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GF SECURITIES CO., LTD.

廣發證券股份有限公司

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

(Stock Code: 1776)

2018 ANNUAL RESULTS ANNOUNCEMENT

The board of directors of GF Securities Co., Ltd. (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries for the year ended December 31, 2018. This announcement, containing the full text of the 2018 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the information to accompany preliminary announcements of annual results.

The 2018 annual report of the Company and its printed version will be published and delivered to the H shareholders of the Company by the end of April 2019 and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.gf.com.cn.

By order of the Board
GF Securities Co., Ltd.
Sun Shuming
Chairman

Guangzhou, the PRC
March 26, 2019

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Sun Shuming, Mr. Lin Zhihai, Mr. Qin Li and Ms. Sun Xiaoyan as executive Directors; Mr. Shang Shuzhi, Mr. Li Xiulin and Ms. Liu Xuetao as non-executive Directors; and Mr. Yang Xiong, Mr. Tang Xin, Mr. Chan Kalok and Mr. Fan Lifu as independent non-executive Directors.

Important Notice

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 annual report and there is no misrepresentation, misleading statement or material omission from this annual report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein. 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 annual report.

All Directors of the Company attended the board meeting in person in respect of considering and approving this annual report:

The 2018 annual financial report of the Company prepared in accordance with the International Financial Reporting Standards has been audited by Ernst & Young, who has issued a standard unqualified audit report. Unless otherwise indicated, the financial data stated in this report is denominated in RMB.

Based on the information audited by the auditor, the net profit attributable to owners of the Company in the consolidated statements of the Company in 2018 was RMB4,300,126,341.29, and the net profit attributable to the parent company was RMB3,912,226,256.49. In accordance with the relevant requirements of the Company Law, Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association of the Company, the Company set aside RMB391,222,625.65, i.e.10%, for the statutory surplus reserve fund, RMB391,222,625.65, i.e.10%, for the general risk reserve fund, and RMB391,222,625.65, i.e.10%, for the transaction risk reserve fund. A sum of RMB159,291.52 was appropriated to the general risk reserve fund for asset custodian business. The remaining distributable profit for the year amounted to RMB2,738,399,088.02. Together with the balance of undistributed profit for previous years, the accumulated distributable profit for the year was RMB18,504,633,246.42.

The article 18 of the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) of the CSRC requires that "listed companies shall only issue securities after submitting the profit distribution plan and plan for share capital increase from capital reserve to the general meeting for resolution or putting such plans approved by the General Meeting into implementation. Before relevant plan is implemented, the lead underwriter shall not underwrite the securities issued by the listed company." If the Company implements the profit distribution of 2018, then before completing profit distribution, the Company cannot publicly issue any shares. Given the Company is currently proceeding with the non-public issuance of A shares of the Company, after comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the Company will not make profit distribution for 2018, nor will it transfer its capital reserve to increase its share capital.

The Company intends to subsequently proceed with the related matters for profit distribution as required by the Articles of Association.

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

This annual report has been prepared by the Company in both Chinese and English languages. When there is any discrepancies in interpretation between the Chinese version and English version of this report, the Chinese version shall prevail.

WARNING ABOUT MATERIAL RISK FACTORS

The Company faces various risks in its operations, which mainly include policy risk that may cause adverse effects to the operations of securities companies as a result of macroeconomic adjustment and control measures promulgated by the State or changes in laws and regulations, regulatory systems and trading rules relevant to the securities industry; liquidity risk that may arise from the failure of the Company to obtain sufficient funds timely at reasonable cost to settle debts on due dates, perform other payment obligations and satisfy the capital requirements for ordinary business operations; market risk that may cause losses to be incurred by various operations of the Company due to adverse changes in market prices (such as prices of securities, interest rates, exchange rates or commodity prices) as a result of various factors; credit risk that may cause losses to be incurred by the Company as a result of the issuer or counterparty failing to perform their obligations as stipulated in the contracts or due to changes in the market value of debts arising from changes in credit ratings or contractual performance capabilities; compliance risk that may cause the imposition of sanctions by laws or punishment by regulatory authorities, material financial losses to be incurred or harm to reputation as a result of non-compliance with the relevant standards stipulated by laws and regulations, regulatory requirements, rules or relevant standards established by self-disciplinary bodies and the code of conduct applicable to the business activities conducted by securities companies as principals; operation risk that may cause direct or indirect losses to the Company as a result of deficiency or problems involving internal rules and processes, misoperation by staff members, system failure and external events; and information technology risk that may cause adverse impact to the Company due to the defective design and unstable operation of the information system.

In response to the risks mentioned above, the Company has established and maintained a comprehensive internal control system, compliance and a comprehensive risk management system to ensure that the Company operates healthily within an extent of controllable, predictable and tolerable risks. Investors are advised to read the "Discussion and Analysis of Operations" as set out in Section 5 of this report carefully and to pay particular attention to the above risk factors.

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Definitions

Term	Definition
Reporting Period	Year 2018 (January 1, 2018 to December 31, 2018)
The Company, Company, parent company, GF Securities	GF Securities Co., Ltd.
The Group, Group	the Company and its subsidiaries
Jilin Aodong	Jilin Aodong Pharmaceutical 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)
HKSCC Nominees	HKSCC Nominees Limited
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司)
GF Securities (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 Investments (Hong Kong)	GF Investments (Hong Kong) Company Limited (廣發投資(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 Global Capital	GF Global Capital Limited (廣發全球資本有限公司)
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)
GFFL	Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司)

GF Hexin	GF Hexin Industry Investment Management Co., Ltd. (廣發合信產業投資管理有限公司)
GF Junce	GF Junce Overseas Investment Fund Management (Shanghai) Co., Ltd. (廣發鈞策海外投資基金管理(上海)有限公司)
GF Internet Microfinance	Guangdong GF Internet Microfinance Limited (廣東廣發互聯小額貸款股份有限公司)
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)
ECT	E-Capital Transfer Co., Ltd. (證通股份有限公司)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
The PRC	Mainland China
CSRC	the China Securities Regulatory Commission
CIRC	the former China Insurance Regulatory Commission
Guangdong Bureau of CSRC	Guangdong Bureau of the China Securities Regulatory Commission
Zhejiang Bureau of CSRC	Zhejiang Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Company Law	Company Law of the PRC (中華人民共和國公司法)
Securities Law	Securities Law of the PRC (中華人民共和國證券法)
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
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

Definitions

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
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
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)
CDR	Chinese Depository Receipt
QDII	Qualified Domestic Institutional Investors
QFII	Qualified Foreign Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
ETF	Exchange Traded Funds, 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
ISDA Agreements	The standard agreement text and ancillary documents for international OTC derivatives transactions provided by International Swaps and Derivatives Association
GMRA Agreements	Global Master Repurchase Agreement
MSCI index	an index published by Morgan Stanley Capital International
VaR	Value at Risk
A Share(s)	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SZSE and traded in Renminbi

H Share(s)	foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
CPA, auditor, Ernst & Young	Ernst & Young Hua Ming LLP and Ernst & Young, accounting firms appointed by the Company
WIND	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In this 2018 annual 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 INFORMATION

Stock Name	廣發證券	Stock Code	000776 (SZSE); 01776 (Hong Kong Stock Exchange)
Listing venues of the Shares	SZSE and Hong Kong Stock Exchange		
Name in Chinese	廣發證券股份有限公司		
Short Name in Chinese	廣發證券		
Name in English	GF Securities Co., Ltd.		
Short Name in English	GF SECURITIES		
Legal Representative of the Company	Sun Shuming		
General Manager of the Company	Lin Zhihai		
Registered Address	Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong		
Postal Code of the Registered Address	510555		
Principal Business Address	GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong		
Postal Code of the Business Address	510627		
Place of Business in Hong Kong	29-30/F, LI PO CHUN CHAMBERS, 189 DES VOEUX ROAD CENTRAL, HONG KONG		
Company Website	www.gf.com.cn		
Company E-mail	gfzq@gf.com.cn		
Tel	020-66338888/020-87555888		
Customer Service Hotline	95575/020-95575		
Registered Capital of the Company	RMB 7,621,087,664		
Net Capital of the Company	RMB 58,562,866,172.70		

II. CONTACT PERSONS AND CONTACT INFORMATION

	Secretary of the Board	Securities Affairs Representative
Name	Luo Binhua	Xu Youjun
Address	59th Floor, GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong	59th Floor, GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong
Tel	020-87550265/87550565	020-87550265/87550565
Tel	020-87553600	020-87554163
E-mail	lbh@gf.com.cn	xuyj@gf.com.cn

Company Profile

III. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers designated by the Company for A Shares information disclosure	The China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
Website designated by the CSRC for publication of annual report	www.cninfo.com.cn
Website designated by the Hong Kong Stock Exchange for publication of annual report	www.hkexnews.hk
Place where the annual report of the Company is available for inspection	59th Floor, GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong

IV. CHANGES IN REGISTRATION INFORMATION

Organization Code	No change during the Reporting Period
Changes in the Principal Business of the Company since the Listing of the Company	No change during the Reporting Period
Changes in Controlling Shareholders	Not applicable

V. QUALIFICATIONS OF MEMBERS AND INDIVIDUAL BUSINESSES

No.	Type of License	Approval Authority	Issue Date
1	Permit for Operations of Securities Business	CSRC	November 1998
2	Qualification for entry into the national inter-bank market (conducting interbank lending, sales and trading of bonds, spot bonds transactions and bond repurchase businesses)	PBOC	September 1999
3	Membership of the national interbank lending market	China Foreign Exchange Trading System & National Interbank Funding Center	November 1999
4	Qualification for online entrusted securities trading business	CSRC	February 2001
5	Qualification for entrusted investment management business	CSRC	May 2002
6	Qualification for open-end securities investment fund distribution business	CSRC	August 2002
7	Pilot securities firm to carry on relevant innovative activities	Securities Association of China	December 2004
8	Qualification as an eligible clearing participant for purchasing warrants (Qualification for warrants clearing business of China Securities Depository and Clearing Corporation Limited)	China Securities Depository and Clearing Corporation Limited	August 2005

No.	Type of License	Approval Authority	Issue Date
9	Short-term financing bill underwriting business	POBC	September 2005
10	Qualification for quotation transfer business	Securities Association of China	January 2006
11	Clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	March 2006
12	Membership of SSE	SSE	April 2007
13	Membership of SZSE	SZSE	April 2007
14	Qualification of level one dealer on the SSE Integrated Electronic Platform for Fixed Income Securities	SSE	July 2007
15	Class A clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	August 2007
16	Qualification for providing intermediary services for futures companies	CSRC	May 2008
17	Qualification of qualified investor of block trade system	SSE	June 2008
18	Qualification for margin financing and securities lending	CSRC	March 2010
19	License for operating foreign exchange business	State Administration of Foreign Exchange	August 2011
20	Qualified Domestic Institutional Investor (QDII) qualification for overseas securities investment management business	Guangdong Bureau of the CSRC	November 2011
21	Qualification for bond-pledged repo business authorization	SSE	November 2011
22	Alternative investment business (conducted through GF Qianhe)	Guangdong Bureau of the CSRC	January 2012
23	Qualification for provision of marketing unit for insurance institutional investors	CIRC	January 2012
24	Pilot business to underwrite SME private bonds	Securities Association of China	June 2012
25	Qualification for the participation in proprietary business of securities firms in the interest rate swap investment and transaction	Guangdong Bureau of the CSRC	July 2012
26	Qualification for the first batch of pilot work for refinancing business of China Securities Finance Corporation Limited	China Securities Finance Corporation Limited	August 2012

Company Profile

No.	Type of License	Approval Authority	Issue Date
27	Trading permission for Security Transactions with Repurchase Agreement	SSE	September 2012
28	Qualification for entrusted management insurance fund	CIRC	October 2012
29	Qualification for main underwriting business of debt financing instruments for non-financial businesses	National Association of Financial Market Institutional Investors	November 2012
30	Qualification for OTC trading business	Securities Association of China	December 2012
31	Qualification for the swap transaction business of equity income	Securities Association of China	January 2013
32	Trading authorization for Security Transactions with Repurchase Agreement	SZSE	January 2013
33	Qualification for stock index futures business of China Financial Futures Exchange	China Financial Futures Exchange	January 2013
34	Authorization for lending transaction of refinancing securities	SSE	February 2013
35	Business qualification as a lead brokerage (sponsorship business and brokerage business)	National Equities Exchange and Quotations Co., Ltd.	March 2013
36	Member of Guangzhou Guangzhou Financial Association	Guangzhou Guangzhou Financial Association	March 2013
37	Qualification of the sales agent for financial products	Guangdong Bureau of the CSRC	May 2013
38	Membership certificate of the Asset Management Association of China	Asset Management Association of China	May 2013
39	Authorization for Stock Pledged Repo Transaction	SSE	June 2013
40	Authorization for Stock Pledged Repo Transaction	SZSE	June 2013
41	Qualification for consultancy services relating to the secrets of the military industry	The Office of Science, Technology and Industry for National Defense of Guangdong Province	June 2013
42	Membership of Zhejiang Equity Exchange	Securities Association of China	August 2013
43	Qualification for proprietary business of Shanghai Futures Exchange	Shanghai Futures Exchange	September 2013
44	Qualification for ETF liquidity service provider business (Bosera S&P 500ETF, E Fund SSE & SZSE 300ETF, HuaAn SSE 180ETF, HuaAn SSE Gold ETF)	SSE	September 2013

No.	Type of License	Approval Authority	Issue Date
45	Admission to Guangdong Equity Exchange	Securities Association of China	October 2013
46	Membership of the Guangdong High Tech Service Zone for Financial Institution Equity Trading Centre	Securities Association of China	November 2013
47	License for part-time insurance agency	CIRC Guangdong Bureau	November 2013
48	Securities fund consumption payment services for clients	CSRC	December 2013
49	Qualification for the pilot work of comprehensive custody business of private equity	CSRC	January 2014
50	Qualification for pledged repo business authorization	SZSE	April 2014
51	Qualification for pilot work of receipt certificates	Securities Association of China	May 2014
52	Qualification for custody business of securities investment funds	CSRC	May 2014
53	Qualification on the Dalian Equity Exchange	Securities Association of China	June 2014
54	Qualification for the mutual swap and central clearing of Renminbi interest rates	Shanghai Clearing House	June 2014
55	Qualification on the Gansu Equity Exchange Center	Securities Association of China	July 2014
56	Qualification for market-making business on the National Equities Exchange and Quotations	National Equities Exchange and Quotations Co., Ltd.	July 2014
57	Qualification for the swap transaction business of OTC equity income	Securities Association of China	July 2014
58	Qualification for pilot work of Internet securities business	Securities Association of China	September 2014
59	Qualification for Hong Kong Stock Connect business authorization	SSE	October 2014
60	Qualification for agency services business for gold and other precious metal spot contracts and proprietary trading for spot gold contract	CSRC	January 2015
61	Qualification for stock option market-making business	CSRC	January 2015
62	Qualification for options settlement business	China Securities Depository and Clearing Corporation Limited	January 2015

Company Profile

No.	Type of License	Approval Authority	Issue Date
63	Qualification as a stock options trading participant	SSE	January 2015
64	Qualification for the SSE 50ETF options market-making business	SSE	January 2015
65	Qualifications for financing-oriented option exercise business and restricted securities lending business with respect to share incentive schemes of listed companies	SZSE	January 2015
66	Membership certificate of the Shanghai Gold Exchange	Shanghai Gold Exchange	April 2015
67	Member of China Futures Association (ordinary member)	China Futures Association	May 2015
68	Opening accounts through one-way video	China Securities Depository and Clearing Corporation Limited	June 2015
69	Filing Certificate of Private Equity Outsourcing Institutions	Asset Management Association of China	June 2015
70	Qualification as a market maker in the national interbank bond market	PBOC	January 2016
71	Council entity of the National Internet Finance Association of China	National Internet Finance Association of China	August 2016
72	Interbank Market operations clearing membership	Shanghai Clearing House	September 2016
73	Qualification for Hong Kong Stock Connect business authorization under Shenzhen-Hong Kong Stock Connect	SZSE	November 2016
74	Membership of foreign currency funding in interbank funding market	China Foreign Exchange Trading System	March 2017
75	"Bond Connect" quotation bureau qualification	National Interbank Funding Center	July 2017
76	Qualification for interbank gold inquiry business	Shanghai Gold Exchange	December 2017
77	Member of book-entry government bond underwriting syndicates-Class B	Ministry of Finance	December 2017

The qualifications of individual business that the Company has obtained in 2018 include:

1	Pilot cross-border business	CSRC	April 2018
2	Qualification for sale and purchase of foreign exchange	CSRC	July 2018
3	Qualification as a primary dealer for Over-the-counter options business	Securities Association of China	August 2018
4	Qualification for credit derivative business	CSRC	December 2018
5	Qualification as a dealer for commodity swap business	Dalian Commodity Exchange	December 2018

Membership and qualifications of individual business that the controlling subsidiaries of the Company have obtained include:

No.	Type of License	Approval Authority	Issue Date
Membership and business qualifications obtained by GF Futures and its subsidiaries			
1	Qualification for commodity futures brokerage business	CSRC	March 1993
2	Membership	ICE Futures Europe	March 2005
3	Type 2: dealing in futures contracts	SFC	February 2007
4	Futures Exchange Participant	Hong Kong Futures Exchange Limited (Hong Kong)	May 2007
5	HKCC Participant	HKFE Clearing Corporation Limited (Hong Kong)	May 2007
6	Qualification for futures financial futures brokerage business	CSRC	August 2007
7	Membership	China Financial Futures Exchange	February 2008
8	Membership	Shanghai Futures Exchange	June 2008
9	Membership	ICE Clear Europe	September 2008
10	Membership	Dalian Commodity Exchange	December 2008
11	Membership	Zhengzhou Commodity Exchange	March 2009
12	Qualification for futures investment consulting business	CSRC	August 2011
13	Trading membership	Singapore Exchange Derivatives Trading Limited	August 2011
14	Membership of the Euronext London Derivatives Market	NYSE Liffe London	July 2011
15	Qualification for asset management business	CSRC	November 2012
16	Membership	Sugar Association of London	June 2013
17	Category 1, Ring dealing membership	London Metal Exchange	January 2014
18	Trading membership	Dubai Gold & Commodities Exchange	January 2014
19	Membership	London Stock Exchange	February 2014

Company Profile

No.	Type of License	Approval Authority	Issue Date
20	Qualification for fund sales business	Guangdong Bureau of CSRC	February 2015
21	Membership	China Futures Association	May 2015
22	Qualification for RMB Qualified Foreign Institutional Investor (RQFII)	CSRC	April 2016
23	Asset management license	Financial Conduct Authority (FCA) of the UK	October 2016
24	Membership	Shanghai International Energy Exchange	May 2017
25	Membership	GuangZhou Headquarters Economy Association	February 2018
26	Membership (5 July, 2018 to 4 July, 2020)	Asset Management Association	July 2018

Membership and business qualifications obtained by GFHK and its subsidiaries

1	Type 1: dealing in securities	SFC	January 2007
2	Type 6: advising on corporate finance	SFC	January 2007
3	Stock Exchange Participant	Hong Kong Stock Exchange	February 2007
4	Type 4: advising on securities	SFC	November 2007
5	Type 9: asset management	SFC	November 2007
6	Business license for securities investment	CSRC	December 2011
7	RMB Qualified Foreign Institutional Investor (RQFII) Qualification	CSRC	December 2011
8	Approval for RMB Qualified Foreign Institutional Investor (RQFII) investment quota Qualification	State Administration of Foreign Exchange (PRC)	January 2012
9	Account opening license	PBOC Shenzhen Central Sub-branch (PRC)	February 2012
10	Money Lenders License	Licensing Court (Hong Kong)	February 2013
11	Qualified Foreign Institutional Investor Qualification	CSRC	January 2015
12	Approval for QFII investment quota and related account opening	State Administration of Foreign Exchange (PRC)	March 2015
13	Business license for insurance brokerage: (long term (including LLT) & general)	Professional Insurance Brokers Association (PRC)	March 2015
14	Licensed securities dealer of IIROC	Investment Industry Regulatory Organization of Canada (IIROC)	May 2015
15	Options Trading Exchange Participant	Hong Kong Stock Exchange	November 2015
16	Direct Clearing Participant	The SEHK Options Clearing House Limited	November 2015

No.	Type of License	Approval Authority	Issue Date
Membership and business qualifications obtained by GF Asset Management			
1	Permit for Operations of Securities Business (securities asset management)	CSRC	March 2014
2	Qualified Domestic Institutional Investor (QDII) qualification for overseas securities investment management business	Guangdong Bureau of the CSRC	December 2013
3	Member of National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors	July 2015
4	Investment Manager Qualification for Management of Entrusted Investment of Insurance Funds	China Insurance Regulatory Commission	March 2016
Membership and business qualifications obtained by GF Qianhe and its subsidiaries			
1	Private Investment Fund Manager Registration Certificate	Asset Management Association of China	June 2015
2	Qualified Domestic Limited Partner Pilot Enterprise	Shanghai Office of Financial Services	November 2015
3	Membership	Securities Association of China	May 2017
Membership and business qualifications obtained by GFFL			
1	Membership	Guangdong Financial Leasing Association	April 2016
2	Membership	Guangzhou Financial Leasing Industry Alliance	April 2016
3	Membership	Guangzhou Foreign Investment Enterprises Chamber of Commerce	September 2017
4	Membership	China Financial Leasing Forum·West Lake	October 2017
5	Medical Devices Operation Permit	Guangzhou Bureau of CFDA	January 2018
6	Membership	Guangzhou Industrial Robot Manufacturing and Application Industry Alliance	September 2018
7	Lease-related business registration including finance lease	Administrative Approval Bureau, New Area, Nansha, Guangzhou, China (Guangdong) Pilot Free Trade Zone	October 2018
8	Membership	Guangzhou Nansha Financial Industry Association	November 2018
9	Membership	Global Leasing Union and United Leasing Research and Development Center	December 2018

Company Profile

Membership and business qualifications obtained by GF Hexin

1	Private Investment Fund Manager Registration Certificate	Asset Management Association of China	October 2015
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Membership and business qualifications obtained by GF Xinde and its subsidiaries

1	Membership	Securities Association of China	April 2017
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Membership and business qualifications obtained by GF Fund and its subsidiaries

1	Permit for Operations of Securities and Futures Business	CSRC	July 2003
2	Client-specific asset management	CSRC	February 2008
3	Qualified Domestic Institutional Investor (QDII)	CSRC	January 2009
4	Entrusted Domestic Investment Manager of NSSF	NSSF	December 2010
5	Type 4: advising on securities	SFC	September 2011
6	Type 9: asset management	SFC	September 2011
7	RMB Qualified Foreign Institutional Investor (RQFII)	CSRC	August 2012
8	Entrusted investment managers of insurance funds	CIRC	October 2012
9	Client-specific asset management	CSRC	June 2013
10	Entrusted asset management investment managers of Insurance Security Fund	China Insurance Security Fund Co., Ltd.	August 2013

No.	Type of License	Approval Authority	Issue Date
11	Qualified Foreign Institutional Investors (QFII)	CSRC	September 2013
12	Financial Services Commission of South Korea - investment consulting business license	Financial Services Commission of South Korea	November 2013
13	Type 1: dealing in securities	SFC	March 2014
14	Investment advisory	U.S. Securities and Exchange Commission	May 2014
15	MiFID and UCITS businesses	Financial Conduct Authority (FCA)	October 2015
16	RMB Qualified Foreign Institutional Investor (RQFII)	CSRC	December 2015
17	Basic pension insurance fund securities investment management agency	NSSF	December 2016
18	Hong Kong Shares Investment Advisory Institution	Asset Management Association of China	October 2018

VI. COMPANY HISTORY AND DEVELOPMENT

With the approval of the PBOC, Guangdong Development Bank (廣東發展銀行) (currently known as China Guangfa Bank) established a securities department on April 9, 1991. On May 21, 1993, the Guangdong Administration for Industry and Commerce approved the due establishment of the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部). 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 its name was changed 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 sectorial regulations applicable to the financial industries under the PRC laws. On July 25, 2001, the Company was converted into a joint stock company and its name was changed to GF Securities Co., Ltd. (廣發證券股份有限公司) (the “Original Guangfa”).

On February 12, 2010, the Company became listed on the SZSE 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”), a company listed on the SZSE with the stock code of 000776 (the “Reverse Takeover”). The key steps of the Reverse Takeover were as follows:

The repurchase by Yan Bian Road of 84,977,833 shares from one of its then shareholders, Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司);

The issuance of 2,409,638,554 shares by Yan Bian Road to shareholders of the Original Guangfa in exchange for all the then existing shares of the Original Guangfa; and

As a result of the Reverse Takeover, the Original Guangfa transferred all of its assets and employees to Yan Bian Road and was deregistered on February 10, 2010.

As part of the Reverse Takeover, the name of Yan Bian Road was changed to “GF Securities Co., Ltd.”.

MAJOR INCREASES IN SHARE CAPITAL

Upon its establishment on May 21, 1993, the Company’s registered capital was RMB10,000,000.

On January 25, 1994, the Company increased its registered capital to RMB150,000,000.

On November 1, 1995, the Company increased its registered capital to RMB200,000,000.

On December 26, 1996, the Company increased its registered capital to RMB800,000,000.

On December 14, 1999, the Company increased its registered capital to RMB1,600,000,000.

On July 25, 2001, the Company was converted into a joint stock company with registered share capital of RMB2,000,000,000.

On February 10, 2010, as a result of the Reverse Takeover, the Company increased its registered share capital to RMB2,507,045,732.

On December 15, 2011, the Company issued 452,600,000 A Shares to 10 investors by way of private placement. As a result, the Company increased its registered capital to RMB2,959,645,732.

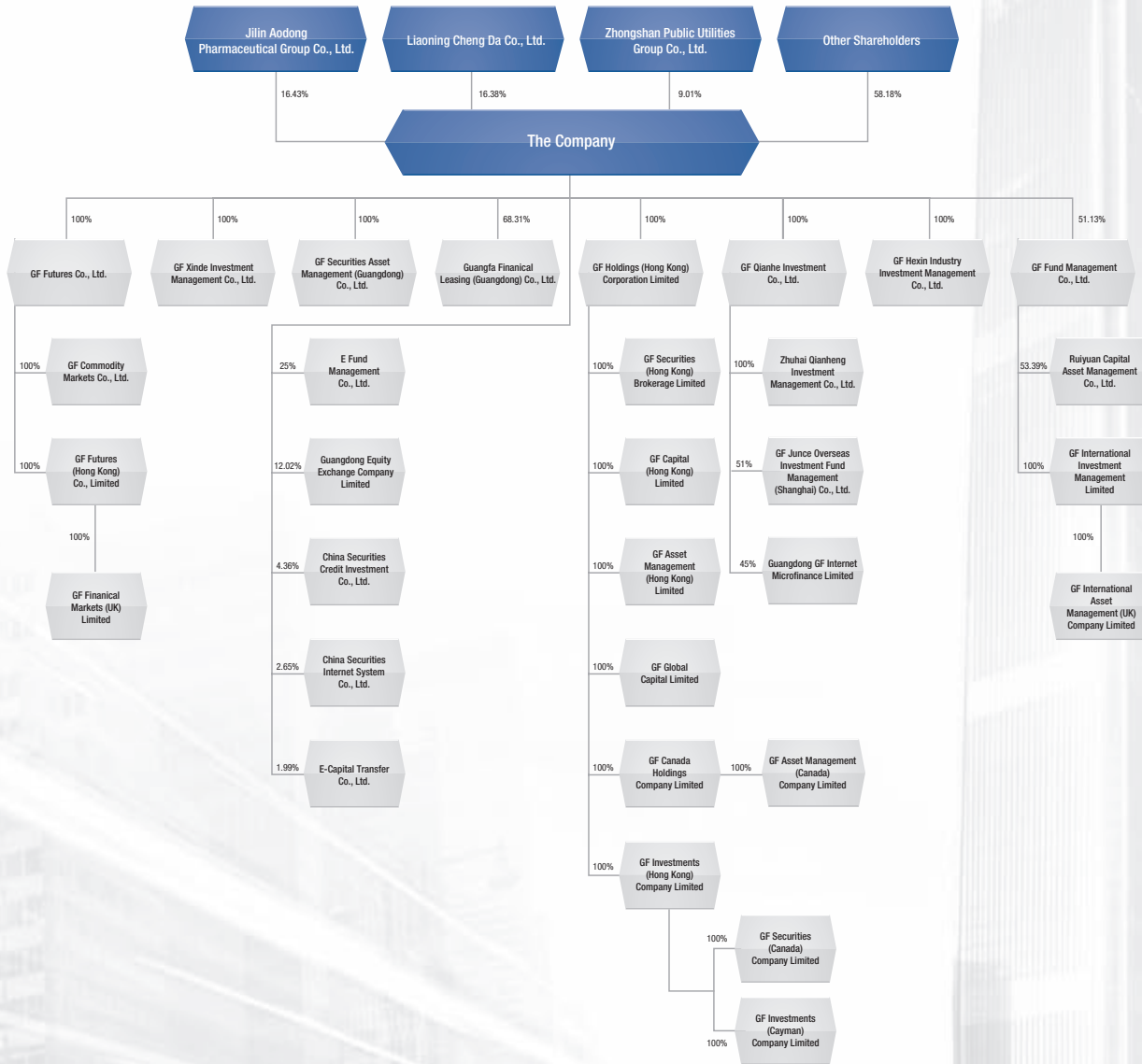
Company Profile

On September 17, 2012, the Company increased its share capital from RMB2,959,645,732 to RMB5,919,291,464 through the capitalization of our capital reserves on the basis of 10 shares for every 10 shares.

