991. With the approval of the Guangdong Administration for Industry and Commerce, the Company was duly established as the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部) on May 21, 1993. On January 25, 1994, the Company was converted into Guangdong Guangfa Securities Company (廣東廣發證券公司) whose capital was contributed by Guangdong Development Bank with its own funds. On December 26, 1996, the Company was converted into a limited liability company and changed its name to Guangfa Securities Limited Liability Company (廣發證券有限責任公司). On August 26, 1999, the Company was spun off from Guangdong Development Bank as required by the sectoral regulation of the financial industries under the PRC laws. On July 25, 2001, the Company was converted into a joint stock company and changed its name to GF Securities Co., Ltd. (廣發證券股份有限公司). On February 12, 2010, the Company was listed on the Shenzhen Stock Exchange by completing a reverse takeover of Yan Bian Road Construction Co., Ltd. (延邊公路建設股份有限公司) ("Yan Bian Road"), with the stock code 000776. On April 10, 2015, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The registered office of the Company is located at 43rd Floor (Room 4301-4316), Metro Plaza, No.183-187, Tianhe North Road, Tianhe District, Guangzhou, People's Republic of China ("PRC").

The Company and its subsidiaries are principally engaged in securities brokerage, securities investment consultation, financial advisory business relating to securities trading and securities investment, securities underwriting and sponsorship, securities proprietary trading, provision of futures intermediary services for futures companies, margin financing and securities lending, proxy sale of financial products, securities investment fund custodian, market-making of stock options, asset management, project and investment management and commodity futures brokerage, financial futures brokerage and futures investment advisory.

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2015.

**Principal accounting policies**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to the International Financial Reporting Standards (“IFRSs”) issued by the IASB that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above amendments to IFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements 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 June 30, 2016

3. SEGMENT REPORTING

The Group's operating segments are consistent with the Group's consolidated financial statements for the year ended December 31, 2015.

The operating and reportable segment information provided to the chief operating decision maker for the six months ended June 30, 2016 and 2015 is as follows:

	Investment banking RMB'000	Wealth management RMB'000	Trading and Institution client services RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
<b>Unaudited</b>								
<b>For the six months ended</b>								
<b>June 30, 2016</b>								
<b>Segment revenue and results</b>								
Segment revenue	1,360,550	6,052,295	3,003,826	2,962,375	455,781	13,834,827	—	13,834,827
Segment other income and gains or losses	4,812	34,112	5,607	(200,999)	(24,206)	(180,674)	—	(180,674)
Segment revenue and other income	1,365,362	6,086,407	3,009,433	2,761,376	431,575	13,654,153	—	13,654,153
Segment expenses	(552,822)	(3,129,974)	(2,343,736)	(1,195,655)	(1,328,970)	(8,551,157)	—	(8,551,157)
Segment result	812,540	2,956,433	665,697	1,565,721	(897,395)	5,102,996	—	5,102,996
Share of results of associates and joint ventures	—	(50)	—	201,288	735	201,973	—	201,973
Profit (loss) before income tax	812,540	2,956,383	665,697	1,767,009	(896,660)	5,304,969	—	5,304,969
<b>Unaudited</b>								
<b>As at June 30, 2016</b>								
<b>Segment assets and liabilities</b>								
Segment assets	1,427,224	106,609,891	101,865,431	37,356,844	110,426,060	357,685,450	(1,411,000)	356,274,450
Deferred tax assets								1,334,606
Group's total assets								357,609,056
Segment liabilities	500,914	96,866,828	47,708,119	17,483,852	118,765,309	281,325,022	—	281,325,022
Deferred tax liabilities								144,025
Group's total liabilities								281,469,047



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 3. SEGMENT REPORTING – continued

	Investment banking RMB'000	Wealth management RMB'000	Trading and Institution client services RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
<b>Unaudited</b>								
<b>For the six months ended</b>								
<b>June 30, 2015</b>								
<b>Segment revenue and results</b>								
Segment revenue	780,830	13,551,535	6,002,196	2,883,056	626,207	23,843,824	—	23,843,824
Segment other income and gains or losses	5,795	7,951	6	(177,767)	313,065	149,050	—	149,050
Segment revenue and other income	786,625	13,559,486	6,002,202	2,705,289	939,272	23,992,874	—	23,992,874
Segment expenses	(346,828)	(6,331,319)	(1,871,783)	(983,467)	(3,293,356)	(12,826,753)	—	(12,826,753)
Segment result	439,797	7,228,167	4,130,419	1,721,822	(2,354,084)	11,166,121	—	11,166,121
Share of results of associates and joint ventures	—	—	—	171,601	1,069	172,670	—	172,670
Profit (loss) before income tax	439,797	7,228,167	4,130,419	1,893,423	(2,353,015)	11,338,791	—	11,338,791
<b>Audited</b>								
<b>As at December 31, 2015</b>								
<b>Segment assets and liabilities</b>								
Segment assets	1,575,274	132,640,569	86,520,180	33,119,775	166,382,775	420,238,573	(1,411,000)	418,827,573
Deferred tax assets								269,442
Group's total assets								419,097,015
Segment liabilities	834,912	114,345,555	79,794,796	16,041,244	127,981,317	338,997,824	—	338,997,824
Deferred tax liabilities								278,362
Group's total liabilities								339,276,186

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

4. COMMISSION AND FEE INCOME

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Commission on securities dealing and broking and handling fee income	2,835,358	8,079,260
Underwriting and sponsors fees	1,063,952	623,409
Commission on futures and options contracts dealing and broking and handling fee income	151,148	179,208
Asset management and fund management fee income	2,017,247	1,434,928
Consultancy and financial advisory fee income	413,243	252,333
Others	50,165	34,247
	<u>6,531,113</u>	<u>10,603,385</u>

5. INTEREST INCOME

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Advances to customers and securities lending	2,196,806	4,516,058
Deposits with exchanges and non-bank financial institutions and bank balances	1,390,311	1,555,615
Financial assets held under resale agreements	319,041	427,282
Others	39,613	65,555
	<u>3,945,771</u>	<u>6,564,510</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**6. NET INVESTMENT GAINS**

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Net realised gains from disposal of available-for-sale financial assets	<b>879,780</b>	2,888,633
Net realised (losses) gains from disposal of financial assets at fair value through profit or loss	<b>(586,969)</b>	2,708,536
Dividend income and interest income from financial assets at fair value through profit or loss	<b>1,499,695</b>	788,236
Dividend income and interest income from available-for-sale financial assets	<b>1,369,173</b>	794,877
Interest income and net realised gains from loan and receivable investments	<b>6,294</b>	17,378
Net realised gains (losses) from derivatives	<b>102,120</b>	(1,266,994)
Unrealised fair value changes of financial instruments at fair value through profit or loss		
- financial assets at fair value through profit or loss	<b>11,000</b>	153,812
- financial liabilities at fair value through profit or loss	<b>(2,908)</b>	—
- derivatives	<b>79,752</b>	591,451
Others	<b>6</b>	—
	<b><u>3,357,943</u></b>	<u>6,675,929</u>

**7. OTHER INCOME AND GAINS OR LOSSES**

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Foreign exchange (losses) gains, net	<b>(23,560)</b>	286,781
Third-party interests in consolidated asset management schemes and funds	<b>(252,793)</b>	(251,219)
Government grants	<b>33,443</b>	75,296
Commission from tax withholding and remitting	<b>11,299</b>	4,956
Gain on disposal of property and equipment and other intangible assets	<b>694</b>	542
Gain on acquisition of a subsidiary (Note 46.2)	<b>1,338</b>	—
Others	<b>48,905</b>	32,694
	<b><u>(180,674)</u></b>	<u>149,050</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

8. DEPRECIATION AND AMORTISATION

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Depreciation of property and equipment	109,339	106,371
Depreciation of investment properties	868	868
Amortisation of prepaid lease payments	4,814	4,814
Amortisation of other intangible assets	31,884	23,919
	<u>146,905</u>	<u>135,972</u>

9. STAFF COSTS

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Salaries, bonus and allowances	2,615,628	5,847,364
Social welfare	222,018	184,885
Contributions to annuity schemes	236,137	86,981
Early retirement benefits	8,865	7,394
Others	147,488	154,815
	<u>3,230,136</u>	<u>6,281,439</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**10. COMMISSION AND FEE EXPENSES**

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Securities and futures dealing and broking expenses	<b>135,946</b>	178,741
Underwriting and sponsors fee expenses	<b>15,051</b>	10,250
Other service expenses	<b>16,389</b>	13,732
	<b>167,386</b>	202,723

Note: Distribution expenses for fund and asset management business amounting to RMB267.95 million (Six months ended June 30, 2015: RMB213.25 million) are classified under other operating expenses described in note 12.

**11. INTEREST EXPENSES**

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Accounts payable to brokerage clients	<b>158,060</b>	199,524
Financial assets sold under repurchase agreements	<b>1,017,420</b>	1,657,278
Borrowings	<b>19,711</b>	16,835
Due to banks and other financial institutions	<b>152,325</b>	138,150
Short-term financing bills	—	254,389
Corporate bonds	<b>535,953</b>	759,717
Subordinated bonds	<b>1,114,454</b>	667,646
Long-term loans	<b>109,685</b>	104,137
Structured notes	<b>319,517</b>	332,848
Others	<b>77,999</b>	21,224
	<b>3,505,124</b>	4,151,748

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
General and administrative expenses	228,500	206,118
Business taxes and surcharges	396,213	1,081,059
Operating lease rentals in respect of rented premises	170,780	158,870
Distribution expenses for fund and asset management business	267,952	213,253
Data transmission expenses	90,211	70,612
Securities and futures investor protection funds	122,049	95,243
Advertisement and business development expenses	44,887	68,312
Business travel expenses	50,729	40,679
Sundry expenses	121,777	85,808
	<u>1,493,098</u>	<u>2,019,954</u>

13. INCOME TAX EXPENSE

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	1,645,887	3,112,629
Hong Kong Profits Tax	18,214	7,651
Under (Over) provision in prior years:		
PRC Enterprise Income Tax	6,216	(144)
Hong Kong Profits Tax	(19)	—
Subtotal	<u>1,670,298</u>	<u>3,120,136</u>
Deferred income tax (Note 23)	<u>(568,161)</u>	<u>(419,093)</u>
	<u>1,102,137</u>	<u>2,701,043</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**13. INCOME TAX EXPENSE – continued**

Under the Enterprise Income Tax of the PRC (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the Company and its subsidiaries in the PRC is 25%, except for as mentioned below.