On April 10, 2015, the Company was listed for trading on the Main Board of the Hong Kong Stock Exchange. Upon full exercise of the over-allotment option, the Company issued a total of 1,701,796,200 H Shares and changed its registered capital to RMB7,621,087,664.

VII. STRUCTURE OF THE COMPANY

1. Shareholding Structure of the Company (As of 31 December 2018)

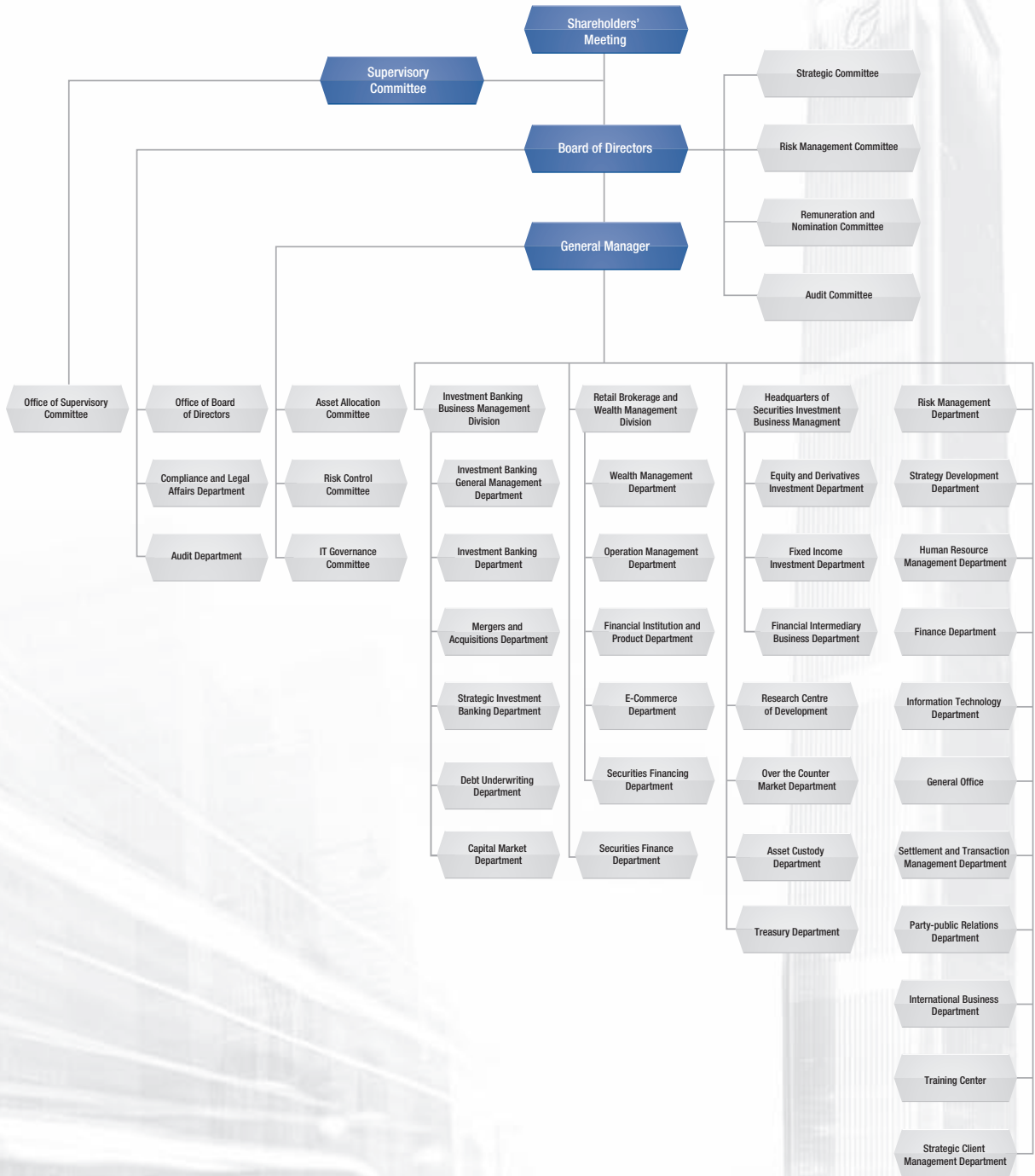


Note 1: In October 2018, according to external regulatory requirements on rectification, the 68.3125% of equity interest of GFFL held by GF Qianhe was adjusted to be held directly by the Company; and the entire equity interest of GF Hexin holding by GF Qianhe was adjusted to be held directly by the Company;

Note 2: At present, the Company and GF Investments (Hong Kong) hold 68.3125% and 31.6875% equity interest in GFFL, respectively.

Company Profile

2. Organization Structure of the Company (As of the date of this report)



3. Domestic Branch Companies (as of December 31, 2018)

Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Shenzhen Branch	Level 20 and Room 01 & 16 of Level 25, Shum Yip Centre, 5045 Shennan East Road, Luohu District, Shenzhen	July 2009	Jing Jianguo	0755-82083898
GF Securities Co., Ltd. Dalian Branch	478 Zhongshan Road, Shahekou District, Dalian, Liaoning Province	July 2009	Chen Deming	0411-84355166
GF Securities Co., Ltd. Shandong Branch	West Wing of the 10th Floor and rooms 905 and 908 of the 9th floor, 3 Luoyuan Street, Lixia District, Jinan	July 2009	Zhang Yuqiang	0531-86993666
GF Securities Co., Ltd. Shanghai Branch	Unit 13, 16F, 8 Century Avenue, Shanghai Free Trade Zone, PRC	July 2009	Mei Jiyuan	021-68818808
GF Securities Co., Ltd. Hebei Branch	Room 1401, 14th floor, Wutong Business Center Project, 36 Zhongshan West Road, Qiaoxi District, Shijiazhuang	July 2009	Huang Bin	0311-85278887
GF Securities Co., Ltd. Hubei Branch	Rooms 6, 7 and 8, 34th floor, Office Tower of Huijin Plaza, 1268 Jinghan Avenue, Jiangan District, Wuhan	July 2009	Peng Tao	027-82800767
GF Securities Co., Ltd. Guangzhou Branch	North Wing of the 2nd Floor, Industrial Bank Plaza, 101 Tianhe Road, Guangzhou	July 2009	Chen Liming	020-83863518
GF Securities Co., Ltd. Zhejiang Branch	Room A201, 41 Qianjiang Road, Shangcheng District, Hangzhou	August 2009	Chen Xiaoyu	0571-86566651
GF Securities Co., Ltd. Chengdu Branch	Room 2210, Level 22, Unit 1, Building 1, 722 Yizhou Avenue Central, High Tech Zone, Chengdu	August 2009	Liu Jiezhou	028-85972529
GF Securities Co., Ltd. Beijing Branch	Level 18, Yuetan Building, 2 Yuetan North Street, Xicheng District, Beijing	August 2009	You Haiyang	010-59136868
GF Securities Co., Ltd. Xi'an Branch	Units 03 and 05, 12th Floor, COLI Building, 3 Furong South Road, Qujiang New District, Xi'an, Shaanxi Province	August 2009	He Xiaoshe	029-65655877
GF Securities Co., Ltd. Jiangsu Branch	272 Jiqingmen Avenue, Gulou District, Nanjing	August 2009	Li Ping	025-86899227
GF Securities Co., Ltd. Zhuhai Branch	Area I (2), Level 2, Building 17, Zhuhai Hengqing	February 2011	Zhong Xiongying	0756-8286229
GF Securities Co., Ltd. Foshan Branch	Flat A1, B, C, J and K, actually 18/F (nominally 20/F), Block 2, Youbang Financial Centre, No. 1, Denghu East Road, Guicheng Street, Nanhai District, Foshan, Guangdong Province	May 2011	Wu Yuemin	0757-83789698
GF Securities Co., Ltd. Changchun Branch	1272 Minkang Road, Nanguang District, Changchun	August 2011	Li Chao	0431-88634077

Company Profile

Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Fujian Branch	Units 03 & 05, Level 34, Yuyang Zhongyang Jinzuo Office Building, 118 Shuguang Road, Taijiang District, Fuzhou, Fujian Province	April 2012	Zhuo Wen	0591-83055872
GF Securities Co., Ltd. Yuexi Branch	Second of 201, 45 Tianchang Road, Pengjiang District, Jiangmen	June 2014	Lin Qing	0750-3488001
GF Securities Co., Ltd. Yuedong Branch	5 Haibin Road, Jinping District, Shantou	June 2014	Zhang Haiou	0754-88280098
GF Securities Co., Ltd. Dongguan Branch	Room508, Building 1, The Innovation and Technology Park, Songshan Lake Hi-tech Industrial Development Zone, Dongguan	June 2014	Kang Shaohua	0769-28331886
GF Securities Co., Ltd. Hainan Branch	Room 203, Level 2, Building A, Incubator of Haikou National Hi-tech Zone, 266 Nanhai Avenue, Haikou	September 2015	Li Junhua	0898-66288660

4. Domestic and Overseas Principal Wholly-owned and Non-wholly-owned Subsidiaries (as of December 31, 2018)

(1) Domestic wholly-owned and Non-wholly-owned subsidiaries

Company Name	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures	Flat 1002, 12 Junxian Street, Huangpu District, Guangzhou, Guangdong Province	1993.03	RMB140,000	100	Luo Mansheng	020-38456937
GF Xinde	Room 45, Level 3, Office building, [Meilijiyuan], 545 Kashi West Road, Urumqi Economic and Technological Development Zone, Xinjiang	2008.12	RMB280,000	100	Zeng Hao	020-66336392
GF Qianhe	Room 206, 3 Xingfu West Street, Beifang Town, Huairou District, Beijing	2012.05	RMB310,350	100	Luo Binhua	010-56571860
GF Asset Management	Room 105-285, 6 Baohua Road, Hengqin New District, Zhuhai	2014.01	RMB100,000	100	Kong Weicheng	020-66338260
GFFL	Room 612, 36 Jintao West Street, Nansha District, Guangzhou	2015.06	RMB80,000	68.31	Zhang Wei	020-38880058
GF Hexin	Room105 -5649, 6 Baohua Road, Hengqin New District, Zhuhai	2015.08	RMB10,000	100	Zhang Wei	010-56571798
GF Fund	Room 105-49848 (Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2003.08	RMB12,688	51.135	Sun Shuming	020-83936666
Guangdong Equity Exchange Company Limited	Zibian Room 898, 333 Jiufu Jianshe Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong Province	2018.07	RMB31,098.31	12.0183	Wang Wensheng	020-82116876
E Fund	Room 105-42891 (Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2001.04	RMB12,000	25	Liu Xiaoyan	020-38797888

Company Name	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
China Securities Credit Investment Co., Ltd.	Room 201, Block A, No.1 Qianwanyilu, Shenzhen – Hong Kong Cooperation Zone, Qianhai, Shenzhen	2015.05	RMB458,598	4.36	Niu Guanxing	0755-84362888
China Securities Internet System Co., Ltd.	Unit B808, Level 8, Building B, 19 Finance Avenue (Lot 5 of Block B in Finance Avenue), Xicheng District, Beijing	2013.02	RMB755,024.45	2.65	Chen Gongyan	010-83897816
ECT	Building 1, 27 Xinqing Road, Shanghai Free Trade Zone, PRC	2015.01	RMB251,875	1.99	Wang Guanrong	021-20538888

Note: As of December 31, 2018, GF Investments (Hong Kong) held the remaining 31.69% equity interest in GFFL.

GF Futures established GF Commodity Markets Co., Ltd..

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Commodity Markets Co., Ltd.	Room A-1088H, 188 Yesheng Road, Shanghai Free Trade Zone, PRC	2013.04	RMB20,000	100	Zhang Lei	021-60126373

GF Qianhe has three subsidiaries, namely Zhuhai Qianheng Investment Management Co., Ltd, Guangfa Junce and GF Internet Microfinance.

Company Name	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
Zhuhai Qianheng Investment Management Co., Ltd.	Room 105-1891, 6 Baohua Road, Hengqin New District, Zhuhai	2015.03	RMB65,000	100	Jin Bo	020-87570115
GF Junce	Room 701-5, 438 Pudian Road, Pudong New District, Shanghai City	2015.10	USD500	51	Fu Zhu	021-50296666
GF Internet Microfinance	Zibian Zone D (Office Zone), 17 Guocaizhi Street, Yuexiu District, Guangzhou	2015.08	RMB50,000	45	Yang Long	020-87550059

GF Fund established Ruiyuan Capital Asset Management Co., Ltd..

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
Ruiyuan Capital Asset Management Co., Ltd.	Room 105-49849(Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2013.06	RMB7,500	53.3936	Duan Xijun	020-89188990

(2) Overseas Wholly-owned and Non-wholly-owned Subsidiaries

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GFHK	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.06	HK\$560,000	100	Lin Zhihai	(852)37191111

Company Profile

GFHK has six wholly-owned subsidiaries, namely GF Capital (Hong Kong), GF Securities (Hong Kong), GF Asset Management (Hong Kong), GF Global Capital, GF Investments (Hong Kong) and GF Securities Canada Holdings; GF Investments (Hong Kong) established GF Securities (Canada) Company Limited, GF Investments (Cayman) Company Limited and GF Wealth Management (Hong Kong) Limited; GF Securities Canada Holdings established GF Asset Management (Canada) Company Limited.

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Securities (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$280,000	100	Wang Yue	(852)37191111
GF Capital (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$13,000	100	Ye Yong	(852)37191111
GF Asset Management (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$32,500	100	Lee Wilson Tsz Kin	(852)37191111
GF Investments (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2011.09	HK\$500	100	Sha Jianyuan	(852)37191111
GF Global Capital	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2015.11	HK\$160,000	100	Chen Lu	(852)37191111
GF Canada Holdings Company Limited	Suite 2270 – 1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2018.02	CAD300	100	Wen Huiqing	(778)2975888
GF Securities (Canada) Company Limited	Suite 2270 – 1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2014.03	CAD1,640	100	Wen Huiqing	(778)2975888
GF Asset Management (Canada) Company Limited	Suite 2270 – 1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2018.02	CAD300	100	Wen Huiqing	(778)2975888
GF Investments (Cayman) Company Limited	190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands	2011.09	USD60	100	Sha Jianyuan	(852)37191111
GF Wealth Management (Hong Kong) Limited	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2014.11	HK\$1,500	100	Wang Yue	(852)37191111

The Company has related transactions with GFHK and its subsidiaries, which will be strictly carried out and regulated under the Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》).

GF Fund established GF International Investment Management Limited which in turn established GF International Asset Management (UK) Company Limited.

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF International Investment Management Limited	Suite 3503-05, 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong Special Administrative Region	2010.12	HK\$50,000	100	Shangguan Peng	(852)36952868
GF International Asset Management (UK) Company Limited	First Floor 43 London Wall, London, EC2M 5TF, United Kingdom.	2014.11	GBP700.01	100	Hu Jinming	(44)2038289888

GF Futures established GF Futures (Hong Kong) which in turn established GF Financial Markets (UK) Limited.

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures (Hong Kong) Co., Limited	Units 08, 28th Floor, The Center, 99 Queen's Road Central, Hong Kong	2006.05	HK\$77,700	100	Liu Boya	(852)38937799
GF Financial Markets (UK) Limited	1 Broadgate, London, EC2M 2QS, United Kingdom.	1976.02	GBP5,596.9014	100	Zhao Guiping	(44)2073301688

5. Numbers and Distribution of Securities Brokerage Branches

As of December 31, 2018, the Company had established 264 securities brokerage branches. The numbers and distribution of securities brokerage branches are set out below:

Province	Number of Brokerage Branches	Province	Number of Brokerage Branches	Province	Number of Brokerage Branches
Guangdong Province (of which: Shenzhen)	116 (9)	Shaanxi Province	5	Guizhou Province	1
Shanghai	21	Henan Province	4	Hunan Province	1
Hubei Province	16	Yunnan Province	3	Ningxia	1
Liaoning Province	15	Hainan Province	3	Gansu Province	1
Hebei Province	13	Chongqing	3	Inner Mongolia	1
Zhejiang Province	10	Jilin Province	3	Qinghai Province	1
Jiangsu Province	10	Sichuan Province	2	Shanxi Province	1
Fujian Province	8	Guangxi Province	2	Anhui Province	1
Beijing	7	Jiangxi Province	2	Xinjiang	1
Shandong Province	7	Tianjin	2	Tibet	1
		Heilongjiang Province	2		

VIII. OTHER RELEVANT INFORMATION

(1) Auditors engaged by the Company

PRC Auditor	Ernst & Young Hua Ming LLP
Office Address of PRC Auditor	Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave. Dongcheng District, Beijing, PRC
Name of Signing Auditor	Zhaoya, He Yanyi
Name of International Auditor	Ernst & Young
Office Address of International Auditor	22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

(2) Legal Advisors

PRC Legal Advisor	Jia Yuan Law Offices, Beijing
Overseas Legal Advisor	Latham & Watkins LLP

(3) Share Registrars

A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch 22nd-28th Floor, Shenzhen Stock Exchange Square, No. 2012, Shennan Mid Road, Futian District, Shenzhen, Guangdong, PRC
H Share Registrar	Computershare Hong Kong Investor Services Limited Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

(4) 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 B Grade BBB Securities Company in 2016;
The Company was rated as Class A Grade AA Securities Company in 2017;
The Company was rated as Class A Grade AA Securities Company in 2018.

(5) The sponsor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

Not applicable

(6) The financial advisor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

Not applicable

Section 2
Key Accounting
Data
and Financial
Indicators



Key Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA (CONSOLIDATED STATEMENTS)

(Accounting data and financial indicators set out in this report have been prepared in accordance with the International Financial Reporting Standards)

Unit: RMB in millions

	2018	2017	Variance in comparison with last year	2016
Total revenue and other income	22,817	28,614	-20.26%	27,488
Profit before income tax	6,004	11,644	-48.43%	10,705
Net profit attributable to owners of the Company	4,300	8,595	-49.97%	8,030
Net cash from (used in) operating activities	40,858	(16,417)	–	11,115
Basic earnings per share (RMB/share)	0.56	1.13	-50.44%	1.05
Return on weighted average net assets (%)	5.07	10.55	decrease of 5.48 percentage points	10.29
	December 31, 2018	December 31, 2017	Variance in comparison with the end of last year	December 31, 2016
Total assets	389,106	356,905	9.02%	359,801
Total liabilities	300,477	268,279	12.00%	278,448
Equity attributable to owners of the Company	85,018	84,854	0.19%	78,530
Total share capital	7,621	7,621	–	7,621
Equity per share attributable to owners of the Company (RMB/share)	11.16	11.13	0.27%	10.30
Gearing ratio (%)	73.20	69.64	increase of 3.56 percentage points	70.32

Note 1: Gearing ratio = (Total liabilities-Accounts payable to brokerage clients)/(Total assets-Accounts payable to brokerage clients)

II. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profits in the years of 2018 and 2017 and the net assets as of December 31, 2018 and December 31, 2017 as stated in the consolidated financial statements of the Company disclosed in accordance with International Financial Reporting Standards (IFRS) are consistent with those in accordance with China's Accounting Standards (CAS).

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

Unit: RMB

Item	December 31, 2018	December 31, 2017	Variance in comparison with the end of last year
Core net capital	53,592,866,172.70	53,715,152,176.89	-0.23%
Supplementary net capital	4,970,000,000.00	9,950,000,000.00	-50.05%
Net capital	58,562,866,172.70	63,665,152,176.89	-8.01%
Net assets	75,861,369,149.18	75,980,179,935.50	-0.16%
Total risk capital reserves	26,290,432,486.64	25,591,085,824.40	2.73%
Total on- and off-balance sheet assets	279,822,177,425.17	246,659,580,064.54	13.44%
Risk coverage ratio	222.75%	248.78%	decrease of 26.03 percentage points
Capital leverage ratio	19.51%	22.49%	decrease of 2.98 percentage points
Liquidity coverage ratio	404.53%	155.59%	increase of 248.94 percentage points
Net stable funding ratio	139.77%	134.47%	increase of 5.30 percentage points
Net capital/Net assets	77.20%	83.79%	decrease of 6.59 percentage points
Net capital/Liabilities	30.36%	38.95%	decrease of 8.59 percentage points
Net assets/Liabilities	39.33%	46.48%	decrease of 7.15 percentage points
Proprietary equity securities and securities derivatives/Net capital	29.35%	35.07%	decrease of 5.72 percentage points
Proprietary non-equity securities and securities derivatives/Net capital	240.67%	155.11%	increase of 85.56 percentage points

Key Accounting Data and Financial Indicators

At the end of the year, the parent company had net capital of RMB58,563 million and total risk capital reserves of RMB26,290 million. Risk coverage ratio, net capital/net assets ratio and net capital/liabilities ratio were 222.75%, 77.20% and 30.36%, well above the regulatory requirements of 100%, 20% and 8%. The Company has solid asset quality. Each risk control indicator is in compliance with the relevant requirements under the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》).

Note: The above relevant data were based on the Administrative Measures for Risk Control Indicators of Securities Companies issued by the CSRC and China's Accounting Standards for Business Enterprises, and expressed on a non-consolidated basis.

IV. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS IN THE LAST FIVE YEARS

1. Earnings (Unit: RMB'000)

	2018	2017	2016	2015	2014
Total revenue and other income	22,816,996	28,614,334	27,487,923	42,732,815	16,163,495
Total expenses	17,435,709	17,431,273	17,185,727	25,216,915	9,852,065
Profit before income tax	6,004,338	11,644,026	10,705,060	17,805,712	6,648,595
Net profit attributable to owners of the Company	4,300,126	8,595,399	8,030,107	13,201,014	5,022,568

2. Assets (Unit: RMB'000)

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total assets	389,105,946	356,904,639	359,801,354	419,097,015	240,099,776
Total liabilities	300,476,772	268,279,057	278,448,018	339,276,186	198,722,320
Equity attributable to owners of the Company	85,018,016	84,854,203	78,530,210	77,519,274	39,610,880
Share capital	7,621,088	7,621,088	7,621,088	7,621,088	5,919,291

3. Key financial indicators

	2018	2017	2016	2015	2014
Basic earnings per share (RMB/share)	0.56	1.13	1.05	1.85	0.85
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	1.85	N/A
Return on weighted average net assets (%)	5.07	10.55	10.29	21.14	13.56
Gearing ratio (%)	73.20	69.64	70.32	73.48	75.46
Equity per share attributable to owners of the Company (RMB/share)	11.16	11.13	10.30	10.17	6.69

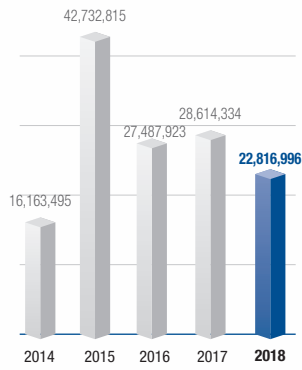
Note: 1. Gearing ratio = (Total liabilities-Accounts payable to brokerage clients)/(Total assets-Accounts payable to brokerage clients)

2. Except for the year of 2015, there were no potential dilutive ordinary shares outstanding, thus no diluted earnings per share is presented.

Key Accounting Data and Financial Indicators

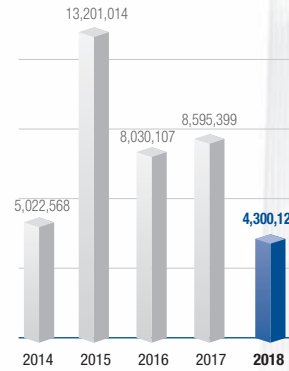
Total revenue and other income

(Unit: RMB'000)



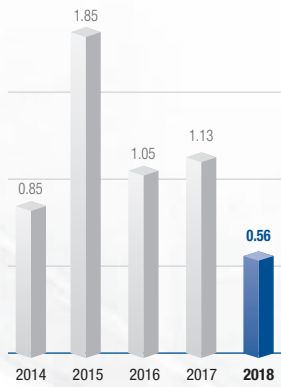
Net profit attributable to owners of the Company

(Unit: RMB'000)

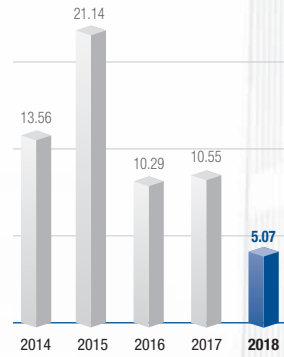


Basic earnings per share

(RMB/share)

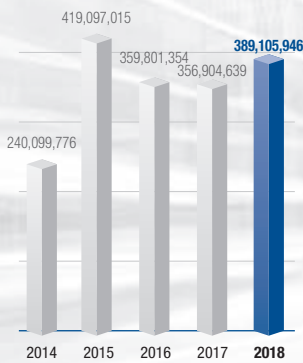


Return on weighted average net assets (%)



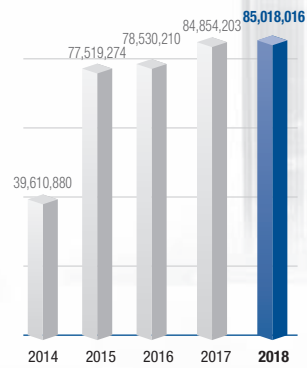
Total assets

(Unit: RMB'000)

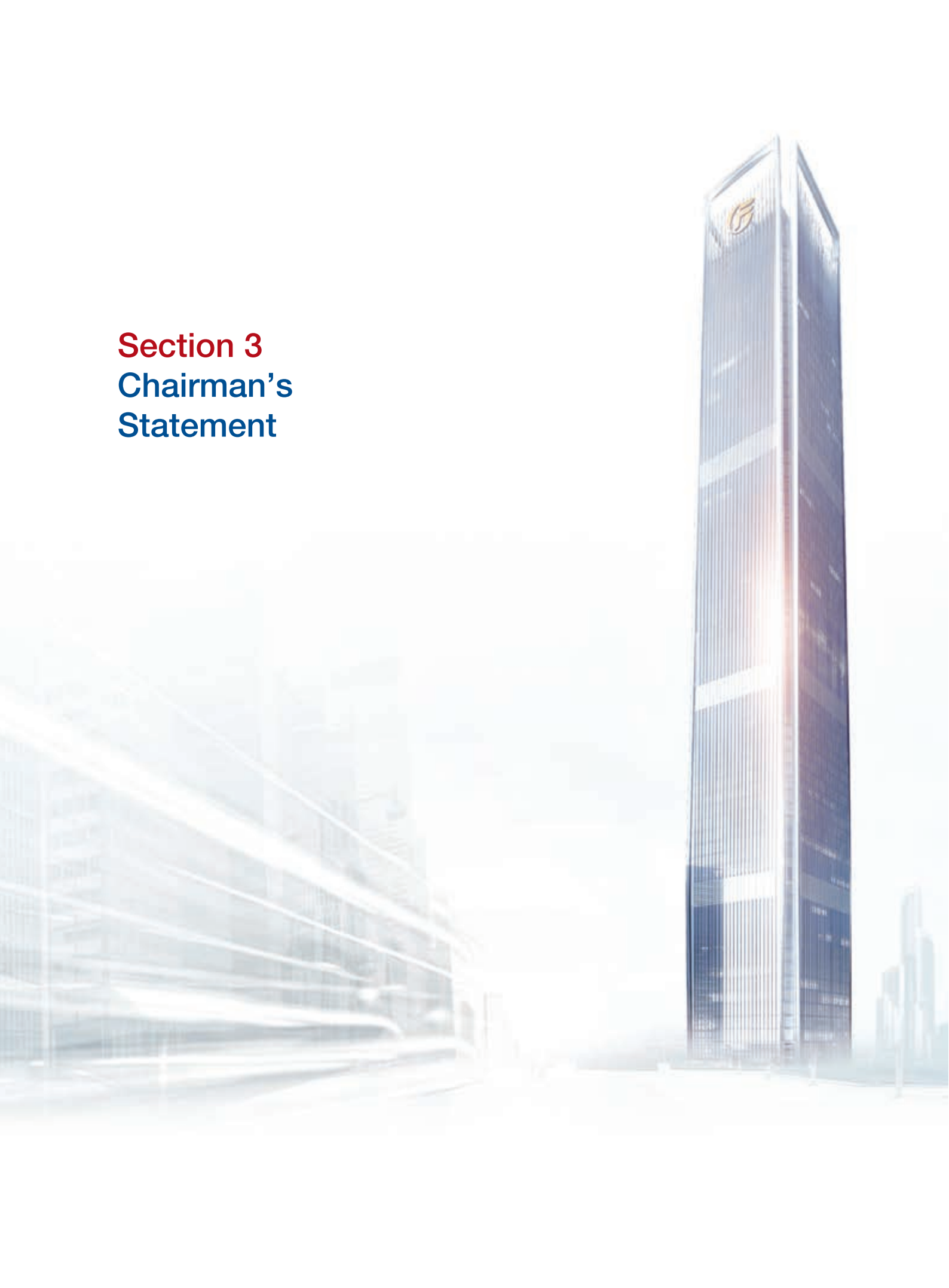


Equity attributable to owners of the Company

(Unit: RMB'000)



Section 3
Chairman's
Statement



The Year 2018 was the 40th anniversary of the reform and opening up, ushered in the overall implementation of the guiding principles of the 19th National Congress of the Communist Party of China (CPC), and also was an important year for comprehensively implementing of the new five-year strategic plan of the Company.

The Year 2018 witnessed a complicated and grim situation at home and abroad. Under the effects of various factors, there was a sharp drop in domestic stock market, and stock market turnover and funds raised from IPO declined to the lowest level in three years. Risk events occurred frequently, such as over-leveraging of equity pledge, default of credit debts and liquidity, which led to a significant decrease in operating revenue and net profit of the securities industry. Facing the complicated operating environment, under the correct direction of the Board of Directors, the management of the Company led all the staff as a united team to overcome difficulties and challenges, and thus continued to rank top in the industry in terms of various key operating indicators in 2018 and was also evaluated as Grade AA of Class A in the classified rating of securities companies in 2018.

In 2018, driven by a series of regulatory policies such as improving the quality of listed companies, optimizing transaction supervision, cultivating medium and long-term value investors, protecting the interest of investors and expanding the opening up, the securities industry braved difficulties, accelerated the transformation, and stepped toward marketization, legalization and internationalization. Under the guidance of the new five-year strategic plan, the operation management of the Company led all the staff to accelerate the business transformation and cultivate medium and high-end customer base on top of consolidating the advantages of traditional businesses, and achieved phased accomplishments. The Company was well prepared for the establishment of technology innovation board, and reserved a large number of quality enterprises. It actively expanded into the buyer business and obtained a number of qualifications for its new business. The Company promoted a connection mechanism between domestic and overseas research teams and the branding research to continuously keep its leading position in the industry. We have formed our wealth management structure from top to bottom and promoted the wealth management transformation. The Company continued to increase investment in technological finance to facilitate the transformation of traditional businesses and keep its advantage in technological finance.

In 2019, the development of capital market entered a new historic stage. General Secretary Xi Jinping pointed out at the Central Economic Work Conference, "the capital market plays a crucial role in financial operation. We will deepen the reforms to create a standardized, transparent, open, energetic and resilient capital market, enhance the quality of listed companies, improve trading system, channel more medium and long-term funds and promote the establishment of the technology innovation board on the Shanghai Stock Exchange and implementation of the pilot registration system as soon as possible". The Party Central Committee attached unprecedented importance to the development and reform of capital market. The capital market entered a new era of long-term, steady and sound development. As important participants in the capital market, securities companies will usher in a historic opportunity for development.

The Year 2019 is also a critical year for the Company's transformation and reform. The Company will intensify its efforts for transformation, strengthen strategic traction and the construction of executive capability from top to bottom, continue to advance the transformation of investment banking, wealth management, transaction and institution and investment management businesses as well as the cultivation of competitive advantages, enhance the professional ability to serve high net worth individuals, medium and large quality enterprises and institutional clients, and improve its position in securities industry and the Guangdong-Hong Kong-Macao Greater Bay Area. Meanwhile, the Company will more firmly uphold the philosophy of "stable growth and standardized management" and conform to the compliance base line and risk control life-line to make compliance risk control a foundation, a stabilizer and a security for the operation and development of the Company.

Chairman's Statement

Every achievement we made on the way forward and every difficulty and challenge we overcame were ascribed to the strong support from our customers, Shareholders, business partners and all circles of the society, and more importantly to the united hard work of all the employees of the Company. I, on behalf of the Board of Directors and operation management, would like to express my heartfelt gratitude to you all.

“He who is into a major event, survives because of being conscious of hardship, succeeds because of doing solid work and fail because of being proud (事者,生於慮,成於務,失於傲)”. On its way forward, the Company will always be aware of crisis and achieve success and growth together with its customers under the guidance of the new five-year strategic plan and “customer-oriented” throughout. The Company will make full use of its geographic, cultural and professional advantages to actively participate in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and contribute its wisdom, solutions and strength to building a world-class bay area and urban agglomeration. The Company will strive to build an investment bank with first-class resource allocation, wealth management institutions, international competitiveness and comprehensive risk management capability. The Company will make contributions to the construction of capital market and the great rejuvenation of the Chinese nation.

Section 4
Directors' Report



Summary of the Company's Business

The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statement of the Company and the Group for the year ended December 31, 2018. Contents of relevant section in this report mentioned in the cross references in the Directors' Report forms part of the Directors' Report.

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

(I) The Group's Main Business Type

The Group is positioned as a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality enterprises and affluent individuals. The Group has built a diversified business serving the various needs of corporations, individuals (especially affluent individuals), institutional investors, financial institutions and government clients. The main business of the Group can be classified into four segments, namely investment banking, wealth management, trading and institution and investment management, and each operating indicator has ranked among forefront of the industry.

Products and services of the four business segments are set out in the table below:

Investment Banking	Wealth Management	Trading and Institution	Investment Management
◆ Equity finance	◆ Retail brokerage and wealth management	◆ Equity and derivatives trading	◆ Assets management
◆ Debt finance	◆ Margin financing and securities lending	◆ Fixed income sales and trading	◆ Public fund management
◆ Financial advisory	◆ Repurchase transactions	◆ OTC sales and trading	◆ Private fund management
	◆ Financial leasing	◆ Alternative investment	
		◆ Investment research	
		◆ Asset custody	

Investment banking: the Group earns its commissions, sponsor and consulting fees through underwriting stocks and bonds and providing sponsor and financial advisory services;

Wealth Management: the Group earns its fees, consulting fees and commissions through providing brokerage and investment advisory services, obtaining interest income from its business of financing and securities lending and borrowing, repurchase transactions, financial leasing, small loans and fund management of settlement fund on behalf of clients, and earning its fees through acting as agent for the sales of financial products developed by the Group and other financial institutions;

Trading and Institution: the Group earns its investment income and interest income through investment transactions and market making services from equity, fixed income and derivatives, earning its fees and commissions through providing transaction consultation and execution, investment research services and the main broker services to institutional customers;

Investment Management: the Group earns its management fees, advisory fees and performance fee through providing services for the assets management, public fund management and private fund management.

During the Reporting Period, the Group has persisted in adhering to the core of securities business, constantly improving strategic customer service system, integrating resources to better serve customers, and creating an innovative integrated financial services platform.

During the Reporting Period, the main businesses and the operating model of the Group have had no significant changes.

(II) Development Characteristics of the Industry in which the Group Operates

The main businesses of the Group have developed steadily in light of various driving factors, which mainly include the following aspects: (1) The importance of the securities industry has been improved and show a steady and developing trend. The report of the 19th National Congress of the Communist Party of China clearly put forward the need to strengthen financial services for the real economy, raise the proportion of direct financing, and promote the healthy development of the multi-level capital markets, which reflects that the highest decision-makers attach great importance to the development of capital markets. There has a remarkable space for the development of the industry. (2) Capital market is an important platform for market-oriented allocation of resources and is of great significance to revitalizing the real economy. The direct financing demand of enterprises is huge, and the market for merger and acquisition is developing. Benefited from the government's policy to strongly encourage and support the development of real economy and direct financing, the launch of the science and technology innovation board and the pilot registration system, China's capital market has a strong growth potential. Besides, assets reorganization and mergers and acquisitions will play an important role in the economic transformation of China. (3) The wealth of residents has been accumulated and allocation structure has changed, and there will be a huge room for development in wealth management business. With the continuous growth of China's economy and the wealth of residents, asset management industry of China has developed rapidly, which has become one of the sectors with most dynamic and growth potential in finance sub-area. The percentage of the financial assets in the household asset allocation of China will increase, and there will be a huge room for development in wealth management business for the wealth of residents. (4) There are changes in investor structure, with obvious institutionalization of individual investors and continuously increase in the proportion of institutional investors. The institutional investors will become the mainstream of the market. With the robust development of private fund, the degree of participation of institutional investors, such as insurance funds, pensions and offshore funds, has increased, which will generate new income sources and diversified business opportunities for securities companies. (5) The internationalization of capital market has accelerated. Regulatory authorities once again added QDII, QFII and RQFII investment quota in 2018. Following the inclusion of A shares in the MSCI index was announced in 2017, FTSE Russell, the second largest index service provider in the world, announced the inclusion of A shares in its Global Equity Index Series, and international funds of a larger scale will thus be allocated to A shares. Foreign rating agencies have been permitted to enter into the market of China. Especially with the steady progress of the national Belt and Road Initiative, the internationalization of the capital market is also accelerating. (6) The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area has been issued formally. It expressly stated establishing an international finance hub, putting great efforts on the development of the featured financial industry and orderly promoting the interconnectivity of the financial market and other initiatives to speed up the development of

Summary of the Company's Business

the modern service industry in order to build a modern industry system with international competitiveness. It will consolidate and enhance the position of Hong Kong as an international finance center, provide support to Guangzhou in completing its modern financial service system, support Shenzhen to develop its capital market centering on SZSE according to rules and regulations, give support to Macau for establishing Sino-Portuguese financial service platform at national level and investigate the establishment of Macau-Zhuhai cross border financial cooperation demonstration area, which will allow the Group to leverage on regional advantages to take a lead in the Guangdong-Hong Kong-Macao Greater Bay Area through forward-looking strategic arrangements.

The securities primary business of the Group relies on China's economic growth, accumulation of household wealth and the development and performance of China's capital market, including major factors, such as financial products issuance, investment and trading, including stocks, bonds, which are financial products, which are affected by the economic environment, regulatory environment, investor sentiment and the international market and other factors, have shown an overall spiraling growth trend.

II. BUSINESS REVIEW

Business operations and business review of the Group for the year ended December 31, 2018 are set out in "Discussion and Analysis of Operations", which forms part of the Directors' Report, in Section 5 of this report.

III. ANALYSIS ON CORE COMPETITIVENESS

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

The Company has no controlling shareholder and de facto Controller. Over the past 19 years, the top three shareholders of the Company have been Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all public listed companies) (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non-registered shareholders of H Shares). As of December 31, 2018, the shareholding percentages of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 17.45%, 16.40% and 10.34%, respectively, forming a stable equity structure. A sustainable, balanced and diversified shareholding structure provides strong support for the Company to form a sound governance structure, and ensures that the Company maintains its market operation mechanism in long run, which facilitates the Company to achieve sustained and healthy development.

2. Excellent corporate culture and stable management team

With the core value of "inquisitiveness, integrity, client focus and teamwork", the Company has carried out the management philosophy of "stable growth, continual innovations, performance-driven culture and business strategies" to seek sustained, healthy and stable development. 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 23 years of managerial experience in securities and finance and relevant sectors and have served an average term of over 16 years. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees are not exceeding 2% and 3% or so, thus greatly boosting client confidence, the continuity and stability of the operation of various business lines.

3. Stable growth philosophy and improving compliance and risk control mechanism

The Company is one of the first batch of pilot compliance management brokerages selected by the CSRC, one of the first brokerages to implement a comprehensive risk management strategy in the industry, 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. Under the philosophy of "stable growth", the Company has firmly conforming to the compliance base line and continued to solidify the risk control life-line. The Company has set up and continued to improve the comprehensive risk management system with effective coverage of compliance and risk culture, governance structure, mechanism and practice, and infrastructure facilities to cover various risks, businesses, departments, sub-branches and controlling subsidiaries of the Company. Over the years, the Company's asset quality has been excellent, the main risk control indicators have been continually complying with the regulatory requirements, and 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

The total assets, net assets, net capital, operating revenue, net profit and other main operating indicators of the Company rank among the top in the industry for consecutive years. The details of the operating performance indicators are as follows:

Rankings of the Main Operating Indicators of the Company from 2016 to 2018

Items	2018/Year End	2017/Year End	2016/Year End
Total assets	2	5	5
Net assets	5	4	5
Net capital	7	4	4
Operating revenue	7	4	4
Net profit	6	5	4

Note 1: Source: WIND Info, China Securities Industry Association, 2019;

Note 2: The indicative data of net capital represents the data for parent company. The 2018 indicators are based on unaudited statistical data for parent company. The 2017 and 2016 indicators are based on audited statistical data in the consolidated statements.

Summary of the Company's Business

While seeking economic benefits and market position, both reputation and brand of the Company have been enhancing persistently. From 2015 to 2018, the Company ranked top securities firms in China in "Hurun Brand List" for four consecutive years. The Company actively fulfilled the social responsibility, focusing on the two areas of helping the poor and providing student loan to promote education through "GF Securities Social Charity Foundation in Guangdong Province". The Company took initiative to fulfill its social responsibility. The reputation and brand influence of the Company have continued to improve.

5. Full licenses, balanced business structure and industry-leading ability to provide comprehensive financial services

Our Group possesses licenses for a full range of services including investment banking, wealth management, transaction and institution and investment management. The various main businesses of the Company have achieved balanced development and rank among the top in the industry for years in terms of main operating indicators. At present, the Group has built a financial group structure, enabling the Company to boost its customer service continuously.

6. Leading scientific and technological 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. In 2018, the Company's self-developed Beta Bull (貝塔牛) smart investment advisory system continued to carry out phase III functional optimization and iteration to meet the online customers' wealth management needs. The Company innovatively introduced the information distributed production method to meet customers' diversified service needs. The Company increased its own R&D and technology innovation efforts in aspects such as cloud computing, big data, artificial intelligence, blockchain, platform and client terminal. Currently, the Company has rolled out its self-developed technology financial platforms such as cloud services platform, micro-service platform and robot investment adviser platform. The Company has also rolled out the first big data-based full-chain quantitative investment research cloud platform of the industry - GF-SMART, the comprehensive smart service platform by cooperative research and development, which lays a solid foundation for the subsequent development of the Company's technology finance. As of the end of the Reporting Period, the Company has in aggregate applied for 17 invention patents, 3 utility model patents and 8 software copyrights, of which, the Company has obtained 1 utility model patent and 8 software copyrights.

IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation details of the Company's cash dividends policy and the profit distribution proposal for 2018 are set out in "I. Profit Distribution of Ordinary Shares and Conversion of Capital Reserves into Share Capital of the Company" and "II. Profit Distribution and Conversion of Capital Reserves into Share Capital during the Reporting Period" of Section 6 "Significant Events" in this report.

V. SHARE CAPITAL CHANGES AND MATTERS RELATING TO BONDS

During the Reporting Period, there were no changes in the total number of ordinary shares and the shareholding structure of the Company.

For details on the issuance of securities (excluding preference shares) during the Reporting Period, please refer to "II. Securities Issuance and the Listing" of Section 7 "Changes in Shareholdings and Particulars about Shareholders" in this report.

For details on the issuance of corporate bonds, subordinated bonds, short-term corporate bonds and short-term financing bills by the Company, please refer to Section 11 "Corporate Bonds" in this report.

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

For details of the composition of the Directors, Supervisors and senior management of the Company, its changes and biographies during the Reporting Period, please refer to Section 9 "Particulars about Directors, Supervisors, Senior Management and Employees" in this report.

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into "Service Contracts for Directors" and "Service Contracts for Supervisors" with each of the 11 Directors of the current Ninth Session of the Board of Directors and each of the 5 Supervisors of the current Ninth Session of the Supervisory Committee. The term of office of the Directors and Supervisors was effective from the date of approval by the General Meeting until the expiry date of the term of office for the Ninth Session of the Board of Directors and the Ninth Session of the Supervisory Committee. The "Service Contracts for Directors" and "Service Contracts for Supervisors" provide the agreed terms on the duties and responsibilities, term of office and remuneration of the Directors and Supervisors during their term of office.

In addition, none of the Directors and Supervisors of the Company has entered into any service contract with the Company or its subsidiaries which is not terminable within one year without payment of compensation, other than statutory compensation.

Summary of the Company's Business**VIII. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

Please refer to "8. Directors, Supervisors and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" under "III. Shareholders and De Facto Controllers" of Section 7 "Changes in Shareholdings and Particulars about Shareholders" in this report.

IX. SHARE PURCHASE RIGHTS OF DIRECTORS AND SUPERVISORS

Save as disclosed above, none of the Company or any of its subsidiaries has participated at any time during the year in any arrangement through which the Directors and Supervisors of the Company may benefit by purchasing shares or bonds of the Company or any other entities.

X. PERMITTED INDEMNITY PROVISION

Appropriate insurance policy arrangements have been made by the Company in respect of the responsibilities of the Directors and members of the senior management to cover possible legal liabilities owed to third parties arising from corporate activities that may be faced by the Directors and members of the senior management.

XI. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

Except for the service contracts, neither the Company nor its subsidiaries has entered into any significant transactions, arrangements or contracts in which the Directors or Supervisors of the Company or their connected entities had or continue to have, directly or indirectly, a material interest during the Reporting Period.

XII. INTEREST OF DIRECTORS IN BUSINESSES IN COMPETITION WITH THE COMPANY

Mr. Qin Li, our Executive Director, was nominated to act as a director of E Fund, which is a fund management company in China, in which we held 25.0% equity interest as of December 31, 2018. E Fund provides asset management services to insurance companies, finance companies, corporate annuities, other institutional investors, high net worth individuals and NSSF. Since E Fund is primarily engaged in fund management business, it competes or may compete, directly or indirectly, with certain aspects of our business.

The Directors are of the view that we are able to operate our business independently of E Fund and conduct transactions on arm's length because (i) we can only appoint one director among the nine directors of E Fund, and hence we have no control over its board of directors, (ii) the management team of E Fund is independent of our Company, (iii) we do not participate in the day to day management of E Fund and do not share any operating facilities with E fund, and (iv) we are financially independent of E Fund.

Save as disclosed above, none of the Directors has any interest in any business that competes or may compete with our business, directly or indirectly.

XIII. MANAGEMENT CONTRACTS

For the year ended December 31, 2018, no contract has been entered into for the management and administration of the entire business or any material part of the business of the Group.

XIV. MAJOR CUSTOMERS

The Company provides diversified businesses and services to satisfy the diverse needs of customers, such as enterprises, individuals and institutional investors, financial institutions and the government. Our major customers are based in the PRC. With further progress in internationalization and the development of international business, the Company will provide services to more overseas customers. In 2018, income generated from the five largest customers of the Company contributed 1.13% to the total revenue and other income of the Company.

None of the shareholders controlling more than 5% of the shareholding of the Company, Directors, Supervisors and their respective associates has any interest in the five largest customers of the Company. The Company has no major supplier due to the nature of its business.

XV. CHARITABLE DONATIONS

During the Reporting Period, the Group's total expenditure on social charity was RMB37.7649 million. The GF Securities Social Charity Foundation in Guangdong Province (廣東省廣發證券社會公益基金會) established by the Group actively organized activities for poverty relief and provided financial support for education. The total expenditure on social charity for the full year was RMB30.1194 million.

XVI. RESERVES AND RESERVES FOR PROFIT DISTRIBUTION

For particulars about changes in reserves and reserves for profit distribution, please refer to the "Consolidated Statement of Changes in Equity" of Financial Statements and Notes 55 and 56 of the Notes to the Consolidated Financial Statements in this report.

XVII. EMPLOYEES

Human resources is one of the greatest assets of the Group. The Company is committed to increase effort in building its talents pool by enhancing training and improving the quality of employees. Please refer to "V. Information of the Staff of the Company" in Section 9 "Particulars about Directors, Supervisors, Senior Management and Employees" in this report.

Summary of the Company's Business**XVIII. PRE-EMPTIVE RIGHT**

Pursuant to the regulations under the PRC laws and the Articles of Association of the Company, Shareholders of the Company have no pre-emptive right.

XIX. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING AND PERFORMANCE OF SOCIAL RESPONSIBILITIES

Regarding the performance of social responsibilities of the Company, please see “XV. Social Responsibilities” of Section 6 “Significant Events” in this report. For environmental policy and performance, the Company cares about environmental and ecological development, promotes low carbon environmental protection, advocates green business and green office ideas, upgrades video conferencing system, paperless meeting system, teleconferencing system, conference room reservation system etc., continues printing and copying outsourcing development, minimizes energy consumption, optimizes resources allocation, and actively contributes to the sustainable development of the society. The Company has complied with the “comply or explain” provisions as set out in the Environmental, Social and Governance Reporting Guide during the year, for details, please see “GF Securities Co., Ltd. 2018 Social Responsibility Report” published by the Company.

Regarding the governance of the Company, please see Section 10 “Corporate Governance” in this report. The Company has been improving the internal control management system and gradually enhancing the maturity, reasonability and effectiveness of internal control; the Company has further established and refined its rules and regulations, and each governance department of the Company has been fully performing their duties, complying with all provisions in Appendix 14 Corporate Governance Report of Hong Kong Listing Rules and achieving most of the requirements of recommended best practices provided in the aforesaid rules.

By Order of the Board

Sun Shuming
Chairman

Guangzhou
March 26, 2019

Section 5
Discussion and
Analysis of
Operations



Discussion and Analysis of Operations**I. OVERVIEW**

During the Reporting Period, the SSE Composite Index decreased by 24.59%, the SZSE Component Index decreased by 34.42%, the ChiNext Index decreased by 28.65% and the CSI Aggregate Bold Index increased by 8.85%. Facing complicated and severe capital market environment in the PRC and overseas, under the guidance of the Board of Directors, the operation management led all staff to work hard, carefully implement the Company's strategic plan and calmly address various risks. The Company accelerated the transformation pace of traditional businesses, optimized its customer base and managed to make the overall operation results of the Company similar to the overall trend of the securities industry. Various main operating indicators of the Company continued to rank among the top in the industry during the Reporting Period.

II. ANALYSIS ON PRINCIPAL BUSINESS**(I) Overview**

In 2018, the economy achieved a sound development overall with further optimized structure amid the sophisticated international and domestic environment. Meanwhile, changes and worries weighed on stable economic operation. The main expected goal for the economic and social development has been impressively achieved. The GDP grew by 6.6% over the previous year (Source: National Bureau of Statistics, 2019).

Based on the statistics from the Securities Association of China (unaudited financial statements), the total assets, net assets, net capital, customers' transaction settlement fund amount in the whole industry, market value of securities under custodianship and the total principal sum of funds under management of 131 securities firms were RMB6.26 trillion, RMB1.89 trillion, RMB1.57 trillion, RMB0.94 trillion, RMB32.62 trillion and RMB14.11 trillion as of the end of 2018, representing an increase 1.95%, an increase of 2.16%, a decrease of 0.63%, a decrease of 11.32%, a decrease of 19.12% and a decrease of 18.25% as compared to the end of 2017, respectively. In 2018, 106 of 131 securities firms in the industry were profitable with total operating revenue of RMB 266.287 billion, representing a year-on-year decrease of 14.47%. Specifically, net income from the securities trading agency service business was RMB62.342 billion, representing a year-on-year decrease of 24.06%; net income from the securities underwriting and sponsorship business was RMB25.846 billion, representing a year-on-year decrease of 32.73%; net income from the financial advisory service business was RMB11.15 billion, representing a year-on-year decrease of 11.06%; net income from the investment advisory service business was RMB 3.152 billion, representing a year-on-year decrease of 7.18%; net income from the asset management business was RMB27.5 billion, representing a year-on-year decrease of 11.35%; income from the securities investment (including changes in fair value) business was RMB 80.027 billion, representing a year-on-year decrease of 7.05%; net interest income was RMB21.485 billion, representing a year-on-year decrease of 38.28%; net profit for the year was RMB66.620 billion, representing a year-on-year decrease of 41.04% (Source: Securities Association of China, 2019).

As of 31 December 2018, total assets of the Group amounted to RMB389,106 million, representing an increase of 9.02% as compared to the end of 2017 and equity attributable to owners of the Company was RMB85,018 million, representing an increase of 0.19% as compared to the end of 2017. During the Reporting Period, the total revenue and other income of the Group was RMB22,817 million, representing a year-on-year decrease of 20.26%; the total expenses were RMB17,436 million, representing a year-on-year increase of 0.03%; the net profit attributable to owners of the Company was RMB4,300 million, representing a year-on-year decrease of 49.97%.

(II) Analysis of Principal Business

The principal business of the Group can be divided into four segments, namely investment banking business, wealth management business, trading and institution business and investment management business. During the Reporting Period, the total revenue and other income from the investment banking business segment was RMB1,228 million, representing a year-on-year decrease of 55.62%; the total revenue and other income from the wealth management business segment was RMB11,726 million, representing a year-on-year increase of 3.72%; the total revenue and other income from the trading and institution business segment was RMB5,264 million, representing a year-on-year decrease of 25.00%; and the total revenue and other income from the investment management business segment was RMB3,884 million, representing a year-on-year decrease of 42.83%.

1. Investment banking business segment

The Group's investment banking business segment mainly comprises of equity financing business, debt financing business and financial advisory business. During the Reporting Period, the total revenue and other income from the investment banking business segment was RMB1,228 million, representing a year-on-year decrease of 55.62%.

(1) Equity financing business

A total of 471 equity financing projects (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance included assets acquired by issuing shares)) were issued in A-share market in 2018, with a total amount of RMB1,155.085 billion, representing a year-on-year decrease of 53.32% and 27.68% respectively from the previous year. The number and financing size of IPOs in 2018 amounted to 105 and RMB137.815 billion respectively, representing a decrease of 76.03% and 40.11% respectively, while the number and scale of refinancing amounted to 366 and RMB1,017.27 billion respectively, representing a decrease of 35.90% and 25.59% respectively (Source: Wind, 2019).

In 2018, the equity financing business further concentrated on the industries with autonomous core technology, such as new economy, advanced manufacturing, artificial intelligence and biotech. The customer structure tended to concentrate on large state-owned enterprises, top private enterprises or leading enterprises of new economy. The continuous introduction of new policies such as Chinese Depositary Receipt (CDR) and technology innovation board also led high-quality customers continuously to turn to seek top securities firms or characteristic securities firms and the competitive landscape of the securities industry, especially top securities firms will experience deep restructuring. Subject to the change in economic structure, the adjustment of regulatory policy and the resulting change in customers' choices, the business pattern which the Company mainly focused on the small and medium-sized enterprises in the past has suffered a huge shock and the equity financing business of the Company decreased significantly in 2018. During the Reporting Period, by adjusting organization structure, optimizing performance assessment and allotment system as well as enhancing the efforts of serving strategic customers with operation management as leader, the Company actively improved the structure and quality of its services and optimized its customer base. During the Reporting Period, the Company completed 20 equity financing projects for which the Company acted as a lead underwriter, ranking 5th in the industry; the equity financing lead underwritten amount was RMB 12.836 billion, ranking 11th in the industry. Among these projects, the Company acted as a lead underwriter for 7 IPOs, ranking 6th in the industry and the lead underwritten amount was RMB3.795 billion, ranking 7th in the industry (Source: WIND, statistics of the Company, 2019). During the Reporting Period, the Company's commission and fee income from stock underwriting and sponsorship business was RMB 441million, representing a year-on-year decrease of 69.70%.

Details of the Company's equity underwriting and sponsorship business in 2018 are shown in the table below:

Items	2018		2017	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial public offering (IPO)	37.95	7	169.65	33
Refinancing offering	90.41	13	201.07	28
Total	128.36	20	370.72	61

Source: Statistics of the Company, 2019

(2) Debt financing business

Since 2018, in order to hedge the risk of liquidity pressure and downward economic resulted from financial deleveraging, central bank adjusted the monetary policy toward neutral and loosening direction while the interest rate of the market continued to decrease. Under this background, the offering of credit bond recovered on the whole and interest rate of the offering tended to decline and the offering size increased as compared with 2017. In 2018, the offering size of corporate bonds throughout the market was RMB1,657.565 billion, representing a year-on-year increase of 50.35%; the offering size of enterprise bonds was RMB241.838 billion, representing a year-on-year decrease of 35.18% (Source: WIND, 2019).