Upon the approval of the “Circular of Tax Reduction from the Municipal Tax Department of Urumqi Economic and Technological Development Zone” (「烏魯木齊經濟技術開發區地方稅務局減免稅備案通知書」(烏經濟區地稅股備字[2012] 25號)), GF Xinde Investment Management Co., Limited (“GF Xinde”), a wholly owned subsidiary, is subject to a tax rate of 12% from May 25, 2012 to December 31, 2015. As at June 30, 2016, GF Xinde is still in the process of filing for preferential tax treatment that allows it to continue using a preferential tax rate of 12% under the “Strategic Cooperation Framework Agreement between Urumqi Economic and Technological Development Zone Management Committee and GF Xinde Investment Management Co., Limited”(「烏魯木齊經濟技術開發區管理委員會與廣發信德投資管理有限公司戰略合作框架協議」).

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**14. EARNINGS PER SHARE**

The calculation of basic earnings per share attributable to owners of the Company is as follows:

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	<b>4,030,494</b>	8,405,961
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand) (Note)	<b>7,621,088</b>	6,668,605
Earnings per share:		
Earnings per share (RMB)	<b>0.53</b>	1.26

The Group has no dilutive potential ordinary shares outstanding for the six months ended June 30, 2016. The over allotment options granted by the Company in April 2015 has no significant impact in the computation of diluted earnings per share for the six months ended June 30, 2015.

Note: The time-weighting factor of weighted average number of shares in issue is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

15. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Unaudited</u>							
<b>Cost</b>							
As at January 1, 2016	802,741	768,579	119,718	155,440	541,312	526,731	2,914,521
Additions	—	23,105	5,826	3,487	6,226	81,292	119,936
Disposals/written-off	—	(37,657)	(4,934)	(5,748)	(239)	—	(48,578)
Effect of foreign currency exchange differences	—	855	52	74	493	—	1,474
As at June 30, 2016	802,741	754,882	120,662	153,253	547,792	608,023	2,987,353
<b>Accumulated depreciation and impairment</b>							
As at January 1, 2016	283,534	470,260	74,604	105,547	400,831	—	1,334,776
Charge for the period	14,291	49,557	6,775	9,538	29,178	—	109,339
Eliminate on disposals/ written-off	—	(37,603)	(4,909)	(5,628)	(20)	—	(48,160)
Effect of foreign currency exchange differences	—	331	35	39	276	—	681
As at June 30, 2016	297,825	482,545	76,505	109,496	430,265	—	1,396,636
<b>Carrying values</b>							
As at June 30, 2016	504,916	272,337	44,157	43,757	117,527	608,023	1,590,717



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

15. PROPERTY AND EQUIPMENT – *continued*

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Audited</u>							
<b>Cost</b>							
As at January 1, 2015	802,741	670,669	108,511	148,929	515,152	278,769	2,524,771
Additions	—	169,255	22,134	16,158	51,421	247,962	506,930
Disposals/written-off	—	(72,649)	(11,044)	(10,059)	(27,453)	—	(121,205)
Effect of foreign currency exchange differences	—	1,304	117	412	2,192	—	4,025
As at December 31, 2015	<u>802,741</u>	<u>768,579</u>	<u>119,718</u>	<u>155,440</u>	<u>541,312</u>	<u>526,731</u>	<u>2,914,521</u>
<b>Accumulated depreciation and impairment</b>							
As at January 1, 2015	254,952	451,753	72,886	95,173	362,546	—	1,237,310
Charge for the year	28,582	89,980	12,681	20,098	63,700	—	215,041
Eliminate on disposals/written-off	—	(72,250)	(11,044)	(9,895)	(26,308)	—	(119,497)
Effect of foreign currency exchange differences	—	777	81	171	893	—	1,922
As at December 31, 2015	<u>283,534</u>	<u>470,260</u>	<u>74,604</u>	<u>105,547</u>	<u>400,831</u>	<u>—</u>	<u>1,334,776</u>
<b>Carrying values</b>							
As at December 31, 2015	<u>519,207</u>	<u>298,319</u>	<u>45,114</u>	<u>49,893</u>	<u>140,481</u>	<u>526,731</u>	<u>1,579,745</u>

The carrying amount of Group's property and equipment included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, as such the entire lease is classified as finance lease and accounted for as property and equipment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

16. INVESTMENTS IN ASSOCIATES

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Cost of unlisted investments in associates	<b>1,161,626</b>	1,162,851
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>1,456,031</b>	1,389,611
	<b><u>2,617,657</u></b>	<u>2,552,462</u>

At the end of each reporting period, the Group has the following significant associate:

Name of associate	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30.6.2016	As at 31.12.2015	
易方達基金管理有限公司 E Fund Management Co., Limited. ("E Fund")	PRC April 17, 2001	<b>25.00%</b>	25.00%	Fund raising, fund selling, asset management, and other CSRC approved business.

17. INVESTMENTS IN JOINT VENTURES

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Cost of unlisted investments in joint ventures	<b>651,315</b>	792,815
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>15,291</b>	2,227
	<b><u>666,606</u></b>	<u>795,042</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**18. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
<b>Non-current</b>		
Measured at fair value:		
Equity securities	428,420	893,487
Funds	—	3,681
Other investments <sup>(i)</sup>	13,394,720	14,461,155
Measured at cost less impairment:		
Equity securities <sup>(ii)</sup>	3,043,455	2,491,692
Total	<b>16,866,595</b>	<b>17,850,015</b>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(iii)</sup>	428,420	897,168
Unlisted	16,438,175	16,952,847
	<b>16,866,595</b>	<b>17,850,015</b>
<b>Current</b>		
Measured at fair value:		
Debt securities	55,953,410	64,338,083
Equity securities	4,887,701	5,422,382
Funds	4,384,009	4,878,563
Other investments <sup>(i)</sup>	5,726,449	4,093,535
Total	<b>70,951,569</b>	<b>78,732,563</b>
<b>Analysed as:</b>		
Listed in Hong Kong	88,713	136,145
Listed outside Hong Kong <sup>(iii)</sup>	24,948,907	20,913,995
Unlisted	45,913,949	57,682,423
Total	<b>70,951,569</b>	<b>78,732,563</b>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**18. AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued**

- (i) Other investments mainly represent investments in: (i) collective asset management schemes issued and managed by the Group, whereby the Group's interest in and exposure to them are not significant; (ii) wealth management products issued by banks; (iii) targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC and loans. The Group has committed to hold some of its investments in collective asset management schemes managed by the Group till the end of the investment period, the amount of which is RMB911.38 million as at June 30, 2016 (December 31, 2015: RMB854.85 million).

The balance includes an investment in a special account managed by China Securities Finance Corporation Limited ("CSF"). Pursuant to the agreements the Company entered into with CSF, the Company contributed RMB13,863.79 million to the special account managed by CSF in 2015. The Company is entitled to the profit or loss derived from the special account in proportion to the funding portion contributed. As at June 30, 2016, the Company determined the total fair value of the investment according to an evaluation report provided by CSF.

- (ii) The unlisted equity securities held by the Group are issued by private companies in, among others, the manufacturing industry, energy technology, and medical or electronic communication sectors. As the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of the period.
- (iii) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

Fair value of the Group's available-for-sale financial assets are determined in the manner described in note 45.

As at June 30, 2016, the listed equity securities of the Group included approximately RMB1,154.24 million (December 31, 2015: RMB1,881.93 million) of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period.

As at June 30, 2016, the Group entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale financial assets (including equity securities and exchange-traded funds) with total fair values of RMB29.92 million (December 31, 2015: RMB20.05 million) to clients. These securities continued to be recognised as financial assets.

In the opinion of the directors, non-current available-for-sale financial assets are not expected to be realised within one year from the end of the reporting period.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 19. ADVANCES TO CUSTOMERS

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Non-current</b>		
Loans to margin clients	<u>415,692</u>	<u>220,837</u>
<b>Current</b>		
Loans to margin clients	50,962,051	69,084,355
Less: Impairment on advances to customers	<u>(84,583)</u>	<u>(114,649)</u>
	<u>50,877,468</u>	<u>68,969,706</u>

As at June 30, 2016, the overall loans and advances to margin clients have been assessed for impairment on a collective assessment basis, which are based on the evaluation of probability of default, loss given default, risk exposure level of accounts and management's judgement, including the current credit worthiness and the past collection history of individual accounts or a portfolio of accounts in view of the overall loan balance and economic condition.