During the Reporting Period, the Company continued to speed up the strategic transformation of the customer structure and continually expanded and reserved large customers with high-quality as well as endeavored to improve the level of the quality control and subsequent supervision and management by putting the risk prevention in a more important place. During the Reporting Period, the Company acted as the lead underwriter for 161 bonds, with a total underwritten amount of RMB96.316 billion, representing a year-on-year decrease of 17.20%. During the Reporting Period, the Company recorded commission and fee income from bond underwriting and sponsorship business of RMB430 million, representing a year-on-year decrease of 30.83%.

Details of bond deals underwritten and sponsored by the Company in 2018

Items	2018		2017	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	48.00	7	109.00	10
Corporate bonds	638.48	103	644.67	85
Debt financing instruments of non-financial enterprises	132.90	34	69.78	11
Financial bonds	142.80	16	256.80	9
Exchangeable bonds	0.98	1	83.00	6
Total	963.16	161	1,163.24	121

Source: Statistics of the Company, 2019.

(3) Financial advisory business

The Company's financial advisory business mainly comprises of M&A and restructuring of listed companies and NEEQ listings. During the Reporting Period, the commission and fee income from financial advisory business was RMB225 million, representing a year-on-year decrease of 55.53%.

During 2018, there was a growth in the market of the M&A and restructuring, while a year-on-year decrease in the size of trading. The trading volume and trading amount as reported in the market of the M&A and restructuring were 12,186 and RMB3,356.352 billion, representing year-on-year increase of 12.78% and decrease of 33.54% respectively (Source: WIND, 2019). During the Reporting Period, the Company acted as a financial advisor for 10 material asset restructurings (including the CSRC M&A and Restructuring Committee approved projects and non-administrative material asset restructuring projects), ranking 5th in the industry, the transaction amount completed was RMB25.852 billion, and ranking 10th in the industry (Source: Statistics of the Company, 2019). Our M&A and restructuring financial advisory service was graded as "A" by the Securities Association of China for 3 consecutive years. The Company recorded the commission and fee income from the M&A and restructuring financial advisory business of RMB99 million during the Reporting Period, representing a year-on-year decrease of 68.57%.

In 2018, economic downturn, tighter regulation, decrease in the stock market, poor liquidity and other factors, the number of enterprises listed on NEEQ has decreased significantly. As of the end of 2018, the number of enterprises listed on the NEEQ was 10,691, representing a decrease of 939 compared to the beginning of 2018. The Company adhered to the core principle of discovering value. Leveraging on its outstanding research capabilities, the Company strengthened business synergy and provided high-quality integrated entire industry chain services for NEEQ. As of the end of 2018, the Company sponsored a total of 233 companies listed on the NEEQ as the lead brokerage, of which there were 32 innovative enterprises, ranking 6th in the industry (Source: NEEQ, Statistics of the Company, 2019).

In addition, in respect of the overseas investment banking business, the Company carried out such business primarily through its indirectly wholly-owned subsidiary, GF Capital (Hong Kong). During the Reporting Period, GFHK completed 19 deals by acting as lead underwriter (including IPO, refinancing and bond offering), financial advisers and mergers and acquisitions. During the Reporting Period, the total revenue and other income was RMB58 million, representing a year-on-year decrease of 50.86%.

2. Wealth management business segment

The Group's wealth management business segment mainly comprises of retail brokerage and wealth management business, margin financing and securities lending business, repurchase transaction business, financial leasing and Internet small loans business. During the Reporting Period, the total revenue and other income from the wealth management business segment was RMB11,726 million, representing a year-on-year increase of 3.72%.

(1) Retail brokerage and wealth management business

The Group provides brokerage services for the customers to buy and sell stocks, bonds, mutual fund products, warrants, futures and other tradable securities.

At the end of 2018, the SSE Composite Index and SZSE Component Index decreased by 24.59% and 34.42% respectively and the ChiNext Index was down by 28.65% as compared to the end of 2017, while the turnover of A shares on the market was RMB89.65 trillion, representing a year-on-year decrease of 19.78% (Source: WIND, 2019). In addition to decrease in transaction amounts and commission rate, there were stricter regulatory requirements in the industry and securities firms faced increasing competition in respect of commission level, customer acquisition, customer suitability, product structure, service model and outstanding talents. During 2018, taking wealth management, institutional brokerage, technological finance and integration as the four driving forces and taking the compliance risk control and system reformation as its forceful support, the Company adhered to the principle of customer focus, established customer demand-driven wealth management products system, built customer service system of private banks, optimize the layout and continuously promoted business development and transformation.

Discussion and Analysis of Operations

In 2018, the Company achieved good results by continuing to go deep in its scientific and technological financial model and consistently enhancing its scientific and technological financial capability. As of the end of the Reporting Period, the number of the Company's mobile-phone securities users exceeded 22.02million, representing a year-on-year increase of approximately 40%; the number of subscribers of the Company's WeChat account was over 3.00 million; during the Reporting Period, the sales and transfer amount of products of the Yitaojin E-commerce platform amounted to RMB241.7 billion (including GF Golden Cash Return Collective Asset Management Scheme(廣發金管家現金增利集合資產管理計劃)); the Beta Bull (貝塔牛) smart investment advisory system served over 700,000 customers accumulatively with sale amount of financial products of RMB1.86 billion.

In 2018, the turnover of stock funds of the Company was RMB8.3 trillion (bilateral statistics), representing a year-on-year decrease of 19.18%. The Company recorded the commission and fee income from acting trading securities business throughout the year of RMB2,610 million, representing a year-on-year decrease of 25.53%.

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

Items	2018		2017	
	Trading volume of agent (RMB100 million)	Market share (%)	Trading volume of agent (RMB100 million)	Market share (%)
Stocks	78,723.64	4.37	100,954.40	4.49
Funds	4,284.26	2.09	1,732.57	0.88
Bonds	229,423.42	4.84	335,692.51	6.49
Total	312,431.32	4.63	438,379.48	5.76

Note 1: The data is from the statistics of the Company, SSE and SZSE, 2018;

Note 2: The data in the above table is the 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 SSE and SZSE in the same period.

In respect of the financial products agency sales business, the Company recorded the commission and fee income from the financial products agency sales business of RMB151 million during the Reporting Period, representing a year-on-year increase of 22.58%.

In respect of the futures brokerage business, the Group carried out the futures brokerage business through its wholly-owned subsidiary, GF Futures, and provides trading and settlement services for customers in major international commodity market through the wholly-owned subsidiary of GF Futures, GF Futures (Hong Kong), and the wholly-owned subsidiary of GF Futures (Hong Kong), GF Financial Markets (UK) Limited. During the Reporting Period, GF Futures recorded the commission and fee income from the futures brokerage business of RMB336 million, representing a year-on-year decrease of 0.25%.

In regions outside of the PRC, the Group provides brokerage services for high-net-worth individuals and retail customers primarily through its indirectly wholly-owned subsidiary, GF Securities (Hong Kong), covering financial products such as stocks and bonds listed on the Hong Kong Stock Exchange and other overseas exchanges, using self-developed Yitaojin (易淘金) international version of trading system to focus on development of overseas wealth management business. During the Reporting Period, GFHK recorded the total revenue and other income from the securities brokerage business of RMB509 million, representing a year-on-year increase of 25.60%.

(2) Margin financing and securities lending business

In 2018, the balance of margin financing and securities lending business experienced a downward trend. As at the end of 2018, the balance of margin financing and securities lending in SSE and SZSE was RMB755.704 billion, representing a decrease of 26.36% as compared to the end of 2017 (Source: WIND, 2019).

As at the end of 2018, the closing balance of the Company's margin financing and securities lending business was RMB39.877 billion, representing a year-on-year decrease of 28.8% as compared to the end of 2017; and the market share was 5.28%. During the Reporting Period, the Company recorded interest income from the margin financing and securities lending business of RMB3,805 million, representing a year-on-year decrease of 7.35%.

(3) Repurchase transaction business

Since 2018, the stock pledged business of the Company decreased during its stable operating under the constant strengthening of risk control access of stock pledged business and optimizing of the project structure. As at the end of 2018, the balance of the exchange traded Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB22.311 billion, representing a decrease of 16.06% as compared to the end of 2018.

During the Reporting Period, the Company recorded interest income from the repurchase transaction business of RMB1,599 million, representing a year-on-year increase of 35.73%.

(4) Financial Leasing

To enhance the stickiness of our customers and enhance the comprehensive financial services capability, the Company conducted financial leasing and Internet small loans business through GFFL, our subsidiary and GF Internet Microfinance, our associate, respectively. As of the end of 2018, the net financial leasing receivables of GFFL amounted to RMB4.842 billion. During the Reporting Period, GFFL recorded the total revenue and other income of RMB407 million, representing a year-on-year increase of 70.19%, and its net profit was RMB79 million, representing a year-on-year increase of 22.80%.

3. Trading and institution business segment

The Group's trading and institution business segment mainly includes the equity and derivatives trading business, fixed income sales and trading business, OTC sales and trading business, alternative investment business, investment research business and asset custody business. During the Reporting Period, the total revenue and other income from the trading and institution business segment was RMB5,264 million, representing a year-on-year decrease of 25.00%.

(1) Equity and derivatives trading business

The equity and derivatives trading business of the Company mainly engages in market-making and trading of shares and equity linked financial products and equity derivative products.

In 2018, the A shares market continued to adjust. As of the end of 2018, the SSE Composite Index, SZSE Component Index, SSESME Composite Index and the Growth Enterprise Index fell by 24.59%, 34.42%, 37.75% and 28.65%, respectively as compared to the end of last year. Most of sub-segment recorded decline, and investment opportunities were scarce. The Company adheres to the idea of value investment and focuses on blue chip stocks investments with stable growth in performance, which contributes to the speed of income rate exceeding that of index. At the same time, the Company was granted the honor of "Excellent Option Market Maker" of the SSE in February 2018.

During the Reporting Period, the Company recorded net investment gains from the equity and derivatives trading business of RMB-219 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 institutional clients of the Company mainly include commercial banks, insurance companies, fund companies, financial companies, trust companies and qualified foreign investors who are approved to invest in China's capital market by the CSRC.

The Company conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market making services, such as government bonds, policy-based financial bonds, central bank notes, medium term notes, short-term financing bonds, enterprise bonds, company bonds, treasury fund futures and interest rate swaps. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the risk arising from trading transactions and market-making activities. In addition, the Company carried out the overseas FICC business mainly through GF Global Capital, an indirect wholly-owned subsidiary. In 2018, the Company was qualified to conduct pilot cross-border business and credit derivatives business. During the Reporting Period, the Company ranked No. 2 among securities firms in the trading volume of bonds in China (Source: www.chinabond.com.cn, 2019).

During the Reporting Period, the Company properly controlled the duration, leverage and investment scale of the bond investment portfolio, seized the staged market opportunities, and achieved good investment performance. In 2018, the net investment gains¹ from fixed income sales and trading business of the Company were RMB4,551 million, representing a year-on-year increase of 21.70%.

¹ The net investment gains represent the sum of investment gains, profit and loss from the fair value change and interest income on debt instruments.

(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 at the end of the Reporting Period, the Company has issued 10,336 OTC products in aggregate with an aggregate amount of approximately RMB624 billion. The market value of the products as at the end of the Reporting Period was approximately RMB75.883 billion. Specifically, the Company issued 4,228 new OTC products with an aggregate amount of RMB159.241 billion during 2018 (source: statistics of the Company, 2019).

As of the end of 2018, the Company provided market-making services for 138 NEEQ enterprises.

(4) Alternative investment business

The Group actively carried out alternative investment business with its own funds through GF Qianhe, a wholly-owned Subsidiary. Currently, the Group mainly focuses on equity investment business. During the Reporting Period, GF Qianhe completed 24 equity investment projects with total investment of RMB0.821 billion. As of the end of 2018, GF Qianhe and its subsidiaries have completed 98 equity investment projects, among which 4 projects have been listed by way of IPO and 12 equity projects were completed through other ways including mergers and acquisitions by listed companies.

(5) 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, and financial engineering for the institutional clients. The company earned commission fee for sub-position transactions from 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 669 listed companies in the PRC in 29 industries, and over 57 companies listed on the Hong Kong Stock Exchange. The outstanding research capacity of the Company enjoys a high reputation in the industry. During 2015 to 2017, the Company ranked 4th, 2nd and 1st in the "Domestic Best Research Teams(本土最佳研究團隊)" by New Fortune (《新財富》), respectively. In 2018, Our team was rewarded the first prize by Insurance Assets Management Association of China(IAMAC中國保險資管), Crystal Ball(水晶球) and Golden Bull Award(金牛獎). Currently, the Company is actively promoting the internationalization of research brands so far as permitted by and in compliance with laws and regulations.

During the Reporting Period, the total revenue and other income from the investment research business of the Company was RMB338 million, representing a year-on-year decrease of 1.42%.

(6) Asset custody business

The Company provides high-quality asset custody and fund services business for various asset management products; the targets for the provision of such services include fund companies and their subsidiaries, securities companies and their asset management subsidiaries, futures companies and their subsidiaries, private equity fund managers and various other asset management institutions.

As at the end of 2018, the total asset scale of asset custody and fund service business provided by the Company was RMB186.671 billion, representing a year-on-year increase of 23.75%, of which the scale of trust products was RMB77.673 billion, and the scale of fund service products provided was RMB108.997 billion.

4. Investment management business segment

The Group's investment management business segment mainly covers asset management business, public fund management business and private fund management business. During the Reporting Period, the total revenue and other income from the investment management business segment was RMB3,884 million, representing a year-on-year decrease of 42.83%.

(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). During the Reporting Period, management fee income from the asset management business of the Group was RMB1,163 million.

GF Asset Management manages the investments of client assets of various asset categories and all kinds of investment strategies, including fixed-income investment, equity investment, quantitative investment and cross-border products. The clients of GF Asset Management mainly include commercial banks, trust companies, other institutional investors and affluent population including the high-net-worth individuals. Under the direction of new policies in relation to asset management, GF Asset Management steadily progressed with transformation to high-quality organic growth, such as active management in 2018. As of the end of 2018, the scale of collective asset management schemes, targeted asset management schemes and specific asset management schemes of GF Asset Management decreased by 25.88%, 31.52% and increased by 12.73% respectively as compared with the end of 2017 and the total scale decreased 27.13% as compared with the end of 2017.

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

Asset management scale and income in 2018

	Net asset management scale (RMB 100 million)		Asset management fee income (RMB 100 million)	
	December 31, 2018	December 31, 2017	2018	2017
Collective asset management business	1,807.25	2,438.24	11.13	15.38
Targeted asset management business	1,771.48	2,586.79	2.00	2.08
Specific asset management business	235.38	208.80	0.07	0.09
Total	3,814.11	5,233.83	13.20	17.55

Source: Statistics of the Company, 2019.

As at the end of 2018, the size of compliance entrusted fund of GF Asset Management ranked eighth in the securities industry (Source: China Securities Industry Association, 2019) and the average monthly size of assets under active management ranked third (Source: Asset Management Association of China, 2019). In 2018, the asset management fee income realized by GF Asset Management was RMB1,320 million, representing a year-on-year decrease of 24.80%.

The Group carries out futures asset management business mainly through GF Futures. As at the end of 2018, the asset management scale of GF Futures was RMB1.073 billion.

In the area of overseas asset management business, the Group provides consulting services and management for various investment instruments mainly through GF Asset Management (Hong Kong), its indirectly wholly-owned subsidiary. GFHK is one of the first Sino-funded financial institutions in Hong Kong granted with RQFII qualification.

GF Asset Management (Hong Kong) conducts asset management and investment operation by public equity funds, private equity funds and entrusted management accounts. As at the end of 2018, the scale of assets managed by GF Asset Management (Hong Kong) was HKD3.039 billion.

(2) Public fund management service

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

As at the end of 2018, the Company held 51.135% interests in GF Fund. GF Fund is one of the domestic investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, other institutional investors and high-net-worth individuals. In addition, GF Fund can invest the capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII through its wholly-owned subsidiary GF International Investment Management Limited. As at the end of December 2018, the publicly offered funds managed by GF Fund have reached RMB468.445 billion, representing an increase of 67.34% as compared to the end of 2017, and the total fund size excluding money market funds and short-term wealth management bond funds was RMB198.92 billion, ranking sixth in the industry (Source: Galaxy Securities Fund Research Center, 2019).

During the Reporting Period, GF Fund realized total revenue and other income of RMB2,269 million, representing a year-on-year decrease of 23.26%; the net profit was RMB454 million, representing a year-on-year decrease of 52.12%.

As at the end of 2018, the Company held 25% interests in E Fund, becoming one of the three parallel largest shareholders. E Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, enterprise annuity, other institutional investors as well as high-net-worth individuals. In addition, E Fund can invest capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII. As at the end of 2018, the publicly offered funds managed by E Fund have reached RMB654.028 billion, representing an increase of 7.63% as compared to the end of 2017, and the total fund size excluding money market funds and short-term wealth management bond funds was RMB255.323 billion, ranking first in the industry (Source: Galaxy Securities Fund Research Center, 2019).

During the Reporting Period, E Fund realized net profit of RMB1,365 million, representing a year-on-year decrease of 2.66%.

(3) *Private fund management services*

The Group mainly engages in private fund management business through its wholly-owned subsidiary GF Xinde. During the Reporting Period, GF Xinde and the funds under its management have completed a total of 46 equity investment deals, with the investment amount up to approximately RMB3.0 billion; as at the end of 2018, GF Xinde and the funds under its management completed 243 equity investment projects, of which 20 projects were listed through IPO. GF Xinde exited sixty projects through merger of listed companies. As at the end of 2018, GF Xinde set up and managed 34 private funds. The total size of customers' assets under management amounted to approximately RMB10 billion.

During the Reporting Period, GF Xinde realized the total revenue and other income of RMB502 million, representing a year-on-year decrease of 64.48%; the net profit was RMB349 million, representing a year-on-year decrease of 62.53%.

In the overseas market, the Group is engaged in investment and private equity management services mainly through its indirectly wholly-owned subsidiary GF Investments (Hong Kong) and subsidiaries thereunder, and has completed investment mainly in fields of new energy, TMT and life science, some investment projects have been delisted or listed on the stock exchanges of Hong Kong and the United States through merger.

III. ANALYSIS ON FINANCIAL STATEMENTS

(I) Analysis on Consolidated Statement of Profit or Loss

1. Revenue composition

Unit: RMB'000

Item	2018	2017	Amount of increase/decrease	Percentage of increase/decrease
Commission and fee income	8,912,400	11,564,482	-2,652,082	-22.93%
Interest income	11,938,696	8,017,630	3,921,066	48.91%
Net investment gains	181,570	8,733,919	-8,552,349	-97.92%
Other income and gains	1,784,330	298,303	1,486,027	498.16%
Total revenue and other income	22,816,996	28,614,334	-5,797,338	-20.26%

In 2018, due to market volatility, total revenue and other income of the Group was RMB22,817 million, representing decrease of 20.26% as compared with RMB28,614 million for 2017.

Commission and fee income

Unit: RMB'000

Item	2018	2017	Amount of increase/decrease	Percentage of increase/decrease
Securities brokerage business commission and fee income	3,344,375	4,252,901	-908,526	-21.36%
Asset management and fund management fee income	3,742,910	3,982,627	-239,717	-6.02%
Underwriting and sponsorship fees	956,118	2,170,361	-1,214,243	-55.95%
Consultancy and financial advisory fee income	347,112	703,269	-356,157	-50.64%
Futures brokerage business commission and fee income	336,022	336,928	-906	-0.27%
Others	185,863	118,396	67,467	56.98%
Total commission and fee income	<u>8,912,400</u>	<u>11,564,482</u>	<u>-2,652,082</u>	<u>-22.93%</u>

The change in total revenue and other income is reflected in the commission and fee income of RMB8,912 million in 2018 which has decreased by RMB2,652 million or 22.93% as compared with 2017, mainly due to (1) decreased trading volume of stock and fund by our brokerage clients which resulted in a decrease in securities brokerage business commission and fee income of RMB909 million in 2018 over 2017; and (2) decrease in the size of investment banking business which resulted in a decrease in underwriting and sponsorship fees of RMB1,214 million in 2018 over 2017 and a decrease in consultancy and financial advisory fee income of RMB356 million in 2018 over 2017.

Discussion and Analysis of Operations

Interest income

Item	2018	2017	Unit: RMB'000	
			Amount of increase/decrease	Percentage of increase/decrease
Margin financing and securities lending	4,086,163	4,326,602	-240,439	-5.56%
Debt instruments at fair value through other comprehensive income	2,919,217	—	2,919,217	—
Deposits with exchanges and financial institutions	2,059,219	2,142,407	-83,188	-3.88%
Financial assets held under resale agreements	1,756,919	1,248,120	508,799	40.77%
Debt instruments at amortized cost	666,090	—	666,090	—
Others	451,088	300,501	150,587	50.11%
Total interest income	<u>11,938,696</u>	<u>8,017,630</u>	<u>3,921,066</u>	<u>48.91%</u>

The change in total revenue and other income is also attributable to the interest income of RMB11,939 million in 2018 which has increased by RMB3,921 million or 48.91% as compared with 2017, mainly attributable to the fact that the amount in 2018 included the interest income on debt instruments at fair value through other comprehensive income and debt instruments at amortized cost as a result of change in presentation method in accordance with the requirements of the Ministry of Finance, which contributed to the increase of the amount of RMB3,585 million.

Discussion and Analysis of Operations

Net investment gains

Unit: RMB'000

Item	2018	2017	Amount of increase/decrease	Percentage of increase/decrease
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	112,420	—	112,420	—
Net realised gains from disposal of available-for-sale financial assets	—	2,124,208	-2,124,208	-100.00%
Net realised gains from disposal of financial instruments at fair value through profit or loss	-1,425,531	420,879	-1,846,410	—
Dividend income and interest income from financial instruments at fair value through profit or loss	3,156,084	2,857,570	298,514	10.45%
Dividend income and interest income from available-for-sale financial assets	—	3,268,410	-3,268,410	-100.00%
Dividend income from equity instruments at fair value through other comprehensive income	893,796	—	893,796	—
Interest income and net realized gains from disposal of loan and receivable investments	—	180,991	-180,991	-100.00%
Net realized gains from derivatives	28,957	-119,755	148,712	—
Unrealized fair value change of financial instruments at fair value through profit or loss	-2,584,156	1,700	-2,585,856	—
Others	—	-84	84	—
Total net investment gains	181,570	8,733,919	-8,552,349	-97.92%

Discussion and Analysis of Operations

The change in total revenue and other income was mainly reflected in the net investment gains in 2018 was RMB182 million, representing a decrease of RMB8,552 million or 97.92% as compared with 2017, mainly attributable to the decrease in unrealised fair value change of financial instruments at fair value through profit or loss and the decrease in net realized gains from disposal of financial instruments, and, as noticed by the Ministry of Finance, the presentation method has changed, and the net investment gains no longer include the interest income of the debt instruments during their holding period.

2. Expenses composition

Item	Unit: RMB'000			
	2018	2017	Amount of increase/decrease	Percentage of increase/decrease
Depreciation and amortization	340,049	312,454	27,595	8.83%
Staff costs	4,763,017	6,836,367	-2,073,350	-30.33%
Commission and fee expenses	293,783	336,255	-42,472	-12.63%
Interest expenses	7,866,380	7,064,048	802,332	11.36%
Other operating expenses	3,869,156	2,483,884	1,385,272	55.77%
Credit loss expense	303,293	—	303,293	—
Impairment losses	31	398,265	-398,234	-99.99%
Total expenses	17,435,709	17,431,273	4,436	0.03%

In 2018, total expenses of the Group was RMB17,436 million, representing a increase of 0.03% as compared with RMB17,431 million in 2017. The change in total expenses was mainly reflected in the decrease in staff costs and the increase in other operating expenses. The decrease in staff costs was mainly attributable to the decrease in the provision on salary, bonuses and allowances for the year. The increase in other income was mainly due to the increase in the income from trading business along with the increase in the cost of trading business included in other operating expenses, which resulted in the increase in other operating expenses during the year.

In 2018, the Group realized net profit attributable to owners of the Company of RMB4,300 million, representing a year-on-year decrease of 49.97%; basic earnings per share were RMB0.56, representing a year-on-year decrease of 50.44%; return on weighted average net assets was 5.07%, representing a year-on-year decrease of 5.48 percentage points.

Discussion and Analysis of Operations

(II) Analysis on Consolidated Statement of Financial Position

Unit: RMB'000

	December 31, 2018	Composition	December 31, 2017	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Non-current assets	38,752,871	9.96%	39,078,853	10.95%	-325,982	-0.83%
Of which: Available-for-sale financial assets	—	—	18,139,298	5.08%	-18,139,298	-100.00%
Equity instruments at fair value through other comprehensive income	10,794,010	2.77%	—	—	10,794,010	—
Investments in associates	4,078,063	1.05%	3,444,727	0.97%	633,336	18.39%
Property and equipment	2,429,813	0.62%	2,128,222	0.60%	301,591	14.17%
Financial assets held under resale agreements	6,555,966	1.68%	8,846,105	2.48%	-2,290,139	-25.89%
Investment in joint ventures	1,342,056	0.34%	931,962	0.26%	410,094	44.00%
Financial assets at fair value through profit or loss	6,436,608	1.65%	1,279,652	0.36%	5,156,956	403.00%
Advances to customers	170,717	0.04%	354,494	0.10%	-183,777	-51.84%
Financial leasing receivables	2,900,616	0.75%	2,818,433	0.79%	82,183	2.92%
Debt instruments at amortized cost	2,386,518	0.61%	—	—	2,386,518	—
Current assets	350,353,075	90.04%	317,825,786	89.05%	32,527,289	10.23%
Of which: Bank balances	60,436,038	15.53%	56,910,758	15.95%	3,525,280	6.19%
Advances to customers	45,184,589	11.61%	61,395,697	17.20%	-16,211,108	-26.40%
Financial assets at fair value through profit or loss	81,677,388	20.99%	61,919,063	17.35%	19,758,325	31.91%
Available-for-sale financial assets	—	—	74,455,101	20.86%	-74,455,101	-100.00%
Debt instruments at fair value through other comprehensive income	79,513,048	20.43%	—	—	79,513,048	—
Clearing settlement funds	17,899,887	4.60%	17,652,948	4.95%	246,939	1.40%
Financial assets held under resale agreements	30,257,103	7.78%	24,821,297	6.95%	5,435,806	21.90%
Deposits with exchanges and non-bank financial institutions	6,284,998	1.62%	4,700,753	1.32%	1,584,245	33.70%
Derivative financial assets	17,536,655	4.51%	5,450,742	1.53%	12,085,913	221.73%
Debt instruments at amortized cost	4,513,621	1.16%	—	—	4,513,621	—
Total assets	389,105,946	100.00%	356,904,639	100.00%	32,201,307	9.02%

Discussion and Analysis of Operations

	December 31, 2018	Composition	December 31, 2017	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Current liabilities	250,717,129	83.44%	198,863,458	74.13%	51,853,671	26.08%
Of which: Accounts payable to brokerage clients	58,445,148	19.45%	65,026,117	24.24%	-6,580,969	-10.12%
Financial assets sold under repurchase agreements	85,993,800	28.62%	55,475,158	20.68%	30,518,642	55.01%
Short-term financing payables	24,049,740	8.00%	25,101,447	9.36%	-1,051,707	-4.19%
Other liabilities	8,639,515	2.88%	11,638,550	4.34%	-2,999,035	-25.77%
Due to banks and other financial institutions	11,667,619	3.88%	4,953,656	1.85%	6,713,963	135.54%
Bonds payable	24,374,247	8.11%	10,524,843	3.92%	13,849,404	131.59%
Derivative financial liabilities	19,879,028	6.62%	5,439,113	2.03%	14,439,915	265.48%
Net current assets	99,635,946		118,962,328		-19,326,382	-16.25%
Non-current liabilities	49,759,643	16.56%	69,415,599	25.87%	-19,655,956	-28.32%
Of which: Bonds payable	44,322,807	14.75%	62,147,878	23.17%	-17,825,071	-28.68%
Long-term loans	1,977,314	0.66%	3,778,117	1.41%	-1,800,803	-47.66%
Total liabilities	300,476,772	100.00%	268,279,057	100.00%	32,197,715	12.00%
Total equity	88,629,174		88,625,582		3,592	0.00%

As of December 31, 2018, total assets of the Group were RMB389,106 million, representing an increase of RMB32,201 million or 9.02% over the end of 2017; total liabilities were RMB300,477 million, representing an increase of RMB32,198 million or 12.00% over the end of 2017. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 20.13%, the proportion of financial assets at fair value through profit or loss and equity instruments and debt instruments at fair value through other comprehensive income to total assets was 45.84%, the proportion of advances to customers to total assets was 11.65%, and the proportion of financial assets held under resale agreements to total assets was 9.46%.

As of December 31, 2018, non-current assets were RMB38,753 million, representing a decrease of 0.83% over the end of 2017, which was substantially flat with that at the end of last year; current assets were RMB350,353 million, representing an increase of 10.23% over the end of 2017, which was mainly attributable to the increase in financial assets at fair value through profit or loss, derivative financial assets and financial assets held under resale agreements; current liabilities were RMB250,717 million, representing an increase of 26.08% as compared with that at the end of 2017, which was mainly attributable to the increase in derivative financial liabilities, financial assets sold under repurchase agreements and bonds payable; the non-current liabilities were RMB49,760 million, representing a decrease of 28.32% as compared with that at the end of 2017, which was mainly attributable to certain bonds due for repayment.

The Group's equity attributable to owners of the Company as of December 31, 2018 were RMB85,018 million, representing an increase of RMB164 million or 0.19% over the end of 2017. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of December 31, 2018 was 73.20%, representing an increase of 3.56 percentage points as compared with the gearing ratio of 69.64% at the end of 2017, while the Group's assets and liabilities structure remained relatively stable.

Borrowings and debt financing

As of December 31, 2018, total borrowings and debt financing of the Group amounted to RMB103,724 million. The following table sets forth details of the Group's borrowings and debt financing:

	Unit: RMB'000	
	December 31, 2018	December 31, 2017
Short-term borrowings	5,504,515	7,349,536
Short-term financing payables	24,049,740	25,101,447
Bonds payable	68,697,054	72,672,721
Long-term loans	5,472,646	4,525,492
Total	<u>103,723,955</u>	<u>109,649,196</u>

For details of the interest rates and maturities of short-term borrowings, short-term financing payables, bonds payable and long-term loans, please refer to Notes 41, 42, 51 and 52 to the Financial Statements attached below.

Apart from borrowings and debt financing instruments, the Company also raised funds through inter-bank lending, brokers 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 RMB11,668 million and RMB85,994 million, respectively at the end of the Reporting Period.

The aforesaid debts totaled RMB201,385 million, of which, debts with financing terms less than one year (one year included) were RMB127,174 million and debts with financing terms more than one year were RMB74,211 million, representing 63.15% and 36.85% of the aforesaid total debts, respectively.

Save as disclosed in this report, as of December 31, 2018, 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.

(III) Analysis on the Consolidated Statement of Cash Flow

As of December 31, 2018, cash and cash equivalents of the Group amounted to RMB21,286 million, representing an increase of 81.47% as compared with RMB11,729 million as at the end of 2017. Of which, net cash from operating activities in 2018 amounted to RMB40,858 million and net cash used in operating activities in the same period of 2017 amounted to RMB16,417 million, the change is attributable to the increase in net cash inflow of financial assets sold under repurchase agreements and advances to customers; net cash used in investing activities in 2018 amounted to RMB15,313 million and net cash from investing activities in the same period of 2017 amounted to RMB5,010 million, the change is attributable to the increase in net cash outflow of purchase of financial assets at FVTOCI; net cash used in financing activities in 2018 amounted to RMB16,055 million and net cash from financing activities in the same period of 2017 amounted to RMB6,308 million, the change is attributable to the increase in net cash outflow of the bonds for the period.

Discussion and Analysis of Operations

(IV) Investment on research and development

	2018	2017	Variance
Amount of investment on research and development (RMB)	772,786,209.53	522,796,186.60	47.82%
Investment on research and development as a percentage of total revenue and other income	3.39%	1.83%	increase of 1.56 percentage points

Explanation: During the Reporting Period, the Company carried out its business by insisting on three objectives, namely "Supporting business growth, Driving business innovation and Putting more efforts on enhancing IT capability". The Company established three major core systems to fully support the growth of wealth management business and built the exclusive quantitative platform for investment management business, the global research dissemination system of the Company, the new management system for investment banking business and the GFAM intelligent investment research system etc. During the Reporting Period, the Company built the information system management platform through self-development, joint development and entrusted development, purchased software and hardware and performed maintenance work, for which the total investment was RMB772,786,209.53².

- 2 Based on the actual circumstances of the Company, the basis for information technology staff in the investment on research and development was adjusted to the salaries paid to IT staff of the information technology departments, sub-branches and business departments during the year, and the investments on research and development for 2018 and 2017 were restated on the above basis accordingly.

(V) Explanation of changes in the consolidation scope of financial statements

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

GFHK established GF Canada Holdings Company Limited, a subsidiary in the current year, therefore included it in the scope of consolidation.

GFHK established GF Asset Management (Canada) Company Limited, a subsidiary, through GF Canada Holdings Company Limited, therefore included it in the scope of consolidation.

GFHK established Ever Glory Limited, a subsidiary, through GF Xinde Capital Management Limited, therefore included it in the scope of consolidation.

GFHK established Ever Alpha Fund L.P., through Ever Glory Limited, and had control over it, therefore included it in the scope of consolidation.

GF Securities Co., Ltd. promoted to establish Guangdong Xindongneng Equity Investment Partnership L.P.* (廣東新動能股權投資合夥企業(有限合夥)) in the current year, and included it in the scope of consolidation as no third-party partners had joined in as of 31 December 2018.

2. Subsidiaries excluded from the scope of consolidation during the Reporting Period

Zhuhai Qianzhen Investment Management Co., Ltd., a subsidiary of GF Xinde Investment Management Co., Ltd., was cancelled during the year, therefore it was not included in the scope for consolidation as at the end of 2018.

Xinjiang GF Xinde Wensheng Investment Management Co., Ltd., a subsidiary of GF Xinde Investment Management Co., Ltd., was cancelled during the year, therefore it was not included in the scope for consolidation as at the end of 2018.

Ningbo GF Xinde Aoyuan Investment Partnership L.P. (寧波廣發信德奧園投資合夥企業(有限合夥)), a subsidiary of GF Xinde Investment Management Co., Ltd., was liquidated during the year, therefore it was not included in the scope for consolidation as at the end of 2018.

3. During the current period, 15 structured entities were newly included in the scope of consolidation, and 33 structured entities were excluded from the scope of consolidation.

(6) Change in principal accounting policies and accounting estimates

The changes in the Company's major accounting policies during the Reporting Period, are set forth in details in the note "2.3 Changes in Accounting policies and disclosures" of the consolidated financial statements; there were no significant accounting errors requiring rectification occurred in the Company.

(VII) Restricted asset rights as of the end of the Reporting Period

	December 31, 2018 RMB	December 31, 2017 RMB
Financial assets at fair value through profit or loss pledged for pledge-style repo business	11,277,062,838.88	6,697,994,373.36
Of which: Financial assets at fair value through profit or loss pledged for bond pledged quoted-repo business	284,616,681.41	164,952,954.05
Available-for-sale financial assets pledged for pledge-style repo business	—	20,364,314,217.43
Of which: Available-for-sale financial assets pledged for bond pledged quoted-repo business	—	42,620,742.40
Financial assets at fair value through other comprehensive income (FVTOCI) pledged for pledge-style repo business	49,689,392,801.12	—
Of which: Financial assets at FVTOCI pledged for bond pledged quoted-repo business	18,719,615.38	—
Debt instruments at amortized cost pledged for pledge-style repo business	3,706,876,934.44	—
Of which: Debt instruments at amortized cost pledged for bond pledged quoted-repo business	1,356,130.04	—
Financial assets held under resale agreements pledged for pledge-style repo business	2,033,254,715.64	—
Financial assets at fair value through profit or loss transferred for buyout repo business	697,675,688.80	3,453,770,411.01
Available-for-sale financial assets transferred for buyout repo business	—	10,930,024,100.00
Financial assets at FVTOCI transferred for buyout repo business	1,632,686,673.43	—
Financial assets held under resale agreements transferred for buyout repo business	—	152,555,780.00
Financial assets at fair value through profit or loss transferred for margin financing and securities lending business	445,909,306.65	554,475,839.50
Available-for-sale financial assets transferred for margin financing and securities lending business	—	3,240,933.18

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	December 31 , 2018 RMB	December 31, 2017 RMB
Financial assets at FVTOCI transferred for margin financing and securities lending business	142,857.00	—
Available-for-sale financial assets pledged for refinancing business	—	79,937,357.69
Financial assets at FVTOCI pledged for refinancing business	611,489,085.48	—
Financial assets at fair value through profit or loss pledged for bond lending business	3,561,104,452.99	4,600,839,075.00
Available-for-sale financial assets pledged for bond lending business	—	10,505,523,360.00
Financial assets at FVTOCI pledged for bond lending business	11,615,616,677.67	—
Debt instruments at amortized cost pledged for bond lending business	379,257,1158.94	—
Financial assets held under resale agreements pledged for bond lending business	799,655,160.00	193,354,760.00
Available-for-sale financial assets pledged for interest rate swap business	—	20,060,160.00
Rights and interests in financial leasing receivables pledged and factored for pledged borrowings	6,494,834,442.68	3,267,385,561.09
Rights and interests in financial leasing receivables pledged for OTC repurchase business	59,465,500.03	172,751,433.15
Financial assets held under resale agreements pledged for due to banks and other financial institutions business	10,885,142.02	—
Financial assets at fair value through profit or loss pledged for due to banks and other financial institutions business	39,858,942.15	—
Available-for-sale financial assets pledged for due to banks and other financial institutions business	—	7,708,482,731.43
Financial assets at FVTOCI pledged for due to banks and other financial institutions business	181,992,936.00	—
Total	<u>93,237,161,273.92</u>	<u>68,704,710,092.84</u>

IV. ANALYSIS ON FINANCING INSTRUMENTS AND SHORT-TERM AND LONG-TERM LIABILITY STRUCTURE

(1) Financing instruments of the Company

Financing instruments of the Company include equity financing instruments and debt financing instruments, of which the debt financing instruments is divided into short-term and mid-and-long term instruments. The short-term debt financing instruments include credit lending in the interbank market, and bond repurchases, short-term financing bonds, short-term corporate bonds and income certificates in interbank and exchange markets. The mid-and-long term financing instruments include corporate bonds, non-public issuance of corporate bonds, subordinated bonds, and asset backed securities.

In 2018, the Company raised funds by means of various financing instruments, including credit lending, bond repurchase, issuance of five tranches of short-term corporate bonds and one tranche of subordinated bonds.

(2) Liability structure of the Company

At the end of the Reporting Period, the ratio of net assets to liabilities was 39.33%, and the ratio of net capital to liabilities was 30.36%.

The Company had no outstanding debts that were due, with good operating conditions, strong profitability, abundant cash flow and relatively low financial risks. For details of liability structure, please refer to “Borrowings and debt financing” in “III. Analysis on Financial Statements” in this section.

(3) Liquidity management measures and policies

The Company has been paying attention to liquidity safety and managing funds based on the principles of liquidity, safety, and benefits. The Company realizes reasonable matching between the source of funds and the structure and term of the application of funds through forward-looking and flexible financing arrangement. The Company performs well in all businesses with good assets quality, which fundamentally guarantee the liquidity of assets. In actual work, the Company defines the size limit and risk limit for each of the business lines and carries out dynamic monitoring on the net capital and risk control indicators to ensure that all indicators including liquidity risk regulation indicator continue to meet the regulatory requirements.

(4) Analysis on financing capacity

The Company observes laws and discipline, operates its business with integrity, and has good creditworthiness. In recent years, the Company has constantly increased the number of financing channels and counterparties, with sufficient liquidity resources available. The Company has strong financing capability as we maintain good cooperative relationship with multiple financial institutions. As an A+H dual listed securities company, the Company has smooth equity financing and debt financing channels within the PRC and abroad and is able to raise money from the global market.

Discussion and Analysis of Operations

(5) Contingencies and their influence

During the Reporting Period, the Company continued to provide net capital guarantee undertakings to its wholly-owned subsidiary, GF Asset Management, and provided guarantee for overseas loans of its indirectly wholly-owned subsidiary, GF Financial Markets (UK) Limited. For details, please refer to “XIV. Major Contracts and Their Performance – 2 (1) Guarantees” of Section 6 in this report. Save for the aforesaid guarantees and commitments, the Company has no contingencies such as the provision of assets guarantee, mortgage, pledge to any related party or third party, nor any financial commitments.

V. INVESTMENT CONDITIONS

1. General

Investment in the Reporting Period (RMB)	Investment of the same period of last year (RMB)	Change
990,000,000.00	100,000,000.00	890.00%

Note: Investment in the Reporting Period is the investment made by the Company to Guangdong Xindongneng Equity Investment Partnership L.P. (廣東新動能股權投資合夥企業 (有限合夥)).

2. Significant equity investments obtained in the Reporting Period

N/A

3. Significant non-equity investments in progress in the Reporting Period

Unit: RMB

Project name	Investment method	Fixed asset investment or not	Industry of the investment project	Investment amount of the Reporting Period	Actual accumulative investment amount as of the end of the Reporting Period	Capital source	Project progress	Estimated earnings	Reasons	
									The accumulative earnings realized as of the end of the Reporting Period	for failing to reach the planned progress and estimate earnings
GF Securities Tower	Others	Yes	—	366,648,337.63	1,814,500,219.14	Self-owned	In progress	—	—	—
Total	—	—	—	366,648,337.63	1,814,500,219.14	—	—	—	—	—

4. Financial asset investment

(1) Security investment conditions

Unit: RMB '0,000

Securities type	Securities code	Securities short name	Investment cost	Accounting Measurement mode	Book value at the beginning of the period	Profit and loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Fund source
Financial products launched by securities companies	870998	GF Golden Duotianli Collective Asset Management Scheme (廣發金管家多利集合資產管理計劃)	844,901.78	Measured at fair value	35,660.82	149.60	—	831,604.78	22,363.81	5,438.68	845,069.78	Held for trading	Self-owned
	GFYD0727	E Fund-BOCOM-GF Securities No.1 Asset Management Scheme (易方達文序發證券資產管理計劃)	250,000.00	Same as above	247,372.30	4,307.27	—	—	—	15,122.47	251,679.56	Held for trading	Self-owned
Fund	002183	GF Tiantianhong B (廣發天天紅B)	221,517.79	Same as above	78,288.55	—	—	180,327.43	37,202.47	5,084.22	221,533.61	Held for trading	Self-owned
Bond	180210	18 CDB 10 (18國開10)	147,716.34	Same as above	—	707.13	81.01	883,674.95	736,282.44	2,230.73	151,343.56	Held for trading/other debt investments	Self-owned
Bond	180406	18 ADBC 06 (18農發06)	123,215.65	Same as above	—	406.81	420.75	551,023.88	431,755.77	3,072.82	127,501.28	Held for trading/other debt investments	Self-owned
Fund	000662	Yinhua Live Money F (銀華添發寶F)	119,980.47	Same as above	66,643.53	55.41	—	203,286.39	150,002.46	3,187.40	120,023.78	Held for trading	Self-owned
Fund	000010	E Fund Tiantian B (易方達天天B)	117,217.29	Same as above	5,080.88	—	—	116,717.06	5,000.00	1,844.75	117,239.43	Held for trading	Self-owned
Bond	180204	18 CDB 04 (18國開04)	111,338.80	Same as above	—	524.59	185.90	1,761,206.08	1,650,482.76	4,734.12	115,941.19	Held for trading/other debt investments	Self-owned
Fund	000539	BOC Huoqibao Monetary Fund (中鈔活寶)	103,272.96	Same as above	100,034.69	—	—	33,241.71	30,003.44	3,241.24	103,306.26	Held for trading	Self-owned
Fund	002758	CCB Fund Cash Return Monetary Fund (建信現金增利貨幣)	101,329.54	Same as above	20,020.83	—	—	81,308.71	—	1,337.04	101,365.38	Held for trading	Self-owned
Other securities investments held at the end of the period			16,281,018.50	—	16,013,906.46	-243,102.49	36,068.70	N/A	N/A	352,858.10	18,147,892.48	—	—
Total			18,421,512.12	—	16,566,988.06	-236,951.68	36,756.36	N/A	N/A	398,151.57	20,302,896.31	—	—

Discussion and Analysis of Operations

- Note: 1. This table comprises of the financial assets at fair value and amortized cost such as domestic and overseas stocks, funds, bonds and trust products, held during the Reporting Period.
2. This table is sorted by the book value at the end of the period as a percentage of the Company's total securities investment at the end of the period. Top 10 securities held by the Company at the end of the period are listed.
3. Other securities investments represent other securities investments except for investments in the top 10 securities.
4. Profit and loss of the Reporting Period includes debt interest income accrued based on the actual interest rate, the investment gains and the gains and losses from the fair value change obtained by the Company in connection with its holding of the securities during the Reporting Period.
5. Other securities investments include the investment by the Company in the special account of China Securities Finance Corporation Limited (the "CSF"). Pursuant to the relevant contract entered into between the Company and CSF, the special account will be under the united operation of CSF, with the investment risks and investment income shared by us based on the investment ratio. As at the end of the Reporting Period, the balance of the Company's investment in such special account was RMB10.31 billion and the Company has determined the book value of the investment in such special account based on the asset report provided by CSF to be RMB10,071 million.

(2) Derivative investment conditions

N/A

5. Use of proceeds

There was no use of proceeds of A Shares for the Company during the Reporting Period.

The use of proceeds from the issue of H Shares of the Company is set out below:

The Company issued H Shares which were listed on the Main Board of the Hong Kong Stock Exchange on April 10, 2015 after being approved by the CSRC on March 5, 2015 by issuing the Reply for Approving GF Securities Co., Ltd. to Issue Overseas Listed Foreign Shares (Zheng Jian Xu Ke [2015] No. 347), and being approved at the 8th meeting of the eighth session of the Board of Directors and the second extraordinary general meeting in 2014 of the Company. A total of 1,479,822,800 H Shares were issued at the price of HKD18.85 per share through both public offering and international placement. Subsequently, the Company issued 221,973,400 H Shares at the price of HKD18.85 per share by over-allotment on April 13, 2015. This time, the Company issued a total of 1,701,796,200 H Shares and raised a total of HKD32.079 billion. The net amount was RMB25.059 billion after settlement of exchange and deduction of the issuance cost³.

- 3 This amount is different from the previous disclosure amount (RMB25.077 billion), mainly because: the previous disclosure amount is calculated by deducting the issuance expenses disclosed in the capital verification report "De Shi Bao (Yan) Zi (15) No. 0481" from the proceeds raised in RMB after exchange settlement; the data disclosed for this year is calculated by deducting the actual issuance expenses from the total RMB amount of the RMB amount settled and the HKD amount not settled.

According to the H Share prospectus, about 50% of the net proceeds raised from the issuance of H Shares would be used for the wealth management business, about 20% for the investment management business, investment banking business and transaction and institution business, and about 30% for the international business. The above raised net proceeds would be used for replenishing the working capital and investing in the assets with good liquidity in short term to preserve or increase the value, when they were not required for the above purpose temporarily.

As of December 31, 2018, RMB12.504 billion out of the proceeds raised from the issuance of H Shares was used for the wealth management business to mainly develop margin financing and securities lending business and build a strategic Internet financial platform and wealth management platform; RMB4.986 billion was used for the investment management business, investment banking business and transaction and institution business to mainly increase the asset size under the investment management, increase input into the seed funds, innovate and develop investment management products, and participate in various financial products markets as a market maker and provide liquidity support; RMB3.443 billion was used for the international business⁴ to mainly increase input into the investment management, transaction and institution businesses in Hong Kong; the remaining RMB4.126 billion was temporarily used to replenish the working capital and develop short-term investment business. Upon approval from relevant regulatory authorities, the Company will apply the remaining proceeds raised from the H Share issuance to the businesses including the international business of the Company as planned according to relevant requirements in the H Share prospectus.

VI. SALE OF MAJOR ASSETS AND EQUITY

1. Sale of major assets

The Company has not sold any of its material assets in the Reporting Period.

2. Sale of major equity

The Company has not sold any of its major shares in the Reporting Period.

4 The accounting base for data disclosed here is different from that of previous years. The RMB amount disclosed in previous years is calculated based on the bank's foreign exchange quotation at the date of announcement for this transaction; data disclosed for the year is calculated based on the actual exchange rate at the time of fund appropriation for this transaction.

VIII. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND PARTICIPATING STOCK COMPANIES

The status of principal subsidiaries and participating stock companies

Company name	Company type	Main business	Registered capital	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sale.	RMB1,400,000,000	14,694,159,125.83	2,134,345,789.75	132,537,660.18
GF Xinde	Subsidiary	Establishing private investment funds to make equity investments or debt investments in enterprises or investing in other investment funds in relation to equity investments and debt investments; providing financial advisory services on equity investment and debt investment to clients; other businesses approved by regulatory authorities.	RMB2,800,000,000	7,835,800,118.87	5,649,927,219.07	349,223,676.42
GFHK	Subsidiary	Investment holding, undertaking investment banking, sale and transactions, asset management, equity investment and other businesses approved by the SFC through professional subsidiaries.	HKD 5,600,000,000	39,459,921,737.02	4,664,404,831.81	-834,930,185.78
GF Qianhe	Subsidiary	Equity investment with its own funds, investment in financial products and other businesses approved by regulatory authorities.	RMB3,103,500,000	3,922,972,758.29	3,868,100,811.59	33,084,489.92
GF Asset Management	Subsidiary	Securities asset management.	RMB1,000,000,000	16,983,927,941.20	4,738,161,097.72	928,231,611.87
GFFL	Subsidiary	Medical equipment leasing services; commercial factoring related to main business (only for financial leasing enterprises); financial leasing services (limited to foreign-invested enterprises); leasing business (foreign-invested enterprises shall operate with approval letter or certificate); leasing transaction consultation and guarantee (foreign-invested enterprises shall operate with approval letter or certificate); purchase of leased property at home and abroad (foreign-invested enterprises shall operate with approval letter or certificate); disposal and maintenance of the residual value of the leased property (foreign-invested enterprises shall operate with approval letter or certificate); financial leasing of class III medical devices (limited to foreign-invested enterprises).	RMB800,000,000	5,363,235,010.90	991,384,380.86	78,521,590.77
GF Hexin	Subsidiary	Investment management, asset management, fund management, equity investment, investment consulting.	RMB100,000,000	115,339,002.74	102,901,483.52	6,541,553.79
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB126,880,000	7,778,487,263.33	5,871,520,407.56	454,086,191.90
E Fund	Participating stock company	Publicly offered securities investment fund management, fund sale, asset management for specific customers.	RMB120,000,000	11,688,423,562.97	7,967,529,102.75	1,364,579,786.05

Note:1 GF Xinde recorded net profit of RMB349 million, representing a year-on-year decrease of 62.53%, which was mainly due to the decrease in investment gains from disposal of financial instruments and the effect of the adoption of new standard for financial instruments. GFHK incurred losses, the reasons for which was set out in item 4 of the section 6 headed "XVII. Significant Matters for the Subsidiaries of the Company".

Conditions of the subsidiaries acquired or disposed of during the Reporting Period

For details, please refer to “(5) Explanation of changes in the consolidation scope of financial statements” in “III. Analysis on Financial Statements” of section 5 in this report.

VIII. SIGNIFICANT ISSUES OF THE COMPANY ABOUT BANKRUPTCY REORGANIZATION, MERGER, SEPARATION, ESTABLISHMENT AND DISPOSAL OF SUBSIDIARIES, BRANCH COMPANIES AND BUSINESS DEPARTMENTS, ETC.

1. Relevant matters about bankruptcy reorganization

N/A

2. Merger or separation of the Company

N/A

3. Establishment and disposal of subsidiaries, branch companies and business departments

During the Reporting Period, there were no establishment and disposal of branch companies and business departments by the Company. For the change in subsidiaries, please see “(v) Explanation of changes in the consolidation scope of financial statements” in “III. Analysis on Financial Statements” of section 5 in this report.

4. Structured entities controlled by the Company

As at December 31, 2018, the Group consolidated 19 structured entities, which mainly comprised of asset management schemes and funds. The Group is assessing the rights over structured entities, the variable returns generated from the structured entities and the connection between the rights and variable returns to determine whether the Group gains control over the structured entities. If the Group has control over the structured entities, the structured entities will be included in the consolidated financial statements. As at December 31, 2018, the net assets of the structured entities included in the consolidated financial statements were RMB13,075,779,635.25 (the opening balance: RMB15,949,407,862.16). The book value of the Group's interests was RMB4,455,414,445.72 (the opening balance: RMB4,328,956,378.95). The book value of the interests held by the parties outside the Group in the above-stated structured entities was RMB8,620,365,189.53 (the opening balance: RMB11,620,451,483.21).

5. Major asset disposal, acquisition, replacement and divestment

On January 29, 2019, the Company and GF Qianhe, a wholly-owned subsidiary entered into relevant agreements with Kangmei Pharmaceutical Co., Ltd. and Puning Xinhong Industrial Investment Co., Ltd., respectively, pursuant to which the Company and GF Qianhe shall acquire 9.458% equity interest in GF Fund from Kangmei Pharmaceutical Co., Ltd. and 22% equity interest in Guangdong GF Internet Microfinance Limited from Puning Xinhong Industrial Investment Co., Ltd. for a total consideration of no more than RMB1.5 billion. Please refer to “XIII. Major Related Transactions” in section 6 of this report for details.

6. Restructuring of other companies

N/A

IX. OUTLOOK OF THE COMPANY

(I) Development trend and competitive landscape of the securities industry

1. *The 19th CPC National Congress further clarifies the fundamental position of the capital market to serve the real economy.*

1. *Serving real economy and developing direct financing market will bring a favorable strategic development period for the securities industry*

With the PRC economy entering a new era of high-quality growth, the real economy's demands for financial services have been experiencing a fundamental change and the development and expansion of the direct financing market will become the key to the supply-side reform of the financial industry. It is emphasized in the report of the 19th National Congress that the reform of the financial system shall be deepened to increase the proportion of direct financing and promote the sound development of the multi-level capital market. It was further pointed out at the Economic Work Conference of China held at the end of 2018 that a slight move in the capital market may affect the situation as a whole in the financial operation and a standardized, transparent, open, dynamic and resilient capital market shall be created through deepening reform. During the 13th collective learning of the Political Bureau of the Central Committee of the CPC, Xi Jinping, general secretary, pointed out that the focus of deepening the supply-side reform of the financial industry shall be placed on the optimization of the structure of the financial system to optimize financing structure and financial institution system, market system and product system in order to provide higher quality and more efficient financial services for the development of real economy. The implementation of significant reform initiatives such as establishment of the technology board of SSE and pilot registration system, further review of reforms of the GEM Board of SZSE, growing institutional investors and gradual increase in inflow of foreign funds have indicated that the capital market in China have strong growth potential. Accordingly, against the background of serving real economy and developing direct financing market, the securities industry will shoulder greater responsibilities and mission and will also embrace a favorable strategic development period.

2. *Internationalization will bring new opportunities for the development of the capital market and securities industry*

In February 2019, Xi Jinping emphasized during the 13th collective learning of the Political Bureau of the Central Committee of the CPC that the global competitiveness of the financial industry shall be improved, high-level and two-way opening up of finance shall be expanded, economic and financial management capacity and risk prevention and control capacity under open conditions shall be improved and capacity to participate in international financial governance shall be improved. In recent years, the internationalization process of the PRC capital market has been accelerating. In 2018, the regulatory authorities further increased the investment quota of QDII, QFII and RQFII. Following the inclusion in the MSCI index and increase of percentage to 20%, A shares are expected to be included in the global stock index system of FTSE Russell. China's bonds have been included in the Bloomberg Barclays Global Aggregate. Foreign invested rating agencies have been granted access to Chinese market. As the national One Belt and One Road initiative advances steadily, the capital market is accelerating its internationalization process. Chinese companies have stepped up their pace to go global, and the demand of residents for global allocation of assets has been increasing. Therefore, under the trend of two-way openness of the capital market, the internationalization level of the securities industry will be improved continuously and improvement of business capacity and development of overseas markets will bring new opportunities for the development of the securities industry.

3. *Supervision will guide stable and healthy development of the industry in the long-term*

With increasing importance of the capital market, various policies have been introduced since 2018. In the areas of refinancing, asset management, repurchase, CDR and share pledge bailout, the regulatory authorities have issued relevant policies and financial institutions are expected to achieve steady development under the premise that there will be no systemic risk. Establishment of the technology board of SSE and pilot registration system are of top priority in the capital market, resulting in comprehensive innovation in aspects such as issuance, listing, trading, information disclosure and delisting, which will change the operation model of the securities industry and better serve real economy.