## 20. LOAN AND RECEIVABLE INVESTMENTS

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Non-current</b>		
Asset management schemes <sup>(i)</sup>	313,950	168,300
Secured loan receivables <sup>(iii)</sup>	562,839	331,340
Trust products	<u>200,000</u>	<u>—</u>
	<u>1,076,789</u>	<u>499,640</u>
<b>Current</b>		
Asset management schemes <sup>(i)</sup>	27,000	49,685
Unsecured loan receivables <sup>(ii)</sup>	1,100,000	—
Secured loan receivables <sup>(iii)</sup>	<u>239,847</u>	<u>50,268</u>
	<u>1,366,847</u>	<u>99,953</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

20. LOAN AND RECEIVABLE INVESTMENTS – *continued*

- (i) As at June 30, 2016 and December 31, 2015, the non-current asset management schemes were issued by asset management companies bearing interest at 10% to 10.3% per annum and would be repaid within one to two years.

As at June 30, 2016, the current asset management schemes were issued by asset management companies bearing interest at 7.2% to 8% (December 31, 2015: 5.7% to 8%) per annum and would be repaid within one year.

- (ii) As at June 30, 2016, the current unsecured loan receivables bear interest at 10% per annum and would be repaid within one year.

- (iii) As at June 30, 2016 and December 31, 2015, the non-current secured loan receivables bear interest at 2% to 13% per annum and would be repaid within one to two years.

As at June 30, 2016, the current secured loan receivables bear interest at 3.5% to 26% (December 31, 2015: 8%) per annum and would be repaid within one year.

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	<b>As at 31.12.2015 RMB'000 (audited)</b>
<b>Non-current</b>		
Analysed by collateral type:		
Stock <sup>(i)</sup>	<u>1,463,574</u>	<u>1,835,232</u>
Analysed by market:		
Stock exchanges	<u>1,463,574</u>	<u>1,835,232</u>
<b>Current</b>		
Analysed by collateral type:		
Stock <sup>(i)</sup>	5,729,877	6,943,857
Bond <sup>(ii)</sup>	2,102,837	4,966,779
Fund	—	49
	<u>7,832,714</u>	<u>11,910,685</u>
Analysed by market:		
Stock exchanges	5,758,377	7,033,206
Interbank bond market	2,074,337	4,877,479
	<u>7,832,714</u>	<u>11,910,685</u>

- (i) The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price.

- (ii) Mainly for interbank pledged resale agreements and interbank outright resale agreements.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 22. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Non-current</b>		
Entrusted Loan <sup>(i)</sup>	20,000	—
Financial leasing receivables	1,012,264	—
	<u>1,032,264</u>	<u>—</u>
<b>Current</b>		
Other accounts receivable	45,938	45,938
Interest receivable	2,527,745	3,131,238
Financial leasing receivables	183,722	—
Other receivables	209,389	128,336
Investment prepayments	233,808	80,111
Dividends receivables	6,804	6,507
Amounts due from trading business clients	586	1,562
Entrusted loan	—	30,000
Others	251,212	55,914
	<u>3,459,204</u>	<u>3,479,606</u>
Less: Allowance for doubtful debts	<u>(53,288)</u>	<u>(53,120)</u>
	<u>3,405,916</u>	<u>3,426,486</u>

The movements in the allowance for doubtful debts are set out below:

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
At beginning of the year	53,120	63,836
Impairment losses recognised	131	1,701
Reversal of impairment losses	—	(5,000)
Amounts written off as uncollectible	—	(7,468)
Effect of foreign currency exchange differences	37	51
At end of the period/year	<u>53,288</u>	<u>53,120</u>

- (i) As at June 30, 2016, the balance of entrusted loan comprises a 3-year loan whereby Guangfa Financial Leasing (Guangdong) Co., Ltd.(廣發融資租賃(廣東)有限公司), a wholly owned subsidiary of the Company, lent to a third-party, which Industrial Bank Co., Limited acted as the entrusted bank. The principal of such loan is RMB20 million, with an interest rate of 8.8% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

23. DEFERRED TAXATION

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Deferred tax assets	<b>1,334,606</b>	269,442
Deferred tax liabilities	<b>(144,025)</b>	(278,362)
	<b><u>1,190,581</u></b>	<u>(8,920)</u>

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior period:

	Financial instruments at fair value through profit or loss/ derivatives RMB'000	Accrued staff cost RMB'000	Available- for-sale financial assets RMB'000	Allowance for impairment losses RMB'000	Property and equipment RMB'000	Others RMB'000	Total RMB'000
Audited							
At January 1, 2015	(22,185)	709,648	(592,261)	58,235	(22,085)	(12,706)	118,646
(Charge) credit to profit or loss	(122,370)	102,763	18,240	7,350	984	15,495	22,462
Charge to other comprehensive income	—	—	(150,028)	—	—	—	(150,028)
At December 31, 2015	<u>(144,555)</u>	<u>812,411</u>	<u>(724,049)</u>	<u>65,585</u>	<u>(21,101)</u>	<u>2,789</u>	<u>(8,920)</u>
Unaudited							
At January 1, 2016	(144,555)	812,411	(724,049)	65,585	(21,101)	2,789	(8,920)
(Charge) credit to profit or loss	(41,713)	621,154	(13,458)	1,662	492	24	568,161
Credit (charge) to other comprehensive income	—	—	634,133	—	—	(2,793)	631,340
At June 30, 2016	<u>(186,268)</u>	<u>1,433,565</u>	<u>(103,374)</u>	<u>67,247</u>	<u>(20,609)</u>	<u>20</u>	<u>1,190,581</u>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**24. ACCOUNTS RECEIVABLE**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
<b>Accounts receivable from/related to:</b>		
<b>Current</b>		
Principal and deposit of equity return swaps	2,360	693,841
Asset management fee and trading commission	768,325	693,213
Investment funds redemption receivable	51,000	311,000
Cash clients	226,804	360,601
Brokers	132,671	244,612
Clearing house	18,063	7,914
China Securities Investor Protection Fund Corporation for dormant accounts	26,455	26,455
Advisory and financial planning fee	5,431	3,249
Others	199,332	226,611
	<u>1,430,441</u>	<u>2,567,496</u>
Less: Allowance for doubtful debts	<u>(49,705)</u>	<u>(48,355)</u>
	<u><u>1,380,736</u></u>	<u><u>2,519,141</u></u>

The following is an aged analysis of accounts receivable net of allowance for doubtful debt:

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
<b>Current</b>		
Within 1 year	1,342,474	2,381,525
Between 1 and 2 years	8,451	107,599
Between 2 and 3 years	1,333	1,441
More than 3 years	28,478	28,576
	<u>1,380,736</u>	<u>2,519,141</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

24. ACCOUNTS RECEIVABLE – *continued*

The movement in the allowance for doubtful debts is set out below:

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	<b>As at 31.12.2015 RMB'000 (audited)</b>
At beginning of the year	48,355	866
Impairment losses recognised	1,998	49,211
Reversal of impairment losses	(648)	(3,016)
Effect of foreign currency exchange differences	—	1,294
At end of the period/year	<u><b>49,705</b></u>	<u><b>48,355</b></u>

The normal settlement terms of accounts receivable from clients, brokers and clearing house are within two days after trade date. Trading limits are set for clients. Normal settlement terms of accounts receivable from advisory and financial planning, asset and fund management are determined in accordance with the contract terms, ranging from three months to six months after the service was provided.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to reduce credit risk. The Group has no significant overdue balances.

25. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

**Financial assets held for trading**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	<b>As at 31.12.2015 RMB'000 (audited)</b>
Debt securities	44,977,361	27,570,758
Equity securities	3,594,704	4,077,558
Funds	23,142,891	45,692,492
Other investments <sup>(i)</sup>	7,830,496	6,121,051
	<u><b>79,545,452</b></u>	<u><b>83,461,859</b></u>
Analysed as:		
Listed in Hong Kong	233,160	202,874
Listed outside Hong Kong <sup>(ii)</sup>	19,625,013	14,482,853
Unlisted <sup>(iii)</sup>	59,687,279	68,776,132
	<u><b>79,545,452</b></u>	<u><b>83,461,859</b></u>

## Notes to the Condensed Consolidated Financial Statements

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**25. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS – continued**
**Financial assets designated at fair value through profit or loss**

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
Convertible debt instruments	272,875	216,755
Equity instruments	149,947	212,337
Exchangeable debt instruments	76,923	21,289
	<u>499,745</u>	<u>450,381</u>
Analysed as:		
Listed in Hong Kong	149,947	212,337
Listed outside Hong Kong <sup>(ii)</sup>	—	28,594
Unlisted <sup>(iii)</sup>	349,798	209,450
	<u>499,745</u>	<u>450,381</u>
Financial assets at fair value through profit or loss	<u>80,045,197</u>	<u>83,912,240</u>

**Financial liabilities at fair value through profit or loss**

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Financial liabilities held for trading</b>		
Debt instruments	<u>694,823</u>	—
Analysed as:		
Unlisted	<u>694,823</u>	—

(i) Other investments represent investments in collective asset management products issued and other wealth management schemes issued and managed by the Group and other financial institutions. The Group's interest in and exposure to the collective asset management schemes managed by the Group are not significant.

(ii) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

(iii) Unlisted securities mainly comprise of unlisted funds and debt securities traded on Interbank Bond Market.