4. *Business institutionalization and concentration trend is becoming more obvious*

In 2018, the regulatory authorities further increased the investment quota of QDII, QFII and RQFII to encourage insurance funds to increase their holdings of listed companies' stocks and maintain the stable development of the capital market in the long run. With the rapid growth of the number and scale of institutional investors, the investment demand has become more complex and diversified. It provides a huge potential for the development of securities companies' businesses, such as transaction, custody, operation outsourcing, investment and research, wealth management and capital intermediary. The business institutionalization trend will become more obvious. At the same time, under the classified regulatory rating system and the circumstance that the percentage of heavy assets is increasing, the competition in the industry will show a concentration trend.

(II) The challenges facing the development of the securities industry

1. ***Due to severe business homogenization of securities firms, the charge level of various businesses shows a declining trend***

The securities agency purchase and sale business, investment banking business and asset management business of securities firms have a very high degree of homogeneity and they do not have sufficient innovative service capacity for customers, resulting in low marginal cost of providing the service and a declining trend on the charge level of securities firms. Especially under the impact of Internet account opening and the policy of one client with multiple accounts, the industry commission rate is still showing a slow downward trend. In the underwriting filed, especially the bond underwriting business, many securities firms adopt low-price competitive strategy, which will bring pressure on the commission rate of underwriting.

2. ***The industry profits still rely mainly on the domestic market, remaining at a low degree of internationalization***

Although with many years of international development and layout, domestic securities companies' source of income relies mostly on local business, and the revenue changes arising therefrom are highly related to the secondary market activity in China, so they are low in the international degree, which means the impact on the performance will be much more apparent once the domestic market experiences a substantial adjustment, and the fluctuations in performance cannot be balanced by the income from the international market.

Amidst the increasing level of two-way opening in capital market and the accelerating integration of the domestic market with the global market, the gradual penetration of overseas large-size investment banks and asset management institutions has resulted in fierce competition among the domestic businesses. Under the effect of overseas regulatory environment, capital market rules and culture differences, securities companies also face challenge when tapping into the overseas developed market

3. ***The entering of foreign-controlled securities firms will bring about a new round of competition***

Despite China's capital market and customer demand are gradually developing towards maturity and internationalization, most of the securities firms in the industry are still not well prepared for these changes in terms of risk management, IT system construction, management structure serving institutional clients and business internationalization. The breakthrough points for foreign-invested securities firms entering the domestic market to carry out business are wealth management business, one-stop service for institutional clients and international service capability for corporate clients, which will bring huge pressure on the wealth management business for high-net-worth clients, institutional client service and cross-board business for corporate customers of domestic securities firms. As the traditional business is gradually shrinking and domestic securities firms have been seeking transformation and upgrading, the entering of foreign-controlled brokerages will bring about greater competitive pressure in the industry.

(III) The Company's development strategy

With China's economy entering a new era, the Company has formulated a five-year strategic plan for 2017-2021 under the main theme of serving the real economy, preventing financial risks and deepening financial reform. The summary is as follows: the Company has established a strategic goal for the next five years to strive to "achieve the overall improvement of the status of the Company in the industry" by upholding its core values of "inquisitiveness, integrity, client focus and teamwork" under the vision of "becoming a modern investment bank with international competitiveness, brand influence and system importance". The Company will adhere to the strategic plan of "customer-oriented" throughout, and insight into customer needs based on the collaborative principles and innovative spirit; the Company will comprehensively promote the transformation and upgrading of the four major business strategies, including investment banking business, wealth management business, trading and institutional business and investment management business, from the five key directions of the leading strategy, technology and finance strategy, internationalization strategy, collectivization strategy and platform strategy; the Company will establish six supportive strategies for strategic management, research platform, comprehensive risk management, financial resource management, human resources management and information technology construction, which provide strong support for the implementation of the four major business strategies to achieve the overall objective of the new strategic plan through the implementation of strategy in the next 5 years.

(IV) Annual business plan in 2019

In 2019, the Company will leverage on the market-oriented mechanism, accelerate the transformation pace of traditional businesses, actively cultivate mid- to high-end customer base and seize the new opportunities for innovative development of the capital market. The Company will focus on transformation, reform and efficiency, optimization of customer structure and effective enhancement of the status in the industry.

(V) Fund demand of the development

At the end of the Reporting Period, the Company's performance indicators such as total assets, net assets and net capital were among the highest in the industry. Taking into account the prospective strategy in the future, according to the business requirement of the Company, the Company will timely seize the market opportunities, appropriately raise various equity capital or debt capital in various ways, optimize the Company's capital structure and constantly enhance the capital strength so as to guarantee that the Company's capital strength matches its status in the industry.

(VI) Risk factors and counter-measures

During the Reporting Period, the major risks affecting the Company's business operations included policy risk, liquidity risk, market risk, credit risk, compliance risk, operational risk, information technology risk, etc. and were mainly reflected in the following aspects:

(1) Policy risk

Policy risk refers to the adverse effect on the operation of security companies due to changes in national macro-control measures, law and regulations, regulatory policies and trading rules relating to the securities industry. On the one hand, the national macro-control measures can greatly affect the security market, and the change and adjustment in macro policies, interest rate and exchange rate are closely related to the tendency of the financial market, which directly affects the operation performance of the security companies; on the other hand, security industry is a highly regulated industry and the regulatory policies issued by the regulatory authorities directly relate to the change in the operation performance of the security companies. In case the Company fails to timely adapt to or even violates the change in the policies and regulations in its daily operations, it may be subject to penalty, suspension or cancellation of business qualification or other administrative penalties from the regulatory authorities, leading to economic loss, damage to reputation or even risk of being managed or bankruptcy of the Company.

(2) Liquidity risk

Liquidity risk refers to the risk of our failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay our debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out our businesses in the ordinary course. Liquidity risk and incidents include but are not limited to: mismatch of asset and liability structures, difficulty in asset realization, operating loss, deferred payment or breach of contract by counterparties, as well as liquidity risks transformed from credit risk, market risk, reputation risk and other categories of risks. As the Company's capital strength increases and the product portfolio is increasingly enriched, the products represent a diversified, complicated and international developing tendency and the risk type and the term structure faced by the asset end becomes increasingly complicated, The Company needs to actively expand the financing channels to meet the demand for internal liquidity and ensure that its asset and liability term structures reasonably match with each other through reasonable arrangement of the liability. In addition, the liquidity risk management of a security company also needs to satisfy the supervision requirements for external liquidity risks as the bottom line and prevent the liquidity crisis that may be caused by various risk incidents.

(3) Market risk

Market risk refers to the risk of loss in the Company's businesses resulting from adverse changes in the market price (price of equity securities, interest rate, exchange rate, commodity or derivative price, etc.). Market risks include equity price risk, interest rate risk, exchange rate risk, commodity price risk and derivative price risk, etc., which respectively refers to risk arising from change in equity price, interest rate, exchange rate, commodity and derivative price, etc. The market risks faced by the Company mainly concentrate on equity price risk, interest rate risk and derivative price risk, which are mainly reflected in the Company and subsidiaries' proprietary investment in equity security, proprietary investment in fixed-income security, transactions of derivatives in exchange-traded and OTC markets and market making on the New Third Board, etc. with their own fund. With the rapid expansion of the business scope of the direct and indirect wholly-owned subsidiaries as well as the promotion of the Company's course of internalization, other types of price risks to be borne by the Company such as the interest rate risk, exchange rate risk, commodity price risk and derivative risk are increasing. In addition, exchange-traded and OTC derivative markets in the domestic market are still at the beginning stage, so corresponding market mechanisms are not perfect and the risk hedging instruments are insufficient. Hence, as a major market maker and risk hedger in the derivative market, the rapid development of the derivative market has increased not only the market risk exposure to be borne by the Company but also the market risks to be faced by the Company due to highly complex and fluctuating exchange-traded and OTC derivative markets and even restricted liquidity. In the end, because the domestic and international financial markets are facing increasing uncertainties in the external environment and the volatility of global financial market increases, it becomes more difficult for the Company to manage market risks in the future.

(4) Credit risk

Credit risk refers to the potential losses resulting from the failure of an issuer or counterparty to perform its obligations under a contract, or arising from variations in the market value of debts due to changes in credit ratings or inability to perform contractual obligations. The credit risk faced by the Company at present mainly concentrate on credit bond investment, OTC transactions of derivatives, margin trading, agreed repurchase business, repurchase business on stock pledge, other innovative financing business, investment in credit product as well as other businesses that the Company shall bear or have payment commitment. With the promotion of leverage and continuous development of innovative businesses in the security companies, the credit risks to be borne by the Company become more and more complicated and the credit risk exposure increases day by day. In addition, the default rate in the credit market significantly rose and risk events occurred frequently due to the downturn of the prosperity in certain industries, which brought about greater challenges to the credit risk management of the Company in the future.

(5) Compliance risk

Compliance risk refers to the risk of legal sanctions, regulatory measures, loss of property or damage to our reputation because of the violation of laws, regulations, industry standards and relative criteria formulated by self-regulatory organizations and standards of behavior suitable for business activities of the securities companies.

(6) Operational risk

Operational risk is the risk of loss caused by imperfect or problematic internal procedures, personnel, systems and external events. Each department and business line of securities firms (including front business department and the back office supporting department) face operational risk, characterized by wide coverage and diversity, including daily business process flaws with high occurring frequency but relatively low loss, and unexpected events with low frequency of occurrence and significant impact, making operational risk management an important part of implementing comprehensive risk management target by securities firm. As the Company's innovative businesses constantly increase, the business process becomes increasingly complicated. If the Company fails to timely identify the operational risks in each of its business lines and daily operations and to take effective mitigation measures, it may incur operational risks and financial and reputation losses due to unclear setting and ineffective implementation of the relevant business processes, or the limitation or ineffectiveness of the internal control mechanism caused by the intentional or negligent act on the part of the staff.

(7) Risk of information technology

Securities firms rely on the high-tech represented by information technology, which has greatly enhanced their operational efficiency and core competitiveness. The Company's investment business, asset management business, brokerage business and many other business and middle- and back-stage management are highly dependent on the support of information system; information technology has played a key role in promoting the Company's business. In promoting the development of the securities industry, the information technology has also brought a considerable risk. System establishment and operation will be greatly affected by the quality of electronic equipment and system softwares, the operation and maintenance of corporate systems, performance of application software business operation, the level of industry service providers, virus and hacker attacks, data loss and leakage, abnormal access to operating authorization, infrastructure, natural disasters, etc.

2. Counter-measures that the Company has adopted or plans to adopt for the above risks

(1) *Establish overall risk management system of GF Securities*

In order to guarantee the implementation of the Company's business strategy, the Company has gradually improved and optimized overall risk management system framework, which includes but is not limited to risk culture, risk management governance framework, risk management mechanism and implementation and risk management infrastructure. In recent years, under the overall risk management system framework, the Company has been continuously promoting the construction of the risk culture, improving the risk management system, optimizing risk management organization, constructing the risk management information system, enhancing professional level of risk management, and bringing in professional risk management talents, etc. Under the guidance of the integrated company development strategy, the Company continuously constructs and implements powerful, independent, and precise management and control system, constructs effective overall risk management strategy, organization, system, technology and personnel system, promotes the effective utilization of company risk resources, controls the risks within the scope which matches with the company risk preferences, and supports steady development of company business and development of innovative business and products.

(2) *Specific management for various risks*

① Policy risk management

The Company will pay close attention to the change of various policies and make timely response and make corresponding adjustments according to the latest policies to minimize the influence of policy risks on operating activities of all businesses of the Company. The Company's measures to manage policy risks include: 1) The Company implements regular monitoring for various external policies and prepares corresponding reports that are announced across the Company so that information relating to changes in policies can be timely transmitted; 2) Implementation of various businesses of the Company will always be policy-oriented, front office, middle office and back office of the Company will continuously be highly sensitive to policy changes; as for major policy changes, each department of the Company will provide basis for management personnel at all levels to make operational decisions on the basis of elaborated analysis and monographic study; 3) The Company will regularly conduct perspective discussions about macroscopic and supervision policy change and formulate specific countermeasures; 4) The Company will include macroscopic policy factors into pressure test scene system to analyse its pressure bearing capacity under various extremely macroscopic situations with the help of pressure test tools.

② Liquidity risk management

The Company implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under normal situation and pressure state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about liquidity risk index to prevent liquidity risk. Specific measures for liquidity risk management include: 1) The Company will formulate and implement financing strategy to implement centralized management for financing and liabilities in accordance with the asset-liability structure and business development planning of the Company; 2) The Company implements daytime liquidity management reasonably and guarantee that the Company has sufficient daytime liquidity cash; 3) The Company implements multilevel liquidity reserve management, sets corresponding risk limit for the liquidity reserve of the Company and conducts daily monitoring for relevant indexes; 4) The Company establishes liquidity risk limit system and conducts daily calculation and supervision for the relevant monitoring indexes in accordance with requirements for liquidity risk supervision and internal liquidity risk management; 5) The Company regularly or irregularly evaluates cash gap and liquidity risk index of the Company under circumstances of internal and external liquidity pressure and formulates corresponding liquidity management strategies; 6) The Company regularly or irregularly carries out liquidity risk drill and optimizes and perfects liquidity risk emergency disposal processes and mechanism of the Company based on the drill condition.

In 2018, faced with a market of loose monetary conditions, the Group strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity regulatory indicators with the regulatory standards through early calculation and planning; the Group calculated the cash flow on the asset and liability sides daily for the next period of time and evaluated the shortest survival time; the Group measures and calculates the liquidity risk of financial assets on a daily basis; the Group assessed liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure secured liquidity of the Company.

③ Market risk management

The Company sets market risk tolerance of the Company based on principles of active management and quantization orientation in accordance with risk preference of the Company and guarantees market risk undertaken by the Company is within the risk tolerance set by the Company through identification, evaluation, measuring, monitoring and management. With development of the FICC business, derivative products business and overseas business of the Company, the Company will enhance effectiveness and efficiency of risk management through the following measures to cope with more complicated market risk: 1) The Company refines risk limits for various businesses, establishes multi-dimensional sensitivity index limit and stress test index limit for key investment business and continues to improve the market risk limit system according to its market risk appetite and risk tolerance; 2) The Company actively studies the advanced and mature market risk measurement models, and establishes a multi-level risk quantification indicators system; 3) The Company continues to independently research and develop industry-leading risk management system to achieve full-position market risk management covering various investment businesses and investment types of the Company; 4) The Company continues to improve pricing model risk management framework, covering rating, development, verification, realization, examination, utilization and monitoring of model to effectively manage pricing model risk of various complicated financial instruments.

④ Credit risk management

The Company implements management of credit risk for the whole process by means of effective risk identification, cautious risk evaluation and decision-making, measuring and monitoring of dynamic risk, timely risk report and settlement to effectively prevent or avoid risk event, reduce loss of the Company due to risk event and achieve income maximization after risk adjustment within the scope that credit risk can be accepted. The Company will stick to the following basic principles for credit risk management: 1) The Company shall identify and manage credit risk included in all products and business including new product and new business; 2) The Company controls risk at the front end by formulating risk policy about credit business (including due diligence request of the customer, business access requirement); 3) The Company improves credit management of counterparties by consistently optimizing internal rating system; 4) The Company establishes limit for single customer and its identifiable related parties and industry and strictly controls concentration risk; 5) The Company reduces net exposure of risk and estimated loss undertaken by the Company through various risk mitigation measures; 6) The Company establishes a set of information system and analysis tools to balance credit risk exposure and classify and evaluate risk asset combination.

Discussion and Analysis of Operations

⑤ Operational risk management

The Company manages its current operational risks mainly through the combination of sound authorization mechanism and segregation of duties, reasonable system and process, effective constraint among front, middle and back offices, well-established IT system, strict operation discipline and disciplined subsequent supervision and inspection etc.. For the purpose of adapting to the complicated internal and external environment and in response to the operational risks featuring with various factors and broad aspects, the Company has improved the level and effect of operational risk control through the following measures: 1) The Company improved the operational risk management system and operational mechanism, strengthened the joint coordination between the three lines of defense of the operational risk management, and enhanced the in-depth analysis and rectification tracking of the operational risk related issues; 2) The Company improved tool system for operational risk management, and set up operational risk identification, evaluation, monitoring and reporting mechanism through continuous improvement and gradual promotion of risk and control self-assessment, key risk indicators and loss data collection; 3) The Company established and improved the operational risk management system and gradually realizes the systematization and standardization of the operation risk management; 4) The Company explored the collective management system framework of the operational risk; 5) Together with the construction of operational risk management system, the Company continued to improve the access assessment on the new products and new business and the construction of the post-launch dynamic tracking management mechanism.

⑥ Compliance risk management

The Company strictly complies with external legal provisions and regulatory requirements to implement various aspects of compliance management work such as continuously strengthening system establishment, propriety management, staff practice, anti-money laundering management and segregation wall management. The Company has adopted the following measures to enhance the quality of compliance management: 1) effectively implements various relevant requirements, optimizes the organizational structure of compliance management, organizes the compliance management personnel in place, strengthens the first-line compliance management and establishes the compliance management system with three departments cooperating with each other to satisfy the needs for management and control of compliance risk pre-event and during the process of the event in accordance with the “Compliance Management Measures for Securities Companies and Securities Investment Fund Management Companies”(《證券公司和證券投資基金管理公司合規管理辦法》) (hereinafter referred to as “New Regulations on Compliance Management”); 2) organizes the amendments to the articles of association in accordance with various new requirements such as compliance management, propriety management and anti-money laundering management, and streamlines the “formulation, modification, repealing” of the internal rules and regulations, supervise the development of business norms and enhance the management of staff code of practice; 3) gradually improves the establishment of the compliance management information system to support the compliance management work of segregation wall, anti-money laundering, compliance detection, compliance examination, compliance consulting and compliance review, etc.

⑦ Information technology risk management

During the Reporting Period, the Company continued to improve the IT risk control system under the IT governance guidelines according to national and industry regulatory requirements and established the IT risk management committee, change advisory committee and event review committee. Through continuous evaluation, audit and improvement of information system, the Company achieved the close-cycle before-event, event and after-event management of IT risks. In addition, the Company increased its IT investment, continued to regulate operation process, strengthened compliance risk control and management and enhanced accountability efforts, which further improved the security management level for the establishment, operation and maintenance of information system and ensured the safe, reliable and stable operation of the Company's information system, thereby ensuring the regulated development of the Company's business.

X. ESTABLISHMENT OF DYNAMIC RISK CONTROL INDICATOR MONITORING AND COMPLEMENT MECHANISM

1. Establishment of the Company's dynamic risk control indicator monitoring mechanism during the Reporting Period

The Company has established and implemented risk control index dynamic monitoring mechanism, and has continuously upgraded and optimized risk control indicators monitoring system as per adjustment of regulatory standard and implementation situation of innovative business. The risk control indicators system of the Company is able to cover the business activities that affect the net capital and other risk control indicators. The Company calculates various risk control indicators daily and prepares full-set calculation form for relevant risk control indicators according to the supervision rules. The Company also sets up automatic warning for risk control indicators according to the preset thresholds and monitoring standards. The risk management department of the Company is responsible for monitoring and reporting daily operation situation of each risk control indicator and timely remind the Company of risks. Risk control indicators data and compliance situation will be regularly reported to the regulatory department in accordance with regulatory requirements; as for negative risk control indicators variation and situation of early warning and non-conformance, basic situation, causes and solutions will be timely reported to the local bureau of the CSRC in accordance with requirements of the "Measures for Management of Risk Control Indicators of Securities Companies" (《證券公司風險控制指標管理辦法》).

2. Establishment of sensitivity analysis and pressure test mechanism during the Reporting Period

The Company regards pressure test tools as significant tools of risk assessment and management of the Company and regularly and irregularly carries out comprehensive and special pressure test evaluations to provide support for business decision making and operation management in accordance with requirements of “Guidelines for Pressure Test of Securities Companies”(《證券公司壓力測試指引》) and in combination with business development situation and risk management demand. In 2018, the Company has carried out comprehensive pressure test and submitted reports in accordance with requirements of the Securities Association of China. The Company has carried out special pressure test analysis for carrying out innovative business, significant market fluctuation, major business scale adjustment and important decision of the Company and continuously improved risk factor and scenario design, optimized model and method of parameter setting to optimize the effectiveness of pressure test results.

3. Establishment of net capital complement mechanism during the Reporting Period

The Company has established dynamic capital complement mechanism in accordance with the “Guidelines for Capital Complement of Securities Companies”(《證券公司資本補充指引》) issued by the Securities Association of China, to broaden capital complement channels, improve capital quality and strengthen capital constraints on an ongoing basis. The Company formulated the Group’s capital management plan which specifies five core elements of capital management, capital complement triggering conditions, capital adequacy evaluation mechanism, capital plan implementation and promotion mechanism. The Company continuously monitors the net capital and related risk control indicators. When the capital complement early-warning indicators related to net capital hit the threshold, the Company will comprehensively evaluate the necessity, feasibility and specific plans of complementing capital to ensure that the Company’s net capital matches the needs of business development.

4. Compliance with risk control indicators during the Reporting Period

In 2018, the Company’s core risk control indicators were in good operation and complied with regulatory standards. As of December 31, 2018, net asset of the parent company was RMB75,861 million. Net capital was RMB58,563 million, of which Tier 2 net capital was RMB4,970 million and core net capital was RMB53,593 million. As at the end of 2018, the Company maintained a relatively high security margin for various risk control indicators, which have reserved spacious room for business development.

XI. RISK MANAGEMENT

(I) Implementation of comprehensive risk management by the Company

The Company has always attached importance to risk management and regarded risk management as its lifeline. Under the guidance of the Group's overall development strategy planning, the Company takes comprehensive risk management as its supporting system strategy and adheres 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 Company continuously constructs and implements powerful, independent, and precise management and control system, constructs effective overall risk management strategy, organization, system, technology and personnel system, promotes the effective utilization of group risk resources, controls the risks within the scope which matches with the Group's risk preferences, and supports steady development of the Group's business.

In 2018, the Company continued to promote and implement comprehensive risk management in consideration of a development strategy of "collectivization" and "internationalization" and has made great progress in the fields of full risk coverage, risk measurement, unified risk monitoring and management of the Group's risks, centralized management of risk information for the same customer and the same business, and construction of risk management system, and further consolidated its risk culture construction, risk management system, compliance risk control and information system input, risk management system and talent team construction, thus the Group's risk control level is enhanced gradually.

(II) The Company's investment in compliance risk control and information technology during the Reporting Period

The Company attaches great importance to the investment in compliance risk control and information technology. The investment in compliance risk control and information technology in 2018 is as follows: the investment in compliance risk control in 2018 is RMB414 million; the investment in information technology in 2018 is RMB848 million⁵.

⁵ Compliance and risk control Investment includes compensation of compliance and risk control staff, investment in the construction of relevant compliance and risk control system, day-to-day operation expenses for compliance and risk control work; IT investment includes compensation of IT staff, capital expenditure and IT expenses. Such amount excludes the overlapping investment in compliance and risk control and IT. The statistical is based on the parent company's data.

XII. RECEPTION OF ACTIVITIES SUCH AS RESEARCH, COMMUNICATION AND INTERVIEW

1. Registration form for reception of activities such as research, communication and interview during the Reporting Period

The Board and business managers of the Company value investor relationship management and information disclosure, emphasize on the truthfulness and timely and fair disclosure of information, actively protect the interest of medium and small investors, listen and reply to proposals and consultative opinions of medium and small investors in the ordinary course of work. The Company maintains smooth integrative communication with institutional investors and individual investors by means of telephone, email, website of the Company or SZSE, regular or irregular referral conference or roadshow, interview and research. The details are as follows:

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
January 1, 2018 to December 31, 2018	Telephone communication	Individual	Public investor	Operation and development of the Company
January 10, 2018	Performance road show	Institution	Investors invited to the DB Access China Conference 2018 sponsored by Deutsche Bank in Beijing	Strategic and business development of the Company
January 16, 2018	Telephone communication	Institution	HSBC Asset Management	Operation and development of the Company
January 24, 2018	Field research	Institution	GF Securities, Guotai Junan Securities, Shanghai Topfund Investment Management Co., Ltd., Abama Asset Management Co., Ltd.	Operation and development of the Company
January 24, 2018	Telephone communication	Institution	Maple-brownabbott Investment	Operation and development of the Company
March 26, 2018	Performance road show	Institution	Analysts and investors invited to GF Securities' 2017 Annual Results Announcement Conference	Strategic and business development of the Company
April 25, 2018	Performance road show	Institution	Analysts and investors invited to GF Securities' 2018 First Quarterly Results Announcement Conference	Strategic and business development of the Company
May 10, 2018	Performance road show	Institution	Investors invited to the "China Innovation" Forum ("創新中國"論壇) sponsored by Bank of America Merrill Lynch	Strategic and business development of the Company

Discussion and Analysis of Operations

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
May 17, 2018	Field research	Institution	Zuo Xinran, a non-banking financial analyst at Founder Securities	Operation and development of the Company
May 17, 2018	Field research	Institution	Matthews Asia	Operation and development of the Company
May 18, 2018	Performance road show	Institution	Investors invited to the Mid-2018 Strategy Conference of CITIC Securities	Strategic and business development of the Company
June 1, 2018	Performance road show	Institution	Investors invited to the 2017 Chinese Investors Summit sponsored by Morgan Stanley	Strategic and business development of the Company
June 4, 2018 to June 5, 2018	Performance road show	Institution	Investors invited to the Investors Summit sponsored by Nomura	Strategic and business development of the Company
June 6, 2018	Field research	Institution	Changjiang Securities, Minsheng Securities	Operation and development of the Company
June 20, 2018	Telephone communication	Institution	Port Meadow, JPMorgan	Operation and development of the Company
July 3, 2018	Field research	Institution	Tengyue Fund	Operation and development of the Company
July 3, 2018	Field research	Institution	TF Securities	Operation and development of the Company
July 5, 2018	Performance road show	Institution	Investors invited to the Citibank 2018 Strategy Conference	Strategic and business development of the Company
July 12, 2018	Field research	Institution	Dongxing Securities	Operation and development of the Company
August 30, 2018	Performance road show	Institution	Analysts and investors invited to GF Securities' 2018 Interim Results Announcement Conference	Strategic and business development of the Company
September 4, 2018	Field research	Institution	HSBC	Operation and development of the Company
September 4, 2018	Performance road show	Institution	Investors invited to UBS 2018 China A Share Seminar	Strategic and business development of the Company
October 11, 2018	Field research	Institution	TF Securities, China Everwin, China Galaxy Securities	Operation and development of the Company
October 29, 2018	Performance road show	Institution	Analysts and investors invited to GF Securities' 2018 Third Quarterly Results Announcement Conference	Strategic and business development of the Company

Discussion and Analysis of Operations

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
November 7, 2018	Performance road show	Institution	Investors invited to the Chinese Investment Forum sponsored by Goldman Sachs	Strategic and business development
November 9, 2018	Performance road show	Institution	Investors invited to the 2018 Chinese Investment Summit sponsored by Bank of America Merrill Lynch	Strategic and business development
November 15, 2018	Performance road show	Institution	Investors invited to the Chinese Investment Summit sponsored by Citibank	Strategic and business development
November 16, 2018	non-deal road show	Institution	Cinda Sinorock	Operation and development of the Company
November 16, 2018	Field research	Institution	Abu Dhabi Investment Authority	Operation and development of the Company
November 16, 2018	Performance road show	Institution	Investors invited to the Chinese Investment Summit sponsored by Daiwa Securities	Strategic and business development
November 21, 2018	Performance road show	Institution	Investors invited to the Chinese Investment Summit sponsored by Credit Suisse	Strategic and business development
December 4, 2018	Field research	Institution	Founder Securities, Orient Securities, Golden Eagle Fund	Operation and development of the Company
December 6, 2018	Field research	Institution	UBS	Operation and development of the Company

Note: The record chart of investor relations activities regarding the reception of the above institutional investors by the Company is disclosed on the website of SZSE (www.szse.cn) and the website of CNINFO (www.cninfo.com.cn).

Number of reception	32
Number of institutional participants	Over 200
Number of individual participants	No onsite visit by individual investors
Number of other participants	None
Whether or not disclose, reveal or leak undisclosed significant information	Not

In 2018, the Company organized four local and overseas results presentations and answered 88 questions raised by investors via the EasyIR platform of SZSE .

XIII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into “Service Contracts for Directors” and “Service Contracts for Supervisors” with each of the 11 Directors of the current Ninth Session of the Board of Directors and each of the 5 Supervisors of the current Ninth Session of the Supervisory Committee. The term of office of the Directors and Supervisors was effective from the date of approval by the General Meeting until the expiry date of the term of office for the Ninth Session of the Board of Directors and the Ninth Session of the Supervisory Committee. The “Service Contracts for Directors” and “Service Contracts for Supervisors” provide the agreed terms on the duties and responsibilities, term of office and remuneration of the Directors and Supervisors during their term of office.

XIV. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

Except for the service contracts, neither the Company nor its subsidiaries has entered into any significant contracts in which the Directors or Supervisors of the Company had, directly or indirectly, a material interest during the Reporting Period.

XV. INTEREST OF DIRECTORS IN BUSINESSES IN COMPETITION WITH THE COMPANY

None of the Directors of the Company has any interest in businesses in competition with the Company.

XVI. PERFORMANCE OF SOCIAL RESPONSIBILITIES

See “XV. Social Responsibilities” of Section 6 in this report.

XVII. TAX CONCESSION

(I) Holders of A-shares

In accordance with the “Notice on Relevant Issues of Implementation of Individual Income Tax Policy of Dividends and Bonus Differentiation of Listed Companies” (Cai Shui [2012] No. 85) 《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號) and the “Notice on Relevant Issues of Individual Income Tax Policy of Dividends and Bonus Differentiation of Listed Companies” (Cai Shui [2015] No.101) 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]10號) issued by the Ministry of Finance, the State Bureau of Taxation and the CSRC, for dividends and bonus of individual investors obtained from listed companies from the date when individual investors obtain shares of the Company to the equity registration date, if shareholding period is more than one year, personal income tax will be exempted; if shareholding period is not more than one year (including one year), the listed company will not withhold and remit personal income tax and make corresponding adjustment according to the tax payable amount calculated by their shareholding period.

As for shareholders of resident enterprises, income tax of cash bonus will be paid by themselves.

Listed companies will withhold and remit enterprise income tax at the tax rate of 10% for qualified foreign institutional investors (QFII) in accordance with provisions of the “Notice of State Administration of Taxation on Relevant Issues Regarding the Withholding and Payment of Enterprise Income tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII” (GSH[2009] No. 47) 《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號). If dividends and bonus obtained by QFII shareholders need to enjoy tax convention (arrangement) treatment, they can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

In accordance with provisions of the “Notice of the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism” (Cai Shui [2016] No. 127) 《財政部國家稅務總局證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號), as for dividends and bonus of Hong Kong market investors (including enterprise and individual) by investing A-shares listed on SZSE, differentiated taxation policy will not be temporarily implemented as per shareholding time before Hong Kong Securities Clearing Company Limited complies with conditions to provide detailed data including identities of investors and shareholding time for China Securities Depository and Clearing Corporation Limited, and the listed company will deduct income tax at the tax rate of 10% and go through deduction declaration with the competent taxation authority. As for Hong Kong investors who belong to tax residents of other countries and dividends income tax rate specified in tax convention signed by their countries and China is lower than 10%, enterprises or individuals can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

(II) Holders of H Shares

In accordance with provisions of the “Notice of the State Administration of Taxation on Personal Income Tax Collection Issues after the Document with the Number of GSF [1993] No. 045 has been Abolished” (GSH [2011] No. 348) 《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號), withholding and remitting obligor will withhold and remit personal income tax as per item of “interest, dividends and bonus income” for dividends and bonus income of overseas resident individual shareholders from domestic non-foreign-funded enterprise by issuing shares in Hong Kong. When domestic non-foreign-funded enterprise issues shares in Hong Kong, its overseas resident individual shareholders will enjoy relevant tax preference in accordance with tax convention signed by China and the country stated in the residential identity and tax arrangement of inland and Hong Kong (Macau). In general, tax rate for dividend is 10% in accordance with relevant tax convention and provisions on tax arrangement. To simplify tax collection and management, when a domestic non-foreign funded enterprise that has issued shares in Hong Kong distributes dividends and bonus, personal income tax will be generally withheld and remitted as per the tax rate of 10% and application is not necessary. Situations in which tax rate for dividends is not 10% will be handled in accordance with the following provisions: (1) as for residents of conventional country whose tax rate is less than 10%, withholding and remitting obligor can handle application for enjoying relevant convention treatment and excessive tax will be refunded with approval of competent taxation authority; (2) as for residents of conventional country whose tax rate is between 10% and 20%, withholding and remitting obligor shall withhold and remit personal income tax as per actual conventional tax rate when distributing dividends and bonus and it need not handle application and approval issues; (3) as for residents without tax convention and other situations, withholding and remitting obligor shall withhold and remit personal income tax at the tax rate of 20% when distributing dividends and bonus.

In accordance with provisions of the “Notice on Relevant Issues that PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Enterprise Shareholders of H-shares and Withhold and Remit Enterprise Income Tax” (GSH [2008] No. 897) 《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號) issued by the State Administration of Taxation, when PRC resident enterprises distribute dividends of 2008 and future years to overseas non-resident enterprise shareholders of H-shares, they will withhold and remit enterprise income tax at the tax rate of 10%.

Discussion and Analysis of Operations

In accordance with provisions of the “Notice of the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism” (CS [2016] No. 127) 《財政部國家稅務總局證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》 (財稅[2016]127號), H-share companies will deduct personal income tax at the tax rate of 20% for dividend and bonus of individual investors in the PRC by investing in H-shares of the Hong Kong Stock Exchange via Shenzhen-Hong Kong Stock Connect. Personal income tax will be collected in accordance with the above provisions for dividends and bonus income of the securities investment fund in the PRC by investing in listed shares of the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect. H-share companies will not deduct dividend and bonus income tax for dividends and bonus of enterprise investors in the PRC by investing in listed shares of the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect and income tax will be paid by enterprises. Dividends and bonus income of resident enterprises in the PRC obtained as they have continuously held H-shares for 12 months and enterprise income tax will be exempted according to laws.

In accordance with current convention of the Hong Kong Inland Revenue Department, taxes will not be paid for dividends paid by the Company in Hong Kong.

Shareholders of the Company will pay relevant taxes and/or enjoy tax concession in accordance with the above provisions.

Section 6
Significant Events



Significant Events

I. PROFIT DISTRIBUTION OF ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY

1. Profit Distribution Policy of Ordinary Shares, in particular, Formulation, Implementation or Adjustment of Cash Dividend Policy during the Reporting Period

The Company consistently pays attention to reasonable returns on investment to shareholders, the profit distribution policy is clearly stated in the Articles of Association of the Company and the Dividend Distribution Management System of GF Securities. The formulation, adjustment, compliance and transparency of the policies have complied with the requirements of the Articles of Association of the Company and the procedure for consideration, the standard and proportion of dividend distribution are clear, in the absence of the occurrence of, inter alia, any significant investment plans or significant cash expenditure, the cumulative amount of profit distributed in cash by the Company in any three consecutive years was not less than 30% of the average annual distributable profit realized in those three years, providing sufficient protection to investors, in particular the legitimate interest of minority investors.

The Company formulated the profit distribution plan strictly in accordance with the Articles of Association of the Company and the Dividend Distribution Management System of GF Securities, and formulated dividend plans scientifically for the benefit of shareholders by taking into consideration, inter alia, factors such as the development strategic plans, industry development trends, social capital cost and external financing environment. During the Reporting Period, the Company strictly executed the profit distribution policy without formulating any new profit distribution policies nor adjusting the existing profit distribution policy of the Company.

Specific Particulars of Cash Dividend Policy

Whether the policy complied with the provisions of the Articles of Association or the requirements of the resolutions of the Shareholders' General Meeting:	Yes
Whether the standard and proportion of dividend distribution were definite and clear:	Yes
Whether the relevant decision-making procedure and mechanism were well-established:	Yes
Whether the independent directors performed their duties and responsibilities and played their roles properly:	Yes
Whether minority shareholders had sufficient opportunity to express their opinions and requests, whether their legitimate interests were sufficiently protected:	Yes
If the cash dividend policy underwent any adjustments or changes, whether the conditions and procedures were compliant and transparent:	N/A

Note: In June 2018, pursuant to relevant requirements of the Notice Regarding Further Implementation of Cash Dividend Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) issued by the CSRC, taking into account its own actual conditions, the Company made relevant amendments to the profit distribution provision of the Articles of Association upon consideration and approval at 2017 annual general meeting. The revised profit distribution policy complied with the provisions of the Articles of Association or the review procedures, the legitimate interests of minority investors were sufficiently protected, the independent directors expressed their opinions, the definite standard and proportion of dividend distribution were in place and the conditions and procedures for amendments to profit distribution policies were compliant and transparent.

2. Dividend Distribution Plan (Proposal) of Ordinary Shares in the Latest Three Years (including the Reporting Period) and Conversion Plan (Proposal) of Capital Reserves into Share Capital of the Company

Unit: RMB

Year of Dividend	Amount of Cash Dividends (tax inclusive)	Amount of Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements of the Year of Dividend	Percentage of Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements	Amount of Cash Dividends Otherwise Distributed	Percentage of Cash Dividends Otherwise Distributed
2018	—	4,300,126,341.29	—	—	—
2017	3,048,435,065.60	8,595,399,060.76	35.47%	—	—
2016	2,667,380,682.40	8,030,106,628.93	33.22%	—	—

3. Reasons that the Company Makes Profit and the Profit Available for Distribution to the Ordinary Shares Shareholders of the Parent Company is Positive, but No Proposals on Ordinary Shares Cash Dividends Distribution is Made during the Reporting Period

Reasons that the Company Makes Profit and the Profit Available for Distribution to the Ordinary Shares Shareholders of the Parent Company is Positive, but No Proposals on Ordinary Shares Cash Dividends Distribution is Made during the Reporting Period

Purpose and Use Plan of the Company's Undistributed Profit

According to article 18 of the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) of the CSRC, listed companies shall only issue securities after submitting the profit distribution plan and plan for share capital increase from capital reserve to the general meeting for resolution or putting such plans approved by the General Meeting into implementation. Before relevant plan is implemented, the lead underwriter shall not underwrite the securities issued by the listed company. If the Company implements the profit distribution of 2018, then before completing profit distribution, the Company cannot publicly issue any shares. Given the Company is currently proceeding with the non-public issuance of A shares of the Company, after comprehensive consideration of factors such as the interests of shareholders and the development of the Company, the Company will not make profit distribution for 2018, nor will it transfer its capital reserve to increase its share capital.

The Company intends to subsequently proceed with the related matters for profit distribution as required by the Articles of Association.

II. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL DURING THE REPORTING PERIOD

The Company has no plan to distribute cash dividends and bonus shares and convert capital reserves into share capital for the year.

Significant Events

III. IMPLEMENTATION OF COMMITMENTS

1. Commitments Performed during the Reporting Period or Not Yet Performed as of the End of the Reporting Period by the de facto Controller of the Company, Shareholders, Related Parties, Purchasers and the Company

Cause of Commitment	Undertaking party	Type of Commitment	Details of Commitment	Date of Commitment	Term of Commitment	Performance
Share conversion undertakings/ undertakings made in acquisition report or equity changes report/ undertakings made in asset restructuring	The Company and its shareholders, directors, supervisors and senior management	Others	<p>1. 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. 2. 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. 3. To avoid peer competition with the surviving company after share conversion and merger by absorption and regulate possible related transactions, Liaoning Cheng Da and Jilin 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 Jilin 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. 4. Liaoning Cheng Da and Jilin 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.</p>	February 6, 2010	Nil	All undertaking parties have strictly performed the undertakings.

Significant Events

Cause of Commitment	Undertaking party	Type of Commitment	Details of Commitment	Date of Commitment	Term of Commitment	Performance
Net capital guarantee undertakings provided to GF Asset Management	GF Securities	Others	In order to support the 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 inclusive, 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 was able to satisfy the requirements of the regulatory authority on an on-going basis.	September 29, 2015	From the notice date of the Board Resolution (September 29, 2015) until its net capital was able to satisfy the requirements of the regulatory authority on an on-going basis.	GF Securities strictly performed the undertakings. In line with the actual net capital of GF Asset Management, GF Securities reduced its net capital guarantee undertakings of RMB500 million to GF Asset Management on November 15 and December 1, 2018, respectively. So far, this net capital guarantee undertaking of RMB1 billion has expired.
Net capital guarantee undertakings provided to GF Asset Management	GF Securities	Others	In order to support GF Asset Management 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 inclusive), 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 were performed timely?						Yes

2. If there are profit forecasts for the assets or projects of the Company and the Reporting Period is within the period of the profit forecasts, particulars of the Company's assets or projects reaching the original profit forecasts and the reasons

Not applicable.

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

During the Reporting Period, the Company did not have a controlling shareholder nor a de facto controller. No funds of the Company were used by related parties for non-operating purposes.

Significant Events

V. STATEMENT ON ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT" OF THE REPORTING PERIOD BY THE BOARD OF DIRECTORS, BOARD OF SUPERVISORS AND INDEPENDENT DIRECTORS (IF ANY)

N/A.

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

1. Currently Appointed Accounting Firms

PRC Accounting Firm	Ernst & Young Hua Ming LLP
Remuneration of PRC Accounting Firm (RMB)	1.60 million
Continuous term of auditing service of PRC Accounting Firm	1 year
Name(s) of certified public accountant(s) of the PRC Accounting Firm	Zhao Ya, He Yanyi
Continuous term of auditing service of certified public accountant(s) of PRC Accounting Firm	1 year
International Accounting Firm	Ernst & Young
Remuneration of International Accounting Firm (RMB)	0.85 million
Continuous term of auditing service of the International Accounting Firm	1 year
Name(s) of certified public accountant(s) of the International Accounting Firm	Benny Bing Yin Cheung
Continuous term of auditing service of certified public accountant(s) of the International Accounting Firm	1 year

Note: The above is the audit fees for the annual report of the Company, which does not include the audit fees for consolidated subsidiaries.

2. Appointment of Accounting Firm for Internal Control Audit, Financial Advisor or Sponsor

In 2018, the Company appointed Ernst & Young Hua Ming LLP as accounting firm for internal control audit with auditing fees at RMB300,000.

During the Reporting Period, for the purpose of non-public issuance of A shares of the Company, the Company engaged Guotai Junan Securities Co., Ltd. as its sponsor at the sponsorship fee of RMB8.00 million and engaged Gram Capital Limited as its independent financial advisor at the consultancy fee of HK\$220,000.

3. Changes on Accounting firms

Deloitte Touche Tohmatsu Hua Yong Certified Public Accountants LLP (hereafter referred to as "DTT") and Deloitte Touche Tohmatsu were the external auditors of the Company for 2017. DTT has served the Company for 10 years. According to the requirements on the service term of the same accounting firm (including its affiliated member entities) continuously engaged by a financial enterprise set forth in the Administrative Measures on Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional) (《金融企業選聘會計師事務所招標管理辦法(試行)》) issued by the Ministry of Finance of the People's Republic of China, on 29 June 2018, the Company passed the resolutions at the general meeting to engage Ernst & Young Hua Ming LLP as the domestic external auditor of the Company for 2018 and engage Ernst & Young as the overseas external auditor of the Company for 2018. For details, please refer to the relevant announcements published by the Company 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 24 April 2018 and 29 June 2018, respectively.

VII. SUSPENSION AND TERMINATION OF LISTING AFTER THE DISCLOSURE OF ANNUAL REPORT

N/A.

VIII. SIGNIFICANT LITIGATION AND ARBITRATION

During the Reporting Period and as of the end of the Reporting Period, the Group was not involved in any material litigation or arbitration.

As of December 31, 2018, the Group was involved in 74 litigation and arbitration cases (including those initiated by and against the Group) pending for final judgment or ruling and completed execution, involving a total amount of claims at approximately RMB1,017 million.

IX. PENALTY AND RECTIFICATION

1. On February 26, 2018, Guangdong Bureau of the CSRC issued the Letter of Regulatory Concerns (Guang Dong Zheng Jian Han [2018] No. 246) to the Company in respect of the oversight and misstatement of figures in the financial statements submitted to the regulators by the Company's securities branches including Xiashan Securities Branch in Chaonan District, Shantou, Zhuchi Road Securities Branch in Shantou, and Huacheng Avenue Securities Branch in Guangzhou, imposing regulatory concerns on such securities branches.

In this regard, the Company has attached great importance and has immediately demanded self-check and rectification by relevant securities branches, organized them to relearn regulatory provisions, and submitted a rectification report to Guangdong Bureau of the CSRC in a timely manner.

2. On March 19, 2018, Zhejiang Bureau of the CSRC issued the Letter of Regulatory Concerns (Zhe Zheng Jian Zhai Quan Zi [2018] No. 9) to the Company (as the lead underwriter) in respect of the unregulated use of proceeds from the "16 Southeast 01" corporate bonds issued by Zhejiang Great Southeast Group Corporation, demanding self-examination and provision of a self-examination report as well as the draft of this project by the Company.

In this regard, the Company has attached great importance and has immediately arranged a special team to conduct comprehensive summary and self-examination on the performance of underwriting duties and the draft of this project, and reported the results thereof to Zhejiang Bureau of the CSRC.

3. On September 4, 2018, the China Securities Regulatory Commission issued warning letters as one of administrative regulatory measures to the individual staffs in the investment banks in respect of not working diligently and insufficient verification on the related matters, customers and equities when acting as the sponsor representative for Guangzhou GTD Lighting Technology Co., LTD. and Changzhou Huake Polymers CO., LTD in its initial public offering and listing.

In this regard, the Company has made a comprehensive conclusion and reflection, conducted internal accountability for relevant responsible personnel, further improved the practicing norms and guidelines, clarified and refined the means, standards and requirements of due diligence, and improved the professional skills and responsibility awareness of the employees.

Significant Events

4. On September 5, 2018, Guangdong Bureau of the CSRC issued Decisions on Taking Rectification Measures Against GF XINDE Investment Management Co., Ltd. (廣發信德智勝投資管理有限公司) (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2018] No.54) to GF Xinde Investment Management Co., Ltd. in respect of the promise of the expected rate of return or performance benchmark yield, and payment for the yield to the investors based on the agreed rate of return in the prospectus or fund contracts for part of fund products managed by GF Xinde Investment Management Co., Ltd., the wholly-owned subsidiary of GF Xinde, no evaluation of the risk identification capability and risk affordability for individual fund investors by way of questionnaire, no custody for individual funds, and no provisions on the systems and measures on guaranteeing the safety of private property and dispute settlement mechanism in the fund contracts, demanding the rectification of the existing problems as well as the rectification report.

In this regard, the Company has attached great importance and has formulated effective rectification plans to correct the said problems, and reported the rectification report to the Guangdong Bureau of the CSRC.

5. On September 5, 2018, Guangdong Bureau of the CSRC issued Decisions on Taking Rectification Measures Against GF Hexin Industry Investment Management Co., Ltd. (廣發合信產業投資管理有限公司) (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2018] No.53) to GF Hexin in respect of the promise of the expected rate of return or performance benchmark yield, and payment for the yield to the investors based on the agreed rate of return in the prospectus or fund contracts for part of fund products managed by GF Hexin, no evaluation of the risk identification capability and risk affordability for individual fund investors by way of questionnaire, and failure to timely report of the change in compliance and risk control officer to the Asset Management Association of China, demanding the rectification of the existing problems as well as the rectification report.

In this regard, the Company has attached great importance and has organized all employees to actively rectify the problems reflected in the letter, led by the Company's senior management, and reported the rectification report to the Guangdong Bureau of the CSRC.

6. On September 20, 2018, Guangdong Bureau of the CSRC issued Decisions on Taking Rectification Measures Against Ruiyuan Capital Asset Management Co., Ltd. (瑞元資本管理有限公司) (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2018] No. 67) to Ruiyuan Capital Asset Management Co., Ltd., a subsidiary of GF Fund, in respect of its failure to prepare the investment reports on the certain entrusted assets and report the same to the asset trustor and the mismatch between the risk level of a customer and relevant product, demanding the rectification of the existing problems as well as a rectification report.

In this regard, Ruiyuan Capital Asset Management Co., Ltd. has attached great importance and has immediately arranged comprehensive self-examination and remedy to further enhance the management of business compliance and submitted a rectification report to Guangdong Bureau of the CSRC as required.

7. On October 17, 2018, Guangdong Bureau of the CSRC issued Decisions on Taking Rectification Measures Against GF Futures (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2018] No. 77) to GF Futures, in respect of its violation of Article 46 of the Measures for Supervision and Management of Futures Companies(《期貨公司監督管理辦法》) in asset management business, where the third party investment manager or investment manager directly executed the investment instruction without prior confirmation from the trader, demanding the rectification of the existing problems as well as a rectification report.

In this regard, GF Futures has attached great importance and has taken rectification measures to enhance the management of asset management business and to operate in compliance with laws and regulations, and submitted a rectification report to Guangdong Bureau of the CSRC as required.

8. On December 3, 2018, the Securities Association of China issued a "Reminder Letter on Strengthening the Entrusted Management of Corporate Bonds" (SAC [2018] No. 622), pointing out problems in the usage of proceeds by the issuer of a corporate bond project entrusted to the Company, requiring the Company to strengthen the entrusted management.

In this regard, the Company continued to urge the issuer to rectify relevant issues, conscientiously explore the reasons, further standardize the entrusted management practice, improve the performance of entrusted management, and effectively prevent violations.

9. On December 4, 2018, due to prior to September 30, 2017, our staff in the Securities Brokerage Branch of Baiyunshan West Road in Taizhou conducted securities transaction operation for customers, illegally provided convenience for the financing activities of customers, and the use and management of computers and other equipment in securities Brokerage Branch violated the internal management provisions of the Company, Zhejiang Bureau of the CSRC issued the Decision on Taking Rectification Measures Against the Securities Brokerage Branch of Baiyunshan West Road in Taizhou of GF Securities Co., Ltd. (Letter of Decision of Administrative Regulatory Measures from Zhejiang Bureau of the CSRC [2018] No. 85) (《關於對廣發證券股份有限公司台州白雲山西路證券營業部採取責令改正措施的決定》(浙江證監局行政監管措施決定書[2018]85號)) and Decision on Taking Warning Letter Measures Against Bao Yangbing (Letter of Decision of Administrative Regulatory Measures from Zhejiang Bureau of the CSRC [2018] No. 83) (《關於對包楊兵採取出具警示函的措施的決定》(浙江證監局行政監管措施決定書[2018]83號)) to such securities brokerage branch.

In this regard, the Company has attached great importance and taken internal accountability measures against the relevant responsible personnel, the brokerage branch has arranged self-examination and rectification on relevant issues, and submitted a rectification work report to Zhejiang Bureau of the CSRC.

10. In August 2018, a team of securities analysts of the Company wrote four review articles on the night of the date of issuance of the announcement of the semi-annual reports of four listed companies, and uploaded them to the cloud-based account of Youdao shared by the team. Subsequently, a securities analyst of the team privately shared the links of the four review articles to his self-operated WeChat groups via Youdao Cloud. On January 4, 2019, the Company received the Notice on Order GF Securities Co., Ltd. to Take Self-examination and Rectification and Internal Accountability Measures in respect of Sharing Review Articles by Kuang Shi and Other Securities Analysts via the Internet Tools (Letter from Guangdong Bureau of the CSRC [2019] No. 7) (《關於責成廣發證券股份有限公司對證券分析師曠實等人利用網絡工具分享評論文章事件進行自查整改和內部問責的通知》(廣東證監函[2019]7號)) from Guangdong Bureau of the CSRC.

Significant Events

In this regard, the Company has attached great importance and has immediately arranged comprehensive self-examination in respect of the relevant business related to publish of the securities research report to further enhance We-media management mechanism, taken internal accountability measures against relevant responsible personnel and submitted a rectification report to Guangdong Bureau of the CSRC within the prescribed period.

11. On January 11, 2019, the Company received the Notice of Order Guangfa Securities Co., Ltd to Take the Internal Accountability Measure Against the Dongguan Humen Securities Brokerage Branch (Letter from Guangdong Bureau of the CSRC [2019] No. 59) (《關於責成廣發證券股份有限公司對東莞虎門證券營業部進行內部問責的通知》(廣東證監函[2019]59號)) from Guangdong Bureau of the CSRC, which states that Ye Chaolong(葉潮龍), former account manager of Dongguan Humen Securities Brokerage Branch has acts to attract investors to open an account by the way of unfair competition, the Company is ordered to arrange self-examination and take internal accountability measures in respect of the above-mentioned non-compliance.

In this regard, the Company has attached great importance, and the joint working group has been set up by the relevant departments at the headquarters, issued a risk warning letter to the brokerage branch and deducted the points of compliance assessment, and taken accountability measures against the relevant responsible personnel. In addition, the Company has taken self-examination and rectification on the internal control, marketing staff and broker management and compliance management of the brokerage branch, and strengthened compliance training at the level of the headquarters and branches, strictly implemented compliance examination and improved practice standards with aims to prevent risks in all aspects.

12. On March 25, 2019, the Company received the Notice of Decision on Taking Rectification Measures Against GF Securities Co., Ltd. (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2019] No. 20) (《關於對廣發證券股份有限公司採取責令改正措施的決定》(廣東證監局行政監管措施決定書[2019] 20號)) from Guangdong Bureau of the CSRC, which states that the Company is incompetent in managing its foreign subsidiary and has not effectively supervised the foreign subsidiary to strengthen its compliance risk management and conduct business cautiously, therefore in violation of requirements under Article 27 of the Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》) and Article 27 of Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》). Guangdong Bureau of the CSRC, in accordance with Article 70 of the Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》), decided to take rectification measures against the Company.

In this regard, the Company has attached great importance and taken rectification, taken measures to establish and maintain compliance management, risk control and internal control system that appropriately covers foreign institutes.

X. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

Please refer to “V. Qualifications for of Members and Individual Businesses” in Section 1 of this report.

XI. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, the Company did not have valid court judgments pending for execution or relatively large amount of outstanding debt pending for payment.

The Company did not have controlling shareholder or de facto controller. The largest shareholder of the Company, Jilin Aodong, and its de facto controller did not have any valid court judgment pending for execution during the Reporting Period or relatively large amount of outstanding debt pending for payment.

XII. IMPLEMENTATION OF EQUITY INCENTIVE, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE OF THE COMPANY

N/A.

XIII. MAJOR RELATED TRANSACTIONS

1. Related Transactions Relating to Day-to-day Operations

The related/connected transactions of the Group are conducted pursuant to the SZSE Listing Rules, Hong Kong Listing Rules, GF Connected Transaction Management System and GF Information Disclosure Management System, the related/connected transactions of the Group observe the fair and reasonable principles, and the agreements on related/connected transactions are entered into under the principles of equality, willingness, pricing equality and compensation.

The continuing related/connected transactions relating to day-to-day operations are transactions in which the Group provides investment banking, wealth management, trading, institutional and investment management services to the related/connected parties.

In 2018, our day-to-day related transactions were executed subject to the Proposals on Estimates of Annual Day-to-day Related/Connected Transactions in Year 2018 of the Company passed by the Annual General Meeting of 2017 upon deliberation.

The investment banking, wealth management, trading, institutional and investment management services in respect of day-to-day operations provided by the Group to related/connected persons were conducted in the ordinary and usual course of business and on normal commercial terms, they were exempt continuing connected transactions under the Hong Kong Listing Rules, namely the de minimis transactions, and such transactions were exempt from the requirements of reporting, announcement and approval by independent shareholders under Chapter 14A of the Hong Kong Listing Rules.

During the Reporting Period, the Company did not have related transactions with any related party with aggregated transaction amount of over RMB30 million and accounting for more than 5% of its latest audited net asset value during its normal and ordinary business.

2. Related Transactions in respect of Acquisition and Sale of Assets or Equity Interest

As of the date of this report, the Company had the following ongoing related transactions in respect of acquisition and sale of assets or equity interest:

On 29 January 2019, the Company and its wholly-owned subsidiary, GF Qianhe, entered into the relevant agreements with Kangmei Pharmaceutical Co., Ltd. ("Kangmei Pharmaceutical") and Puning Xinhong Industrial Investment Co., Ltd. ("Puning Xinhong"), respectively, pursuant to which the Company and GF Qianhe proposed to accept the transfer of the 9.458% equity interest held by Kangmei Pharmaceutical in GF Fund and the 22% equity interest held by Puning Xinhong in GF Internet Microfinance at the total consideration of not more than RMB1.5 billion, of which the 9.458% equity interest held by Kangmei Pharmaceutical in GF Fund was valued at RMB1.39 billion and the 22% equity interest held by Puning Xinhong in GF Internet Microfinance was valued at RMB110 million.

Significant Events

According to the Hong Kong Listing Rules, GF Fund is a significant subsidiary of the Company; the directors and their associates of a significant subsidiary of the Company and the 30%-controlled companies held directly or indirectly by them or any subsidiaries of those companies are all the connected persons of the Company. Ms. Xu Dongjin is a director of GF Fund; and Kangmei Pharmaceutical and Puning Xinhong as controlled by Ms. Xu Dongjin and Mr. Ma Xingtian in their capacity of husband and wife are the connected persons of the Company. Accordingly, this transaction constituted the connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the relevant announcement published by the Company 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 30 January 2019.