Fair value of the Group's financial instruments at fair value through profit or loss are determined in the manner described in note 45.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

26. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30.6.2016		As at 31.12.2015	
	Assets	Liabilities	Assets	Liabilities
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (audited)
PRC stock index futures <sup>(i)</sup>	—	—	—	—
Treasury bond futures <sup>(ii)</sup>	—	—	—	—
Commodity futures <sup>(ii)</sup>	—	—	—	—
Interest rate swaps <sup>(iii)</sup>	245,764	236,137	263,395	253,074
Equity return swaps <sup>(iii)</sup>	—	21,067	1,873	47,724
HK & U.S. stock index futures <sup>(iv)</sup>	—	444	—	11
Structured notes <sup>(v)</sup>	—	4,849	—	4,350
Stock option <sup>(vi)</sup>	1,449	1,607	5,311	4,295
	<b>247,213</b>	<b>264,104</b>	<b>270,579</b>	<b>309,454</b>

- (i) PRC stock index futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC stock index futures (including the "PRC SIF", "PRC SIH" and "PRC SIC") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at June 30, 2016 and December 31, 2015. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the end of the reporting period.
- (ii) Treasury bond futures and commodity futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at June 30, 2016 and December 31, 2015. Accordingly, the net position of the treasury future contracts and commodity future contracts was nil at the end of the reporting period.
- (iii) Interest rate swaps and equity return swaps:  

The notional principal amounts of the Group's interest rate swaps contracts as at June 30, 2016 were RMB91,123 million (December 31, 2015: RMB77,006 million).

The notional principal amounts of the Group's equity return swaps contracts were RMB1,955 million as at June 30, 2016 (December 31, 2015: RMB21,434 million).
- (iv) HK stock index futures: the notional principal amounts of the Group's HK stock index futures contracts were RMB32.51 million as at June 30, 2016 (December 31, 2015: RMB19.74 million).  

U.S stock index futures: the notional principal amounts of the Group's America Stock Index futures contracts were nil as at June 30, 2016 (December 31, 2015: RMB2.64 million).
- (v) An amount of RMB4.02 million (December 31, 2015: RMB4.35 million) represents the fair value of embedded derivatives of structured notes, details set out in Notes 32 and 38; and an amount of RMB0.83 million (December 31, 2015: nil) represents the fair value of the contract with notional principal of RMB150 million.
- (vi) Stock option: the notional principal amounts of the Group's stock option contracts were RMB179.70 million as at June 30, 2016 (December 31, 2015: RMB244.87 million).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**27. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Deposits with stock exchanges:		
Shanghai Stock Exchange	<b>270,248</b>	506,061
Shenzhen Stock Exchange	<b>195,412</b>	356,394
Hong Kong Stock Exchange	<b>10,026</b>	20,298
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	<b>26,950</b>	27,090
Shanghai Futures Exchange	<b>675,710</b>	677,490
Zhengzhou Commodity Exchange	<b>273,770</b>	147,041
Dalian Commodity Exchange	<b>616,281</b>	268,634
China Financial Futures exchange	<b>1,320,157</b>	2,783,718
Intercontinental Exchange, Inc.	<b>6,632</b>	6,493
China Securities Finance Corporation Limited	<b>86,596</b>	53,648
Shanghai Clearing House	<b>61,172</b>	58,881
Guarantee fund paid to China Financial Futures Exchange	<b>20,138</b>	20,137
China Beijing Equity Exchange	<b>2,601</b>	2,193
LME Clear Limited	<b>136,171</b>	199,293
Others	<b>195,926</b>	150,425
	<b><u>3,897,790</u></b>	<u>5,277,796</u>

**28. CLEARING SETTLEMENT FUNDS**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Clearing settlement funds held with clearing houses for:		
House accounts	<b>4,111,211</b>	2,772,183
Clients	<b>7,991,314</b>	28,449,878
	<b><u>12,102,525</u></b>	<u>31,222,061</u>

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

29. BANK BALANCES

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
House accounts	<b>9,065,890</b>	17,609,937
Cash held on behalf of customers <sup>(i)</sup>	<b>88,411,157</b>	88,640,516
	<b>97,477,047</b>	106,250,453

Bank balances comprise term and demand deposits at bank which bear interest at the prevailing market rates.

- (i) The Group maintain accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 33).

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Bank balances – house	<b>9,065,890</b>	17,609,937
Clearing settlement funds - house	<b>4,111,211</b>	2,772,183
	<b>13,177,101</b>	20,382,120

Cash and cash equivalent includes bank deposits with original maturity of more than three months held by the Group. As at June 30, 2016, bank deposits with original maturity of more than three months, which can be withdrawn on demand without prior notice to banks, held by the Group were RMB396 million (December 31, 2015: RMB543.39 million).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**31. BORROWINGS**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Secured short-term bank loans	<b>52,801</b>	66,588
Unsecured short-term bank loans	<b>2,704,343</b>	829,422
	<b>2,757,144</b>	896,010

As at June 30, 2016 and December 31, 2015, the bank borrowings of GF Holdings (Hong Kong) Corporation Limited ("GFHK") were pledged by margin financing clients' securities and bank deposits, and the bank borrowings of GF Financial Markets (UK) Limited were pledged by bank deposits. As at June 30, 2016, bank borrowings bore interest rates ranging from 1.18% to 2.66% (December 31, 2015: 1.61% to 4.13%) per annum.

**32. SHORT-TERM FINANCING PAYABLES**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Unsecured and unguaranteed:		
Short-term bond payables (Note 1)	<b>15,000,000</b>	15,000,000
Principals of structured notes (Note 2)	<b>660,160</b>	6,643,800
	<b>15,660,160</b>	21,643,800

Note 1: Short-term bond payables

Name	Issue amount RMB'000	Issue date	Maturity date	Coupon rate
GF1602	5,000,000	14/04/2016	15/04/2017	3.10%
GF1603	5,000,000	12/05/2016	07/02/2017	3.28%
GF1604	5,000,000	20/05/2016	23/05/2017	3.27%

Note 2: Principals of structured notes

As at June 30, 2016, the amount represents principals received from investors for subscription of structured notes issued by the Company. The structured notes bear fixed rate interest or variable rate linked to certain stock index. The interests are repayable upon maturity within one year. The structured notes with variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of stock index. For those embedded derivatives, they are accounted as derivative financial instruments after being bifurcated from their respective host contracts. Details are disclosed in note 26.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**33. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS**

As at June 30, 2016, accounts payable to brokerage clients of approximately RMB10,868.60 million (December 31, 2015: RMB13,980.03 million) were related to margin deposits and cash collateral received from clients for margin financing and securities lending arrangements.

**34. ACCRUED STAFF COSTS**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	<b>As at 31.12.2015 RMB'000 (audited)</b>
Salaries, bonus and allowances	<b>5,968,337</b>	7,610,686
Social welfare	<b>2,922</b>	2,237
Annuity schemes	<b>5,690</b>	397
Early retirement benefits	<b>143,895</b>	143,895
Others	<b>57,538</b>	55,250
	<b><u>6,178,382</u></b>	<u>7,812,465</u>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 35. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Non-current</b>		
Deposits of financial leasing business	<u>70,750</u>	<u>—</u>
<b>Current</b>		
Deposits of equity return swaps	45,717	355,875
Payables for open-ended fund clearing and other clearing	521,912	2,635,463
Commission payable and related accrued expenses for sale of funds	235,667	277,343
Business taxes, value-added taxes and other taxes	369,141	452,930
Interest payable	633,475	2,724,477
Accrued expenses	113,928	179,578
Payables for securities and futures investor protection fund	123,886	61,147
Futures risk reserve	97,288	91,215
Funds risk reserve	76,816	62,875
Project quality deposits	40,000	40,000
Payable to R&F <sup>(i)</sup>	454,025	423,955
Payable for equipment purchases	130,001	131,167
Block trade deposits	500,000	500,000
Dividends payable	6,108,870	—
IPO expenses payable	—	361,149
Others	<u>181,516</u>	<u>130,759</u>
Total	<u>9,632,242</u>	<u>8,427,933</u>

- (i) The balance represents the construction expenditure of GF Securities Tower which was paid by Guangzhou R&F Properties Corporation Co., Ltd. ("R&F") on behalf of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

36. OTHER LIABILITIES

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Third-party interests in consolidated asset management schemes and funds	<b><u>12,694,784</u></b>	<u>10,515,964</u>

Third-party interests in consolidated asset management schemes and funds consist of third-party unit holders' interests in these consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash.

The realisation of third-party interests in consolidated asset management schemes and funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated asset management schemes and funds held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 37. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Current</b>		
Analysed by collateral type:		
Bonds	53,955,755	65,195,761
Rights and interests in margin loans	8,967,000	20,200,000
Gold from leasing	5,772,707	—
	<u>68,695,462</u>	<u>85,395,761</u>
Analysed by market:		
Stock exchanges	35,678,833	25,447,180
Interbank bond market	18,276,922	39,748,581
Over the counter	8,967,000	20,200,000
Shanghai gold exchange	5,772,707	—
	<u>68,695,462</u>	<u>85,395,761</u>

## 38. BONDS PAYABLE

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Non-current</b>		
Listed non-convertible corporate bonds (Note 1)	11,986,528	10,486,509
Subordinated bonds (Note 1)	25,282,237	49,470,704
Structured notes (Note 2)	—	12,312,973
	<u>37,268,765</u>	<u>72,270,186</u>
<b>Current</b>		
Listed non-convertible corporate bonds (Note 1)	—	1,498,665
Subordinated bonds (Note 1)	11,993,819	—
Structured notes (Note 2)	7,086,521	5,478,016
	<u>19,080,340</u>	<u>6,976,681</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

38. BONDS PAYABLE – continued

Note 1: Details of bonds as of June 30, 2016 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
13GF01 <sup>(i)</sup>	1,500,000	17/06/2013	17/06/2018	4.50%
13GF02	1,500,000	17/06/2013	17/06/2018	4.75%
13GF03	9,000,000	17/06/2013	17/06/2023	5.10%
14GF01 <sup>(ii)</sup>	3,000,000	24/07/2014	24/07/2018	5.70%
14GF02	3,000,000	24/07/2014	24/07/2019	5.90%
15GF05	9,000,000	29/05/2015	29/05/2017	5.35%
15GF07	8,000,000	15/06/2015	15/06/2018	5.40%
16GF01	4,300,000	09/05/2016	09/05/2019	3.30%
16GF02	5,000,000	13/06/2016	13/06/2019	3.50%
16GF03	5,000,000	21/06/2016	21/06/2019	3.70%

- (i) Pursuant to the approval from the CSRC and shareholders of the Company, the Company issued a 5-year bond with face value of RMB1.5 billion from June 17, to June 19, 2013. The issuer can choose whether to increase coupon rate within thirtieth working day before June 17, 2016, and the bond holders can choose whether to sell back at face value on June 17, 2016. Therefore, as at December 31, 2015, “13GF01” is classified under current liability. As at June 17, 2016, no bond holder has chosen to sell back the bond to the issuer, so this bond is reclassified under non-current liability.
- (ii) Pursuant to the approval from the CSRC and shareholders of the Company, the Company issued a 4-year subordinated bond with face value of RMB3.0 billion on July 24, 2014. The issuer can choose whether to redeem this bond at face value on July 24, 2016. As at June 30, 2016, the management of the Company has decided to exercise the redemption right at face value. Therefore, as at June 30, 2016, “14GF01” is classified under current liability.

Note 2: Structured notes

As at June 30, 2016, the amount represent principals received from investors for subscription of structured notes issued by the Company. The undue structured notes bear fixed rate interest ranging from 3.20% to 6.00% per annum (December 31, 2015: 3.50% to 6.97%). Structured notes maturing within one year as at June 30, 2016 are classified under current liability.

39. DIVIDENDS

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
Dividends recognised as distribution	<u>6,096,871</u>	<u>1,183,858</u>

Pursuant to the resolution of the shareholders meeting held on June 28, 2016, the Company distributed cash dividends of RMB8.00 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB6.10 billion in total for the year ended December 31, 2015. The cash dividends have been paid to the shareholders on August 24, 2016.

Pursuant to the resolution of the shareholders meeting held on March 9, 2015, the Company distributed cash dividends of RMB2.00 for every 10 shares (tax included) based on 5.92 billion shares held amounting to RMB1.18 billion in total for the year ended December 31, 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

40. RELATED PARTY TRANSACTIONS

(1) Shareholders

**The Group's transactions with shareholders**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Investments in shareholders of the Company classified as:		
Available-for-sale financial assets		
– 吉林敖東藥業集團股份有限公司 JiLin AoDong Pharmaceutical Industry Group Co., Ltd.*	<b>831,267</b>	1,031,171
– 中山公用事業集團股份有限公司 Zhongshan Public Utilities Group Co., Ltd.*	<b>—</b>	84,160
Investments in shareholders of the Company classified as:		
Financial assets as FVTPL		
Financial assets held for trading		
– 吉林敖東藥業集團股份有限公司 JiLin AoDong Pharmaceutical Industry Group Co., Ltd. *	<b>2,264</b>	2,809
– 遼寧成大股份有限公司 Liaoning Cheng Da Co., Ltd. *	<b>912</b>	1,650
	<b>834,443</b>	1,119,790

**The Group's transactions with entity controlled by shareholders**

	<b>As at 30.6.2016 RMB'000 (unaudited)</b>	As at 31.12.2015 RMB'000 (audited)
Investments in entity controlled by shareholders of the Company classified as:		
Financial assets as FVTPL		
Financial assets held for trading		
– 遼寧成大生物股份有限公司 Liaoning Chengda Biotechnology Co., Ltd. *	<b>72,000</b>	—

\* English translated name is for identification purpose only.

During the reporting period, the Company's wholly owned subsidiary GF Xinde Investment Management Co., Ltd. has completed the capital injection of RMB6.00 million, RMB25.85 million and RMB95.00 million for Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd.\*(深圳前海廣發信德中山公用並購基金管理有限公司), Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P. \*(中山廣發信德公用環保夾層投資企業(有限合夥)) and Zhuhai GF Xinde Environment Protection Industry Investment Partnership L.P. (珠海廣發信德環保產業投資基金合夥企業(有限合夥)), respectively, which were established in 2015 under the agreement with Zhongshan Public Utilities Environment Protection Industry Investment Co., Ltd.\*(中山公用環保產業投資有限公司), a wholly owned subsidiary of Zhongshan Public Utilities Group Co., Ltd, a shareholder of the Company.

During the reporting period, the Company's wholly owned subsidiary GF Xinde Investment Management Co., Ltd. has completed the capital injection of RMB304 million for Zhuhai GF Xinde JiLin Aodong Medicine Industry Investment Center L.P. \*(珠海廣發信德敖東醫藥產業投資中心(有限合夥)), which was established in 2015 under the agreement with JiLin AoDong Pharmaceutical Industry Group Co., Ltd., a shareholder of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

40. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties

**The Group's transactions with associates**

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Commission and fee income</b>		
Funds under the management of E Fund	<u>14,972</u>	<u>38,424</u>

\* English translated name is for identification purpose only.

**The Group's balances with associates:**

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
	Commission receivable from exchange trading seats and distributing financial products	
E Fund	5,355	12,194
Short-term financing payables		
Guangdong GF Loan Co., Ltd.	—	11,000
Other accounts payable, other payables and accruals		
Guangdong GF Loan Co., Ltd.	<u>—</u>	<u>159</u>

During the reporting period, the Company's wholly owned subsidiary GF Xinde Investment Management Co., Ltd. entered into an agreement with Guangdong E Fund Yuanzhen Investment Management Co., Ltd. \*(廣東易方達源臻投資管理有限公司), a subsidiary of E Fund Management Co., Ltd., an associate of the Company, to establish Shanghai Shihong Investment Center Partnership L.P. \* (上海蒔泓投資中心(有限合夥)) and GF Xinde Investment Management Co., Ltd. has invested RMB80 million into the limited partnership.

Notes to the Condensed Consolidated Financial Statements

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40. RELATED PARTY TRANSACTIONS – continued

(3) Key management personnel

The remuneration of the key management personnel of the Group was as below:

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Short-term benefits		
– Salaries, allowance and bonuses	<b>17,465</b>	9,531
Post-employment benefits		
– Employer's contribution to pension schemes/annuity plans	<b>2,285</b>	1,132
	<b>19,750</b>	10,663

\* English translated name is for identification purpose only.

41. CAPITAL COMMITMENTS

	<b>As at</b>	As at
	<b>30.6.2016</b>	31.12.2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	<b>392,316</b>	420,489

42. OPERATING LEASE COMMITMENTS

	<b>As at</b>	As at
	<b>30.6.2016</b>	31.12.2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Within one year	<b>215,479</b>	205,983
In the second to fifth years inclusive	<b>330,104</b>	297,320
Over five years	<b>34,681</b>	29,147
Total	<b>580,264</b>	532,450

Operating lease payments represent rentals payable by the Group for certain of its office properties. Lease of rented premises are negotiated with fixed lease term for 1 to 20 years.

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For the six months ended June 30, 2016

43. FINANCIAL INSTRUMENTS

	As at 30.6.2016 RMB'000 (unaudited)	As at 31.12.2015 RMB'000 (audited)
<b>Financial Assets</b>		
Loans and receivables	182,497,714	232,510,279
Available-for-sale financial assets	87,818,164	96,582,578
Financial assets at fair value through profit or loss	80,292,410	84,182,819
	<u>350,608,288</u>	<u>413,275,676</u>
<b>Financial liabilities</b>		
Financial liabilities at fair value through profit or loss	958,927	309,454
Financial liabilities at amortised cost	272,770,377	329,194,147
	<u>273,729,304</u>	<u>329,503,601</u>

44. FINANCIAL RISK MANAGEMENT

44.1 Risk management policies and organisation structure

(1) Risk management policies

The objective of risk management of the Group is to strike for an appropriate balance between risks and revenue and to minimize the negative effect of the risks on the operating results to the lowest level, so as to ensure that the risks borne by the Group match well with the regulatory standards, development strategies, capital capability and its risk tolerance and to maximize yields for shareholders and other equity investors. In pursuit of such objective of risk management, the basic strategies of the Group are to identify and analyze the risks with which the Group is facing, to implement risk management within the range of risk tolerance setting and to measure, monitor, report and address the risks in a timely and reliable manner with a view to control the risks to a limited range. The Group has adhered to the Three Ideas about Risk Management, “to manage risks cautiously; the three departments cooperate with each other and each focus on specific aspects; be people-oriented”, and follow the Five Basic Principles, “comprehensive management; objectiveness and fairness; checks and balance; separate and clear duties and power; openness and transparency”.

The risks the Group exposes to in daily operating activities mainly include market risk, credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicator, risk limits, risk policies and internal control process. The Group also manages risks with information system on a continuous monitoring basis.



## Notes to the Condensed Consolidated Financial Statements

*For the six months ended June 30, 2016***44. FINANCIAL RISK MANAGEMENT – continued****44.1 Risk management policies and organisation structure – continued****(2) Structure of the risk-management organization**

The Group adopts a four-level risk management organisation structure system, namely “board of directors and its subordinated risk management committee, management executives and risk control committee and asset allocation committee, various control and supporting departments, and business departments”. First-line risk management functions have been set up in all major business departments of the Company. Functions and staff of all levels are required to perform their authorized risk management duties with clear segregation of duties and emphasis on mutual collaboration. The Group’s main risk management departments comprise business departments, risk management department, compliance and legal affairs department and internal audit department. These departments cooperate with each other and each focus on specific aspects, perform risk assessment before the projects implementation on-going control, investigation and evaluation after completion, and contribute to the sustainable development of the business for the Group.

Risk management department is a standing body of the Risk Management Committee of the Group, primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and coordinating with other departments to manage model risk, operational risk and reputation risk; supervising the implementation of risk policies such as risk limits; evaluating, monitoring and reporting on risk capitals of the Group; organizing and conducting comprehensive and specific stress tests; handling daily routine of the Risk Control Committee of the Group, and operates as a standing body of the internal review committee and its internal review group in respect of the Group’s investment banking business with corresponding duties and responsibilities of risk management. Compliance and legal department is a core function department for compliance and management, primarily responsible for formulating risk management policies in respect of compliance and laws; conducting independent evaluation and monitoring of compliance and legal risks and coordinating with other departments to manage operational risk, performing compliance management on operational administration activities and code of conduct of the employees of the Group, as well as managing legal affairs of the Group. Audit department is responsible for conducting independent examination, supervision and evaluation on the performance on risk management, internal control and operational management of different departments of the Group, and urging for improvement.

#### 44. FINANCIAL RISK MANAGEMENT – *continued*

##### 44.2 Credit risk

Credit risk is the risk of loss due to a company's failures or inability to fulfil its obligations, or the downgrade of credit rating of it. The credit risk the Group exposed to mainly relates to the following businesses: (i) fixed income financial assets; (ii) financing businesses such as margin financing and financial assets held under resale agreements (mainly refer to security transaction with repurchase agreement and stock-pledged repo).

Fixed income financial assets include bank balances, clearing settlement funds, loan and receivable investments and debt instruments, etc.. Credit risk mainly includes the risk caused by its counterparties and securities issuer's default risk and the maximum exposure to credit risk default is the book value of those financial assets.

In terms of the financing business, the credit risk exposure of margin financing and securities lending, security transaction with repurchase agreement and stock-pledged repo is derived from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. As at 30 June 2016, the guarantees provided by clients are sufficient and the credit risk of financing business is managed at an acceptable level.

The credit risk of financing business of the Group is mainly managed through the following measures: 1) the establishment of a strict business due diligence requirements, credit facilities management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conducting of business, and the preliminary identification and assessment of business credit risks; 2) the research and development of business review process, guarantees and other elements of transactions, and the adoption of tailored risk mitigating measures; 3) the continuous post-transaction tracking and management on counterparties, guarantees and the actual performance of transaction agreements, the collection of transaction-related information on a regular basis and assessment of risks, as well as timely actions adopted upon the occurrence of risk events.

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**44. FINANCIAL RISK MANAGEMENT – continued****44.3 Market Risk**

Market risks refer to the financial loss risk caused by the unfavourable volatility of the fair values or future cash flows of the financial instruments, which are subjected to interest rate risk, exchange risk and other price risk.

The management of the Group determines the policy for the maximum market exposure the Group is willing to assume, the measurement and monitoring of such exposure are determined based on the risk preference, capital position, risk tolerance, and size of business of the Group. The Group develops relevant investment size limits and risk limits based on the risk exposure and disaggregates them into different investment departments, while manages market risks through the combination of investment transaction control, Value at Risk (VaR), sensitivity analysis, stress testing, risk assessment and monitoring of profit and loss, concentration and liquidity.

The risk management department of the Group (“Risk Management Department”), which is independent from business departments, performs comprehensive assessment, monitoring and management on the overall market risk of the Group, and reports the assessment and monitoring results to each business department, the Group’s management and the risk management committee. When concretely implementing the market risk management process, the front desk serves as the first line management directly responsible for market risks, which dynamically manages the market risks resulted from the portion of positions held and actively takes measures to reduce risk exposure or performs risk hedging when the risk exposure is high; the Risk Management Department continuously and directly communicates risk information with teams of business departments to discuss risk status and extreme loss scenarios. Meanwhile, market risk conditions and the changes of the Group as a whole and each business department are timely reported to the Group’s management through regular risk reporting.

The Risk Management Department uses a series of quantitative methods to estimate possible losses resulted from market risks, including possible losses arising from normal market fluctuations and extreme market movements. The Risk Management Department measures possible short-term losses from normal fluctuations mainly by means of VaR and sensitivity analysis; while possible losses in extreme case are estimated through stress testing.

*Interest rate risk*

Interest rate risk is the risk of fluctuation in the fair value or future cash flows arising from adverse movements in interest rates. The Group’s interest-bearing assets mainly include bank deposits, clearing settlement funds, refundable deposits, loan and receivable investments, financial assets held under resale agreements, advances to customers and debt instruments. There has been no changes in the interest rate risk management policies since December 31, 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

44. FINANCIAL RISK MANAGEMENT – *continued*

44.3 Market Risk – *continued*

*Interest rate risk – continued*

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole period. When reporting to the management on the interest rate risk, a 100 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Profit before income tax for the period</b>		
Increase by 100bps	(76,440)	141,076
Decrease by 100bps	76,440	(141,076)

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Other comprehensive income before income tax</b>		
Increase by 100bps	(682,091)	(556,434)
Decrease by 100bps	708,390	581,699

*Currency risk*

Currency risk refers to the unfavourable volatilities of the Group's financial condition and cash flows due to the fluctuation of the foreign exchange rates. Except for overseas subsidiaries which hold financial assets that are denominated in foreign currencies different from their respective functional currencies, the Group holds a small amount of foreign currency denominated investment. The management considers the foreign exchange rate risk of the Group is not material as the ratio of the Group's foreign currency assets and liabilities is minimal.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

44. FINANCIAL RISK MANAGEMENT – *continued*

44.3 Market Risk – *continued*

*Price risk*

Price risk is primarily about the unfavourable changes of the prices of equity investments, the prices of financial derivative instruments and the prices of commodities that cause financial loss to the Group's on-balance sheet and off-balance sheet business. The Group is exposed to price risk which arises from the price fluctuations of the trading financial instruments and the available-for-sale financial instruments. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, risk sensitivity indicators, stress testing indicators calculated by Risk Management Department in daily risk monitoring.

*Sensitivity analysis*

The analysis below is performed to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Profit before income tax for the period</b>		
Increase by 10%	<b>997,390</b>	820,680
Decrease by 10%	<b>(1,003,417)</b>	(823,129)

	<b>Six months ended June 30,</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive income before income tax</b>		
Increase by 10%	<b>2,270,137</b>	764,697
Decrease by 10%	<b>(2,270,137)</b>	(764,697)

## 44. FINANCIAL RISK MANAGEMENT – *continued*

### 44.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy change, market fluctuation, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, early redemption of exchange-quoted bond repurchase product by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or high ratio of long term investment. If the Group fail to address any liquidity risk by adjusting the asset structure, the consequences of such non-compliance with regulatory requirements on risk indicators could be costly. The regulatory body could penalise the Group by imposing restrictions on the Group's business operation. In severe cases, the Group could lose one or more business licences, leading to an adverse impact on the Group's operation and reputation.

As at June 30, 2016 and December 31, 2015, cash and bank deposits held by the Group amounting to RMB97.48 billion and RMB106.25 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounting to RMB39.63 billion and RMB56.18 billion, respectively, providing a strong capability of quick liquidation to meet foreseeable financing commitments or clients' withdrawal demands on maturity. Therefore, the Group considers the exposure to liquidity risk as insignificant.

The Group adopts the following measures to prevent liquidity risks: the Group established a frame for liquidity risk management with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as the core indicator strictly according to the requirements of Guidelines for the Liquidity Risk Management of Listed Companies 《證券公司流動性風險管理指引》, and based on the control and projection of LCR and NSFR, each of the operational activities is assured to be complied with the requirements of liquidity risk as stated in the regulatory requirements; assets allocation and arrangement of structure of assets and liabilities based on flexible adjustments to prevent the Company from risk of maturity mismatch; established a multiple system of quality assets with on-going control and maintained an adequate liquidity reserve; constructed a system for risk limits, which includes capital leverage, maturity structure and concentration of financial liabilities and liquidity investment profiles, and performed routine monitoring and control on indicators. Currently, the Group has set up two departments for liquidity risk management, namely treasury department and risk management department. The treasury department is mainly responsible for coordinating sources of funds, addressing capital needs, formulating and optimizing financial strategies, implementing liquidity management during daytime and taking initiative to prevent liquidity risks. The risk management department is responsible for performing independent identification, evaluation, measuring and monitoring of liquidity risks of the Group together with management of market risks and credit risks, and paying attention on an on-going basis to the conversion of other types of risk to liquidity risk. The Group uses concentration control, trading limit control and monitoring the market liquidity of financial instruments held by Group to address the liquidity risk of financial instruments. In order to meet the regulatory requirements, the Group has set up a multi-level, omni-directional and information-based management system to monitor and control the overall liquidity risk.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**45. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities than the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs are unobservable inputs for the asset or liability.

**Fair value of the financial assets and financial liabilities that are not measured on a recurring basis**

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at June 30, 2016 and December 31, 2015.

	As at June 30, 2016 (unaudited)			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
<b>Current</b>				
Bonds payable - subordinated bonds	11,993,819	12,006,320	12,501	Level 2
<b>Non-current</b>				
Bonds payable - corporate bonds	11,986,528	12,377,215	390,687	Level 2
Bonds payable - subordinated bonds	25,282,237	25,395,272	113,035	Level 2
	As at December 31, 2015 (audited)			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
<b>Current</b>				
Bonds payable - corporate bonds	1,498,665	1,504,830	6,165	Level 2
<b>Non-current</b>				
Bonds payable - corporate bonds	10,486,509	10,886,142	399,633	Level 2
Bonds payable - subordinated bonds	49,470,704	49,675,665	204,961	Level 2

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

45. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

**Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following tables give information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key inputs use.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)				
1) <b>Financial assets at fair value through profit or loss</b>						
Debt instruments						
– Traded on stock exchanges	17,651,355	11,436,106	level 1	Quoted bid prices in an active market.	N/A	N/A
– Traded on interbank market	27,326,006	16,163,246	level 2	Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Unlisted	76,923	209,450	level 2	Recent transaction prices.	N/A	N/A
– Unlisted	272,875	—	level 3	Discounted cash flows with future cash flows that are estimated based on contractual amounts and the expected year yield, discounted at a rate that reflects the credit risk of counterparty.	Expected year yield.	The higher the expected year yield, the higher the fair value.
Equity instruments						
– Traded on stock exchanges	1,784,409	2,535,909	level 1	Quoted bid prices in an active market.	N/A	N/A
– Traded on stock exchanges (inactive)	15,296	262,423	level 2	Adjusted quoted prices for stocks suspended for trading.	N/A	N/A
– Traded on national equities exchanges and quotations	1,581,695	1,124,980	level 2	Recent transaction prices.	N/A	N/A
– Traded on national equities exchange and quotations	213,304	154,246	level 3	Adjusted quoted prices.	Discount for lack of marketability.	The higher the discount, the lower the fair value.
– Equity investment	149,947	212,337	level 3	Adjusted quoted prices.	Discount for lack of marketability.	The higher the discount the lower the fair value.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

45. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued***Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis – *continued***

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)				
1) <b>Financial assets at fair value through profit or loss – <i>continued</i></b>						
Funds						
– funds with quoted bid prices	23,097,671	45,648,010	level 1	Quoted bid prices in an active market.	N/A	N/A
– Other funds	45,220	44,482	level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
Other investments						
– Collective asset management products issued by financial institutions	3,055,611	2,862,226	level 2	Calculated based on the fair value of the underlying investments which are debt securities (included listed in exchanges and listed in Interbank Bond Market) and stocks in each portfolio.	N/A	N/A
– Other asset management products/wealth management products	4,772,535	3,064,295	level 2	Calculated based on the fair value of the underlying investments which are debt securities (included listed in exchanges and listed in Interbank Bond Market) and stocks in each portfolio.	N/A	N/A
– Collective asset management schemes issued by financial institutions	2,350	—	level 3	Calculated based on the fair value of the underlying investments which mainly invest in loan and the fair value of loan and receivables is determined with an adjustment of discount of lack of marketability and the loan interest rate under the same conditions.	Discount for lack of marketability.	The higher the discount the lower the fair value.
– Other asset management products/wealth management products	—	194,530	level 3	Based on the net asset values of the investment, determined with reference to third party valuation of underlying investment portfolio and adjustments of related expenses.	Third party valuation of underlying investment portfolio.	The higher the third party valuation the higher the fair value.
	<b>80,045,197</b>	<b>83,912,240</b>				

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

45. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)				
2) Available-for-sale financial assets						
Debt instruments						
– Traded on stock exchanges	20,260,264	15,490,822	level 1	Quoted bid prices in an active market.	N/A	N/A
– Traded on interbank market	35,693,146	48,847,261	level 2	Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Equity instruments						
– Traded on stock exchanges	3,946,203	4,332,714	level 1	Quoted bid prices in an active market.	N/A	N/A
– Traded on stock exchanges (inactive)	15,234	65,547	level 2	Adjusted quoted price for stocks suspend for trading.	N/A	N/A
– Traded on national equities exchange and quotations	200,441	35,675	level 2	Recent transaction prices.	N/A	N/A
– Restricted shares	1,154,243	1,881,933	level 3	Discounted cash flows. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability.	The higher the discount, the lower the fair value.
Funds						
– Funds with quoted bid prices	2,810,815	3,378,619	level 1	Quoted bid prices in an active market.	N/A	N/A
– Other funds	1,573,194	1,503,625	level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

## 45. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

**Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis – continued**

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)				
2) Available-for-sale financial assets – continued						
Other investments						
– Collective asset management schemes issued by financial institutions	1,339,332	1,223,862	level 2	Calculated based on the fair value of the underlying investments which are debt securities (included listed in exchanges and listed in Interbank Bond Market) and stocks in each portfolio.	N/A	N/A
– Other asset management products/wealth products	13,803,443	13,843,714	level 2	Calculated based on the fair value of the underlying investments which are debt securities (included listed in exchanges and listed in Interbank Bond Market) and stocks in each portfolio.	N/A	N/A
– Trading seat	6,406	6,558	level 2	Recent transaction prices.	N/A	N/A
– Collective asset management schemes issued by financial institutions	393,400	—	level 3	Calculated based on the fair value of the underlying investments which mainly invest in loan and receivables, and the fair value of loan and receivables is determined by reference to the future cash flow with an adjustment of discount for lack of marketability and the loan interest rate under the same conditions.	Discount for lack of marketability.	The higher the discount the lower the fair value.
– Other asset management products/ wealth management products	3,578,588	3,480,556	level 3	Based on the net asset values of the investment, determined with reference to third party valuation of underlying investment portfolio and adjustments of related expenses.	Third party valuation of underlying investment portfolio.	The higher the third party valuation the higher the fair value.
	<u>84,774,709</u>	<u>94,090,886</u>				

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

45. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

Financial assets/ financial liabilities	Fair value as at			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)	Fair value hierarchy			
3) Derivative financial instruments						
Equity return swaps - assets	—	1,873	level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Equity return swaps - liabilities	(21,067)	(47,724)	level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Structured notes – liabilities	(4,023)	(4,350)	level 2	Calculated based on the variable interest linked to the fluctuation of the underlying stock indexes from stock exchanges in the PRC.	N/A	N/A
Structured notes – liabilities	(826)	—	level 3	Calculated based on the default probability (the probability of the underlying asset does not achieve an agreed result), loss given default and expected loss.	Default probability.	The higher the default probability the lower the fair value.
Interest rate swaps - assets	245,764	263,395	level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Interest rate swaps - liabilities	(236,137)	(253,074)	level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**45. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued**
**Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis – continued**

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)				
<b>3) Derivative financial instruments – continued</b>						
Interest rate swaps - assets	—	—	level 1	Quoted bid prices in an active market.	N/A	N/A
Interest rate swaps - liabilities	—	—	level 1	Quoted bid prices in an active market.	N/A	N/A
Stock index futures - assets	—	—	level 1	Quoted bid prices in an active market.	N/A	N/A
Stock index futures - liabilities	(444)	(11)	level 1	Quoted bid prices in an active market.	N/A	N/A
Treasury bond futures	—	—	level 1	Quoted bid prices in an active market.	N/A	N/A
Commodity futures	—	—	level 1	Quoted bid prices in an active market.	N/A	N/A
Stock option – assets	1,449	5,311	level 1	Quoted bid prices in an active market.	N/A	N/A
Stock option – liabilities	(1,607)	(4,295)	level 1	Quoted bid prices in an active market.	N/A	N/A
<b>4) Financial liabilities at fair value through profit or loss</b>						
Debt instruments	(694,823)	—	level 2	Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A

Note: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures, treasury bond futures, gold futures and part of interest rate swaps were settled daily in PRC, the corresponding receipts and payments were included in "clearing settlement funds" as at June 30, 2016 and December 31, 2015. Accordingly, the net position of the derivative financial instruments mentioned above was nil at the end of each reporting period.

There were no significant transfers between Level 1 and 2 as at June 30, 2016 and December 31, 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

45. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

As at June 30, 2016  
(unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets:</b>				
Available-for-sale financial assets				
– Debt instruments	20,260,264	35,693,146	—	55,953,410
– Equity instruments	3,946,203	215,675	1,154,243	5,316,121
– Funds	2,810,815	1,573,194	—	4,384,009
– Others	—	15,149,181	3,971,988	19,121,169
Financial assets at fair value through profit or loss				
– Debt instruments	17,651,355	27,402,929	272,875	45,327,159
– Equity instruments	1,784,409	1,596,991	363,251	3,744,651
– Funds	23,097,671	45,220	—	23,142,891
– Others	—	7,828,146	2,350	7,830,496
Derivative financial assets	1,449	245,764	—	247,213
Total	<u>69,552,166</u>	<u>89,750,246</u>	<u>5,764,707</u>	<u>165,067,119</u>
<b>Financial liabilities:</b>				
Derivative financial liabilities	(2,051)	(261,227)	(826)	(264,104)
Financial liabilities at fair value through profit or loss	—	(694,823)	—	(694,823)
Total	<u>(2,051)</u>	<u>(956,050)</u>	<u>(826)</u>	<u>(958,927)</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

45. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

**Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis – *continued***

**As at December 31, 2015**

**(audited)**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets:</b>				
Available-for-sale financial assets				
– Debt instruments	15,490,822	48,847,261	—	64,338,083
– Equity instruments	4,332,714	101,222	1,881,933	6,315,869
– Funds	3,378,619	1,503,625	—	4,882,244
– Others	—	15,074,134	3,480,556	18,554,690
Financial assets at fair value through profit or loss				
– Debt instruments	11,436,106	16,372,696	—	27,808,802
– Equity instruments	2,535,909	1,387,403	366,583	4,289,895
– Funds	45,648,010	44,482	—	45,692,492
– Others	—	5,926,521	194,530	6,121,051
Derivative financial assets	<u>5,311</u>	<u>265,268</u>	<u>—</u>	<u>270,579</u>
Total	<u>82,827,491</u>	<u>89,522,612</u>	<u>5,923,602</u>	<u>178,273,705</u>
<b>Financial liabilities:</b>				
Derivative financial liabilities	<u>(4,306)</u>	<u>(305,148)</u>	<u>—</u>	<u>(309,454)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

45. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

Reconciliation of Level 3 fair value measurements

For six months ended 30.6.2016

	Financial assets at fair value through profit or loss RMB'000 (unaudited)	Derivatives financial liabilities RMB'000 (unaudited)	Available -for-sale financial asset RMB'000 (unaudited)
At January 1,	561,113	—	5,362,489
Total gains/losses:			
Profit or loss	(66,396)	770	41,115
Other comprehensive income	—	—	81,810
Purchases (issues)	230,261	(1,596)	1,811,985
Settlements	(190,517)	—	(1,601,745)
Transfers into level 3	213,675	—	—
Transfers out of level 3	(109,660)	—	(569,423)
As at end of the period/year	<u>638,476</u>	<u>(826)</u>	<u>5,126,231</u>
Total (losses) gains for the period/year for assets/ liabilities held as at end of the period/year – included in net investment gains	<u>(62,359)</u>	<u>770</u>	<u>—</u>

For the year ended 31.12.2015

	Financial assets at fair value through profit or loss RMB'000 (audited)	Available -for-sale financial assets RMB'000 (audited)
At January 1,	2,190,635	3,542,629
Total gains/losses:		
Profit or loss	82,912	74,574
Other comprehensive income	—	1,133,764
Purchases	1,308,877	11,614,152
Settlements	(89,072)	(10,532,931)
Transfers out of level 3	(2,932,239)	(469,699)
As at end of the period/year	<u>561,113</u>	<u>5,362,489</u>
Total gains for the period/year for assets/liabilities held as at end of the period/year – included in net investment gains	<u>9,430</u>	<u>—</u>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**45. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued**

Note: The equity securities traded on stock exchanges with lock-up periods and targeted asset management plans holding listed shares with lock-up periods were transferred from Level 3 to Level 1 when the lock-up periods lapsed and they became unrestricted.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted available-for-sale equity securities which are categorized into Level 3 of the fair value hierarchy.

**46. CHANGE OF SCOPE OF CONSOLIDATION****46.1 Newly consolidated subsidiaries**

The Company's wholly owned subsidiary GF Xinde Investment Management Co., Ltd. has established Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P. (中山广发信德公用環保夾層投資企業(有限合夥)) and Zhuhai GF Xinde Aodong Medical Industry Investment Centre L.P. (珠海广发信德敖東醫藥產業投資中心(有限合夥)) in 2015, while the capital injections were still in process up to December 31, 2015. During the reporting period, the capital injection has been completed.

The Company's wholly owned subsidiary GF Holdings (Hong Kong) Corporation Limited established GF Global Capital Co., Ltd. (广发全球資本有限公司) in 2015, while the capital injections were still in process up to December 31, 2015. During the reporting period, the capital injection has been completed.

During the reporting period, the Company's wholly owned subsidiary Zhuhai Qianzhen Investment Management Co., Ltd established Shanghai GF Hengjin Equity Investment Fund Management Co., Ltd (上海广发恒進股權投資基金管理有限公司), and the Company's non-wholly owned subsidiary Ruiyuan Capital Asset Management Co., Ltd, established Zhuhai Ruiyuan Huikang Investment Partnership L.P. (珠海瑞元滙康投資合夥企業(有限合夥)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

46. CHANGE OF SCOPE OF CONSOLIDATION – *continued*

46.2 Acquisition of a subsidiary

Guangfa Financial Leasing (Guangdong) Co., Ltd.

Guangfa Financial Leasing (Guangdong) Co., Ltd. (“GFFL”) was established by GF Qianhe Investment Co., Ltd (“GF Qianhe”), a wholly owned subsidiary of the Company and an independent third party in 2015, and was accounted for as a joint venture. On January 13, 2016, GF Holdings (Hong Kong) Corporation Limited (“GFHK”), another wholly owned subsidiary of the Company purchased the remaining equity interests of GFFL from the third party, the joint venture has been reclassified into a subsidiary and consolidated in the Group’s financial statements thereafter.

This acquisition has been accounted for using the acquisition method of accounting.

	RMB'000
<i>Consideration transferred</i>	
Cash	<u>50,043</u>
<i>Assets acquired and liabilities recognised at the date of acquisition</i>	
Property and equipment	830
Available-for-sale financial assets	320,800
Accounts receivable	31,000
Other receivables	224
Bank balances and cash	53,335
Accrued staff costs	(1,835)
Other payables	(3,697)
Current tax liabilities	<u>(947)</u>
	<u>399,710</u>
<i>Gains arising on acquisition</i>	
Consideration paid in cash	50,043
Fair value of previously held interests of GFFL	348,329
Plus: non-controlling interests	—
Less: Net assets acquired	<u>(399,710)</u>
Gain on acquisition reported under other income and gains	<u>1,338</u>

The directors of the Company hold the opinion that, the fair value of Group’s equity interest in GFFL on the acquisition date was equal to the book value of the net asset of GFFL shared by the Group, thus no gain on deemed disposal of a joint venture was recognised in the condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**46. CHANGE OF SCOPE OF CONSOLIDATION – continued****46.2 Acquisition of a subsidiary – continued**

<i>Impact on cash flow on acquisition of GFFL</i>	RMB'000
Consideration paid in cash (Note 1)	(50,043)
Less: Bank balances and cash acquired	53,335
	<u>3,292</u>

Note 1: As the consideration was transferred in year 2015, the cash inflow on acquisition of GFFL for the reporting period is RMB53.34 million.

**46.3 Newly consolidated structured entities**

During the reporting period, GF Fund Management Co., Ltd (“GF Fund”), a non-wholly owned subsidiary of GF Securities Co., Ltd. (“the Company”), is appointed as investment manager and holds significant financial interests in the GF Shuangwu Selective Asset Management Scheme(广发双武精選資產管理計劃) and GF Quantitative Market Neutral Fund Series 35 (广发量子對冲35号資產管理計劃), while Ruiyuan Capital Asset Management Co., Ltd (“Ruiyuan Capital”), a non-wholly owned subsidiary of GF Fund, is appointed as investment manager and holds significant financial interests in the Ruiyuan Capital -Xinrui Structured Management Scheme No.1 (瑞元資本鑫瑞分級1号投資資產管理計劃). The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entities mentioned above are consolidated in the condensed consolidated financial statements.

During the reporting period, GF Future Co., Ltd (“GF Future”), a wholly owned subsidiary of the Company, is appointed as investment manager and holds significant financial interests in the GF Qijun Asset Management Scheme No.2 (广发期駿2期資產管理計劃), GF Future-Qihui Fund-of-funds Asset Management Scheme No.1(广发期貨期滙FOF1期資產管理計劃), and GF Future-Qihui Fund-of-funds Asset Management Scheme No.2 (广发期貨期滙FOF2期資產管理計劃).The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entities mentioned above are consolidated in the condensed consolidated financial statements.

During the reporting period, GF Xinde Investment Management Co., Ltd (“GF Xinde”), a wholly owned subsidiary of the Company, is appointed as investment manager and holds significant financial interests in GF Xinde Country garden Specified Asset Management Scheme II (广发信德碧桂园二期專項資產管理計劃), GF Xinde Singyes Solar Energy Specified Asset Management Scheme (广发信德兴业太阳能專項資產管理計劃), and GF Xinde Hexing Packing oversea M&A Specified Asset Management Scheme (广发信德合兴包装海外並購專項資產管理計劃). The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entities mentioned above are consolidated the in the condensed consolidated financial statements.

During the reporting period, the Group has newly consolidated Ruiyuan Capital Big Data Selective No. 1 Asset Management Scheme\* (瑞元資本大數據精選1號資產管理計劃), which was established in 2015 and managed by Ruiyuan Capital, with total assets of RMB28.40 million on its acquisition date, of which the proportion attributable to other stakeholders amounted to RMB19.40 million, which was recognised as other liabilities. The resulted cash inflow amounted to RMB8.10 million.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

**46. CHANGE OF SCOPE OF CONSOLIDATION – *continued***

**46.4 Deconsolidated structured entities**

During the reporting period, the Group has deconsolidated GF Golden Majordomo Quantitative Hedge Debt Obligation Asset Management Scheme\* (廣發金管家法寶量化避險集合資產管理計劃), with total assets of RMB386.63 million and total liabilities of RMB26.18 million on its date of ceasing to be controlled by the Group, in which the proportion attributable to other stakeholders amounted to RMB348.17 million, which was recognised as other liabilities. The resulted cash outflow amounted to RMB29.56 million.

**47. OUTSTANDING LITIGATIONS**

As at June 30, 2016 and December 31, 2015, the Group involved as defendant in certain lawsuits with claim amounts of approximately RMB9.1 million and RMB5.1 million, respectively. Based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The directors of the Company are of the opinion the final court judgment will not have a significant impact on the Group's financial position or operations.

**48. EVENTS AFTER THE END OF REPORTING PERIOD**

As at July 19, 2016, the Company has issued a 4-year subordinated bond named 16GF04 (security code: 118945) with amount of RMB5.00 billion and annual interest rate of 3.35%, and the Company is granted the option which allows it to choose whether to redeem this bond at the end of the second year.

As at August 17, 2016, the Company has issued a 2-year subordinated bond named 16GF05 (security code: 118948) with nominal value of RMB5.00 billion and annual interest rate of 3.03%.

## Section 9 Documents Available for Inspection

- (1) Texts of 2016 interim report with the signature of legal representative of the Company.
- (2) Text of the financial statements with the signatures and seals of the person in charge of the Company, the Chief Financial Officer and the head of accounting department of the Company.
- (3) The original copies of all corporate documents and announcements publicly disclosed on newspapers designated by the CSRC during the Reporting Period.
- (4) Other relevant materials.



**廣發證券股份有限公司**  
GF SECURITIES CO., LTD.