As of the date of this report, the Company and GF Qianhe had entered into the relevant agreements in relation to the transfer of 9.458% equity interest held by Kangmei Pharmaceutical in GF Fund and 22% equity interest held by Puning Xinhong in GF Internet Microfinance, respectively. The above equity transfers are subject to the approval of the relevant competent authorities. Currently, the related matters are ongoing.

Pursuant to relevant regulatory requirements such as the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (證券公司另類投資子公司管理規範), the Company is proceeding with the rectification work in respect of the shareholding in GF Internet Microfinance by GF Qianhe according to opinions of regulatory authorities, taking into account the actual circumstance.

3. Related Transactions in respect of Joint External Investment

As of the date of this report, the Company had the following ongoing related transactions in respect of joint external investment:

Zhuhai GF Xinde Aodong Fund Management Co., Ltd. (hereafter referred to as “Aodong Fund Management”) was established on 21 July 2015, the equity interest of which is owned as to 60% by GF Xinde and 40% by Jilin Aodong. Aodong Fund Management manages two funds, namely (1) Jilin Aodong Innovative Industry Fund Management Center (Limited Partnership) (hereafter referred to as “Aodong Innovative Industry Fund”), which was established on 7 August 2015 and the 3.33%, 66.67% and 30.00% of which was contributed by Aodong Fund Management, Jilin Aodong and Dunhua City Financial Investment Co., Ltd.; (2) Zhuhai GF Xinde Aodong Pharmaceutical Industry Investment Center (Limited Partnership) (hereinafter referred to as “Aodong Pharmaceutical Industry Fund”), which was established on 28 October 2015 and the 2.00%, 58.80% and 39.20% of which was contributed by Aodong Fund Management, GF Xinde and Jilin Aodong.

Jilin Aodong is a shareholder holding more than 5% of the shares of the Company, and Mr. Li Xiulin, a director of the Company, concurrently acts as the chairman of Jilin Aodong. According to the relevant requirements of the SZSE Listing Rules, Jilin Aodong is a related party of the Company, and according to the requirements of the Hong Kong Listing Rules, Jilin Aodong is a connected party of the Company. Accordingly, the above transactions in respect of the establishment of Aodong Fund Management and its two funds through joint external investment constituted the related/connected transactions under the SZSE Listing Rules and the Hong Kong Listing Rules.

For details, please refer to the relevant announcement published by the Company 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 18 June 2015.

According to the Restructure Plan for Subsidiaries submitted by the Company and approved by the regulatory authorities, it is required to adjust the respective fund units held by GF Xinde and Aodong Fund Management in Aodong Innovative Industry Fund and Aodong Pharmaceutical Industry Fund. As of the end of November 2018, upon the completion of the adjustments for the above fund units, those two funds shall be managed by GF Xinde as manager, for which the contributors of Aodong Innovative Industry Fund are changed to GF Xinde, Jilin Aodong and Dunhua City Financial Investment Co., Ltd. at the contribution proportion of 2.00%, 68.00% and 30.00%, respectively; and the contributors of Aodong Pharmaceutical Industry Fund are changed to GF Xinde and Jilin Aodong at the contribution proportion of 60.00% and 40.00%, respectively. Aodong Fund Management shall cease to hold any fund units in Aodong Innovative Industry Fund and Aodong Pharmaceutical Industry Fund.

4. Amount due to or from Related Parties

Amount due to or from Related Parties under the SZSE Listing Rules

Item Name	Related Party	Unit: RMB	
		Amount as of the end of the period	Amount as of the beginning of the period
Seats commission and trailing commission receivable	E Fund Management Co., Ltd.	6,688,195.81	8,658,509.59
Seats commission and trailing commission receivable	Harvest Fund Management Co., Ltd.	4,233,472.66	2,446,080.93

During the Reporting Period, the amounts due to or from related parties mentioned above facilitated the Company to expand its operations in the ordinary course of business and increase profit opportunities, and were implemented at fair prices and would not harm the interests of the Company and minority shareholders.

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

5. Other material related transactions

The Company intends to issue not more than 1,180,000,000 shares (inclusive of 1,180,000,000 shares) of A Shares to not more than 10 specific target subscribers including Jilin Aodong (hereinafter the "Issuance") by way of non-public issuance, and the amount of proceeds raised will not exceed RMB15 billion. Jilin Aodong proposes to subscribe for an amount (rounding to the nearest million) equivalent to 22.23% of the upper limit of the total proceeds to be raised from the Issuance as approved by the regulatory authorities. Based on the assumption that the total proceeds to be raised from the Issuance is RMB15 billion, which is equal to the upper limit of the total proceeds to be raised from the Issuance, the subscription amount of Jilin Aodong will be RMB3,335,000,000. The Company has entered into a conditional subscription agreement in relation to the non-public issuance of A Shares with Jilin Aodong on May 8, 2018.

Significant Events

Jilin Aodong has a shareholding of over 5% in the Company, and Mr. Li Xiulin, a Director of the Company, is also the chairman of Jilin Aodong. In accordance with the SZSE Listing Rules, Jilin Aodong is a related party of the Company, and also a connected party of the Company under the Hong Kong Listing Rules. As such, the proposed subscription of the shares to be issued under the Issuance by Jilin Aodong constitutes a related/connected transaction under the SZSE Listing Rules and the Hong Kong Listing Rules.

For relevant details, please refer to the relevant announcements disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on May 9, 2018 and June 30, 2018, respectively.

Currently, the Company has received the Approval in Relation to the Non-public Issuance of Shares by GF Securities Co., Ltd. (《關於核准廣發證券股份有限公司非公開發行股票的批覆》) from the CSRC, and the Board of Directors of the Company will handle matters relating to the Issuance in accordance with the relevant requirements and fulfill its information disclosure obligations in a timely manner.

According to the requirements of relevant laws and regulations as well as the Notice on Matters Relating to Further Enhancing Supervisions on Related Transactions of Securities Firms under Jurisdiction (Guangdong Zheng Jian Fa [2017] No. 77) (《關於進一步加強 券公司 聯交易 管有關事項的通知》(廣東證監發[2018]77號)) issued by Guangdong Securities Regulatory Bureau, the Company carried out special audit on its related transactions in 2018, during which the Company had no findings that there were non-compliances with the requirements of relevant laws, regulations and rules in respect of its establishment of related transaction system, decision procedures and disclosures.

6. Opinions of independent non-executive directors

For the connected transactions between the Company and Kangmei Pharmaceutical and Puning Xinhong, Mr. Yang Xiong, an independent non-executive Director of the Company, was of the view that since Kangmei Pharmaceutical was under investigation by the CSRC for the alleged violation of laws and regulations in respect of information disclosure, he was unable to obtain sufficient information to judge the necessity and substance of the relevant transactions. Therefore, Mr. Yang Xiong as director voted against the connected transactions when considering those transactions at the board meeting.

Save for the aforesaid connected transactions, the independent non-executive Directors confirmed that, the above related/connected transactions were entered into in the ordinary and usual course of business of the Group, on normal commercial terms, conducted in accordance with the relevant agreements governing the relevant transactions, on fair and reasonable terms and pricing principles, and in the interest of the shareholders of the Company as a whole. There were no cases where the interests of non-related/non-connected shareholders were damaged, and the above related/connected transactions would not have adverse effect on the independence of the Company. Moreover, the related businesses were beneficial to the business growth, met the actual business requirements and would be favorable for the long-term development of the Company.

XIV. MAJOR CONTRACTS AND THEIR PERFORMANCE

1. Custody, Contracting and Leases

(1) Custody

During the Reporting Period, there was no occurrence of any major custody event nor any major custody event occurred in the previous periods had extended to the Reporting Period.

(2) Contracting

From May 2013, the Company and Guangzhou Construction Co., Ltd. successively entered into the “Construction General Contract for GF Securities Tower” and the relevant supplementary agreements. Guangzhou Construction Co., Ltd. is the main contractor for the construction of GF Securities Tower. The tentative contract price is RMB1,066 million.

In December 2018, GF Securities Tower passed the acceptance inspection. In March 2019, the principal business address of the Company’s headquarter changed to GF Securities Tower, No. 26 Machang Road, Tianhe District, Guangzhou, Guangdong Province.

(3) Leases

During the Reporting Period, the Company had no leasing project with profit or loss representing more than 10% of the total profit for the Reporting Period of the Company.

Significant Events

2. Material Guarantees

(1) Guarantees

Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	External Guarantees Provided by the Company (Excluding Guarantees Provided to Subsidiaries)				Term of Guarantee	Performance Fulfilled or Not	Guarantee provided to Related Parties or Not
			Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee				
Nil	—	—	—	—	—	—	—	—	
Total amount of external guarantees approved during the Reporting Period (A1)				0	Total actual amount of external guarantees provided during the Reporting Period (A2)			0	
Total amount of external guarantees approved as at the end of the Reporting Period (A3)				0	Total actual balance of external guarantees as at the end of the Reporting Period (A4)			0	

Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Guarantees Provided to Subsidiaries by the Company				Term of Guarantee	Performance Fulfilled or Not	Guarantee provided to Related Parties or Not
			Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee				
GF Financial Markets (UK) Limited (Industrial and Commercial Bank of China Limited Guangzhou No. 1 Sub-branch issued a financing letter of guarantee or standby letter of credit, the Company undertook guarantee liabilities to the extent of the amount of the letter of guarantee ultimately and actually signed).	August 26, 2017	US\$70 million and relevant interest and expenses (if any)	September 4, 2017	US\$40 million	Joint and several guarantee liabilities	Until September 3, 2019	No	No	
			February 2, 2018	US\$30 million		Until January 28, 2020			

Significant Events

Total amount of guarantees provided to subsidiaries approved during the Reporting Period (B1)	0	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)	RMB480.424 million
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (B3)	RMB480.424 million	Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)	RMB480.424 million

Guarantees among Subsidiaries

Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee	Term of Guarantee	Guarantee provided to Related Parties or Not	
							Performance Fulfilled or Not	Parties or Not
GF Securities (Hong Kong) (GFHK provided guarantee to it)	December 19, 2013	HK\$50 million and relevant interest and expenses (if any)	December 16, 2013	HK\$50 million	Joint and several guarantee liabilities	From the date of agreement up to one month after the bank has received a termination notice in writing from the guarantor or the liquidator or receiver of the guarantor.	No	No

Total amount of guarantees provided to subsidiaries approved during the Reporting Period (C1)	0	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)	RMB43.81 million
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (C3)	RMB43.81 million	Total actual balance of guarantee provided to subsidiaries as at the end of the Reporting Period (C4)	RMB43.81 million

Total Amount of Guarantees Provided by the Company (i.e. the total of the first three major items)

Total amount of guarantees approved during the Reporting Period (A1+B1+C1)	0	Total actual amount of guarantees provided during the Reporting Period (A2+B2+C2)	RMB524.234 million
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)	RMB524.234 million	Total actual balance of guarantees provided as at the end of the Reporting Period (A4+B4+C4)	RMB524.234 million

Total actual amount of guarantees (i.e. A4+B4+C4) as a percentage of the net assets of the Company Including:	0.62%
Balance of guarantees provided to shareholders, de facto controller and their related parties (D)	0
Balance of debt guarantees provided directly or indirectly to guaranteed parties with gearing ratio over 70% (on the date of resolution) (E)	0
Amount of total guarantees above 50% of net assets (F)	0
Total of the above 3 amounts of guarantees (D+E+F)	0
For outstanding guarantees, description on the guarantee liabilities or possible joint and several liabilities of repayment occurred during the Reporting Period (if any)	No
Description on the provision of external guarantee with non-compliance in required procedures (if any)	No
Other description	In February 2018, the board of directors of GFHK resolved that it agreed to provide guarantees to counterparties of its wholly-owned subsidiary, GF Global Capital Limited, under the agreements such as ISDA and GMRA.

Note: Calculated by the central parity exchange rates of Hong Kong dollar to Renminbi at 1:0.8762 and US dollar to Renminbi at 1:6.8632 published by the People's Bank of China on December 28, 2018.

(2) Non-compliance in external guarantees

During the Reporting Period, there was no issue of non-compliance in external guarantees of the Company.

Significant Events

3. Cash asset management conducted by other entrusted parties

(1) Entrusted wealth management

There was no entrusted wealth management by the Company during the Reporting Period.

(2) Entrusted loans

Unit: RMB'0,000

Total amount of entrusted loans	Source of funds of entrusted loans	Outstanding balance	Unrecovered overdue amount
8,800.00	Self-owned funds	6,005.05	3,116.55

Specific particulars of entrusted loans:

Unit: RMB'0,000

Borrower	Type of borrower	Loan interest rate	Loan amount	Source of funds	Start date	End date	Expected income	Actual profit/loss amount in the Reporting Period	Actual profit/loss recovered in the Reporting Period	Impairment provision	Through legal process or not	Any future plans of entrusted loans
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery industries	8.80%	3,000.00	Self-owned funds	Sep 19, 2016	Sep 5, 2019	536.36	172.38	172.38	27.36	Yes	No for the time being
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery industries	8.00%	1,800.00	Self-owned funds	Oct 13, 2017	Oct 13, 2020	292.21	134.45	134.45	60.08	Yes	No for the time being
Beijing Sunbeway Investment Co., Ltd. (北京首赫投資有限責任公司)	Wholesale and retail industry	7.48%	4,000.00	Self-owned funds	Mar 14, 2018	Sep 2, 2018	—	379.31	379.31	42.29	Yes	No for the time being
Total			8,800.00	—	—	—	828.57	686.14	—	129.73	—	—

Note: The amount of impairment provision in the above table was the balance of impairment provision for entrusted loans as at the end of the Reporting Period.

Circumstances where expected non-recovery of principal amount or other possible causes of impairment in entrusted loans may arise

As of the disclosure date of this Report, among the aforementioned unrecovered amount, RMB20.2518 million has been recovered, the remaining RMB10.9137 million is expected to be fully recovered by the end of April.

4. Other major contracts

The Company has entered into a conditional subscription agreement in relation to the non-public issuance of A Shares with Jilin Aodong on May 8, 2018. The Company intends to issue not more than 1,180,000,000 shares (inclusive of 1,180,000,000 shares) of A Shares to not more than 10 specific target subscribers including Jilin Aodong (hereinafter the "Issuance") by way of non-public issuance, and the amount of proceeds raised will not exceed RMB15 billion. Jilin Aodong proposes to subscribe for an amount (rounding to the nearest million) equivalent to 22.23% of the upper limit of the total proceeds to be raised from the Issuance as approved by the regulatory authorities. Based on the assumption that the total proceeds to be raised from the Issuance is RMB15 billion, which is equal to the upper limit of the total proceeds to be raised from the Issuance, the subscription amount of Jilin Aodong will be RMB3,335,000,000.

For relevant details, please refer to Section 6 "XIII. Major Related Transactions" of this report and the relevant announcements disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on May 9, 2018 and June 30, 2018, respectively.

XV. SOCIAL RESPONSIBILITIES

1. Fulfillment of Social Responsibilities

During the Reporting Period, while striving to gain economic benefits, the Group insisted on serving customers, nurturing staff and creating return for shareholders, as well as rewarding the community and the public actively to fulfill the social responsibilities of corporate citizen.

During the Reporting Period, the Group's total charitable expenses amounted to RMB37.7649 million. The "GF Securities Social Charity Foundation in Guangdong Province" established by the Group actively conducted various activities such as helping the poor and donating money for education with annual charitable expenses of over RMB30.1194 million; continued to care about environmental and ecological development, advocated low-carbon environmental protection, continued to promote the green operation and green office concepts, upgraded and optimized the video conference system, paperless conference system, teleconference system and meeting room reservation system, and continued to outsource printing of documents so as to save energy consumption and optimize allocation of resources to make active contribution to the sustainable development of the society. Please refer to the 2018 Social Responsibility Report of GF Securities Co., Ltd. attached hereto and disclosed on the websites of CNINFO (www.cninfo.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

Significant Events

2. Fulfillment of the social responsibility of targeted poverty alleviation

(1) *Planning for targeted poverty alleviation*

The Group has been supporting and responding to the national poverty alleviation strategy, helping the poverty areas and poor people actively through a variety of ways. In response to the initiatives advocated by the China Securities Regulatory Commission, the Securities Association of China, China Futures Association and Asset Management Association of China, and the implementation opinions of the provincial commission of Guangdong Province and the people's government of Guangdong Province on resolving targeted poverty alleviation and targeted removal of poverty issues in the new era within three years, the Group promoted and implemented targeted poverty alleviation and targeted poverty removal tasks actively.

(2) *Summary of annual targeted poverty alleviation*

During the Reporting Period, the Company contributed a total of over RMB14,000,000 in poverty alleviation to assist Wuzhishan city, Baisha County and Lingao County in Hainan Province and Tianjingtang village in Lechang city to implement targeted poverty alleviation work and actively performed the social responsibilities and built an outstanding enterprise brand, thereby enjoying wide recognition from the society.

In 2018, the Company entered into a strategic alliance with the Food and Agriculture Organization of the United Nations and China Agricultural Science and Education Foundation to implement national rural revitalization demonstration pilot projects in the PRC over the next three years (2019-2021), to support the National Strategy of Poverty Alleviation and facilitate to achieve the sustainable development goals of the United Nations. The Company is the first PRC company to participate in the project. The Company increased paired assistance counties, i.e. Baisha County and Lingao County in Hainan Province, achieving full coverage of the paired assistance of state poverty counties in Hainan Province; launched "GF Inspirational Class" in Hainan Provinces, to subsidize the children of poor families within Wuzhishan City, Baisha County and Lingao County to finish school and provide them with employment opportunities; actively promoted the living condition improvement project of the poor families with remarkable achievements. The Company promoted poverty alleviation through equity investment project in Tianjingtang Village by setting up Guangyuntian (廣耘天) industrial company to help get the villagers employed; developed PV poverty alleviation project and built a 60kw distributed PV power station; continuously carried out public welfare poverty alleviation project to further help the 31 households who have got rid of poverty in 2016 and 2017; input more efforts on the poverty alleviation of the targeted households for 2018, to ensure they get rid of poverty.

Subsidiaries of the Group also participated actively in poverty alleviation work to establish combined forces for targeted poverty alleviation. In 2018, GF Futures once again provided education assistance to Jiangcheng County in Yunnan Province, providing support and training funds for the on-the-job training of backbone teachers of Jiangcheng County to the schools in the developed areas; bought agricultural insurance of RMB2,660,000 for a total of 5,079 poor farmers in Jiangcheng County in Pu'er City in Yunnan Province, Yijun County in Tongchuan City, Shaanxi and Dongsheshanzi Town in Xinmin City, Shenyang, and made donations of RMB300,000 to farmers in Luozishan Town, Yanchang County, Yan'an City, Shaanxi to help them out of poverty through developing characteristic agriculture.

(3) Results of targeted poverty alleviation

Indicators	Unit of measurement	Quantity/ development status
I. General Information	–	–
Including:		
1. Funds	RMB10,000	1,439.33
2. Cash converted from materials	RMB10,000	0
3. Number of registered poor people who were helped to be out of poverty	person	387
II. Sub-segments of Investments	–	–
1. Poverty removal through industrial development	–	–
Including:		
1.1 Type of industrial development project for poverty removal	–	Poverty alleviation through agricultural and forestry industries and revenue from assets
1.2 Number of industrial development projects for poverty removal	project	5
1.3 Invested amount in industrial development projects for poverty removal	RMB 10,000	282.66
1.4 Number of registered poor people who were helped to be out of poverty	person	387
2. Transfer of jobs for poverty removal	–	–
Including:		
2.1 Invested amount in vocational skills training	RMB10,000	0.6
2.2 Number of participants in vocational skills training	person	100
2.3 Number of registered poor households who were helped to be employed	person	0
3. Poverty alleviation by relocation	–	–
Including:		
3.1 Number of relocated households who were helped to get employed	person	0
4. Poverty removal by education	–	–
Including:		
4.1 Invested amount to endow poor students	RMB10,000	3.36
4.2 Number of endowed poor students	person	12
4.3 Invested amount to improve the educational resources in poverty areas	RMB10,000	0
5. Poverty alleviation through health	–	–
Including:		
5.1 Invested amount in medical and health resources in poverty areas	RMB10,000	0
6. Poverty alleviation through ecosystem protection	–	–

Significant Events

Indicators	Unit of measurement	Quantity/ development status
Including:		
6.1 Type of projects		Safe drinking water and improvement to irrigation and water conservancy facilities
	—	
6.2 Invested amount	RMB10,000	20.96
7. Back-up protection	—	—
Including:		
7.1 Invested amount for “three residence” staff	RMB10,000	2.16
7.2 Number of “three residence” staff assisted	person	27
7.3 Invested amount for poor handicapped people	RMB10,000	0.88
7.4 Number of poor handicapped people assisted	person	11
8. Social poverty alleviation	—	—
Including:		
8.1 Invested amount in cooperation with poverty removal in the western and eastern China	RMB10,000	0
8.2 Invested amount in targeted poverty alleviation work	RMB10,000	1,439.33
8.3 Invested amount in charitable foundation for poverty removal	RMB10,000	0
9. Other projects	—	—
Including:		
9.1 Number of projects	project	10
9.2 Invested amount	RMB10,000	1,128.72
9.3. Number of registered poor people who were helped to be out of poverty	person	0
III. Awards received (details and grade)	Awarding Organisation	
Guangdong Poverty Alleviation Red Cotton Cup Silver Cup	Guangdong Province Leading Group for Poverty Alleviation and Development	
2018 Special Tribute Award	The 8th China Charity Festival	
2018 Pioneer Enterprise in Poverty Alleviation	International Financial News	
2018 Pioneer Enterprise in Industrial Poverty Alleviation	2018 Pioneer Enterprise in Industrial Poverty Alleviation	
“Pioneer Enterprise in Poverty Alleviation” on the List of Outstanding Vanguard in Poverty Alleviation”	China.com.cn	
The Best Targeted Poverty Alleviation Brokerage Award for the Year in the Financial Championship League in 2018	The 7th Golden Lion Award of Information Times	

Awards received (details and grade)	Awarding Organisation
“GF Inspirational Class” was awarded the “2018 Best Poverty Alleviation through Education Project Award in the PRC Securities and Futures Industry”	Securities Times
Nanfang Public Welfare Communication Award—Award for Poverty Alleviation and Donation for Education	Nanfang Media Group
2018 Enterprise Social Responsibility Model Award Case of “Guangyuntian Company” was awarded the “Case of Excellent Targeted Poverty Alleviation Company among Listed Companies in PRC”	The 7th Chian Finance Summit Website of JRJ.com
Five-star Charity Unit Most Influential Charity Unit	Guangzhou Charity Association, Guangzhou Charity Alliance
2018 Influential Enterprises	Times Creative and Change List (時代創變榜) of 2018 China Finance Summit (Winter)

Note: Total amount invested in targeted poverty alleviation by the Company in 2018 was RMB14,393,300, the full amount was used in the targeted poverty alleviation work mentioned in 8.2.

(4) Targeted poverty alleviation follow-up programs

1. Poverty alleviation work plan in Hainan. We will build an industrial poverty alleviation model project by taking Baisha County as a key poverty alleviation area, carry out industrial poverty alleviation projects in Baisha County, and introduce Hainan Zheng Sheng Tang Health Industry Group Co. Ltd. to build a south medicine demonstration plantation base in Baisha. We will also consolidate the poverty alleviation work of Wuzhishan City and support the passion fruit industry and photovoltaic industry in Wuzhishan City. In Lingao County, we will carry out public welfare poverty alleviation project and improve the production and living standards of local poor families. Focusing on the “GF Inspirational Class”, we will create a “star product” for poverty alleviation by education.
2. Poverty alleviation work plan in Tianjinggang Village. We will strictly fulfill responsibilities and strengthen organizational protection; build a large-scale industrial poverty alleviation system, establish a poverty alleviation production workshop through Guangyuntian Company, integrate the industrial resources of Tianjinggang Village, enhance the production and sale capacity of Guangyuntian Company, and deepen the industrial chain; consolidate the achievements of poverty alleviation work, establish a sound mechanism, track and manage the hematopoiesis projects that have been invested in the collective economy of the village, and conduct regular assessments; implement rural revitalization, build clean and tidy villages, and do well in the overall planning and layout of the new rural construction of Tianjinggang Village.

Significant Events

3. The relevant conditions of environmental protection

The Company is a financial enterprise and does not belong to any waste discharge unit announced under the environmental protection department.

The Company strictly observes laws and regulations including the Law on Environmental Protection of the People's Republic of China and the Law on Energy Saving of the People's Republic of China, and always applies green operation throughout the whole process of operational management by focusing on green and environmental operating concepts in various aspects of operation, in order to attain sustainable growth and organic fusion of society, environment and economic benefits. The Company has been practising green operation concepts actively for a long time, and has actively promoted a paperless office, various measures are also adopted to reduce the adverse effects of the Company's operation on the environment and natural resources. Please refer to the 2018 Social Responsibility Report of GF Securities Co., Ltd. disclosed concurrently with this report on the websites of CNINFO (www.cninfo.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

XVI. PARTICULARS OF OTHER SIGNIFICANT ISSUES

1. Changes in brokerage branches

As of December 31, 2018, the Company had a total of 20 branches and 264 securities business departments that cover 31 provinces, municipalities and autonomous regions. During the Reporting Period, a total of 33 business branches of the Company completed relocation within the same city or to other cities.

2. On December 26, 2018, the Company received the Approval in Relation to the Non-public Issuance of Shares by GF Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 2094) (《關於核准廣發證券股份有限公司非公開發行股票的批覆》(證監許可 [2018] 2094號)) from the CSRC, the main content of which is set out as follows: 1. the Company's non-public issuance of not more than 1,180,000,000 new shares has been approved; 2. the share issuance shall be implemented strictly in accordance with the application documents submitted to the CSRC by the Company; 3. the approval shall remain valid for six months from the date of approval of the issuance; 4. in the event that any material event happens to the Company during the period from the date of approval of the issuance to completion of the share issuance, the Company shall promptly report to the CSRC and handle it in accordance with the relevant requirements. The Board of Directors of the Company will handle matters relating to the Non-public Issuance of A Shares in accordance with the requirements of the aforesaid approval and the authorization of the general meeting of the Company within the prescribed period, and fulfill its information disclosure obligations in a timely manner. For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on December 27, 2017.

3. In order to further improve the brand image and build up the integrated competitiveness of the Company's investment banking business and based on its business development, the Company set up the Strategic Investment Banking Department as a tier-one division. Based on the development need of retail business and in order to better promote the development of related businesses, the Company renamed the Interbank Business and Products Department to Institutions and Interbank Business Department, and the Corporate Financing Development Department to Integrated Business Department.

4. On August 29, 2018, the Company held the 10th meeting of the 9th session of the Board of Directors to consider and approve “The Resolution on the Adjustment of the Structure of the Investment Banking Business Management Division”, pursuant to which it was approved to transfer the Debt Underwriting Department to coordinated management of the Investment Banking Business Management Division as a tier-one division. Upon the completion of the above adjustment, there are six tier-one departments under the Investment Banking Business Management Division, including Investment Banking General Management Department, Investment Banking Department, Mergers and Acquisitions Department, Strategic Investment Banking Department, Debt Underwriting Department and Capital Market Department. For details, please refer to the announcement of the Company disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews of the Hong Kong Stock Exchange (www.hkexnews.hk) on August 30, 2018.
5. On June 29, 2018, the Resolution on Authorization of Issuance of Onshore and Offshore Debt Financing Instruments by the Company was considered and approved at the 2017 annual general meeting of the Company, approving the Board to re-authorize the authorized committee (Authorized Committee, being comprised of the Company’s chairman, general manager, standing deputy general manager and chief financial officer) to jointly or individually execute the relevant documents subject to the importance of the authorized matters. It was approved that the Company is authorized to:
 - (1) issue debt financing instruments on a one-off or multiple issuances or multi-tranche issuances basis, including corporate bonds (including onshore public and non-public 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), subordinated bonds (including perpetual subordinated bonds), and asset securitization products (collectively, the “Corporate Onshore and Offshore Debt Financing Instruments”);
 - (2) implement the subsequent issuance and authorization of above-mentioned Corporate Onshore and Offshore Debt Financing Instruments in accordance with this resolution; and
 - (3) implement the issuance and authorization of bank loans (including credit lending), bond repurchases, short-term financing bills, short-term corporate bonds, income receipts and other types of financing products not subject to being specially proposed to the general meetings in accordance with the Resolution on the Authorization of Debt Financing by the Company, which was considered and passed at the 2014 third extraordinary general meeting.

The outstanding balance of the Corporate Onshore and Offshore Debt Financing Instruments totaled not more than RMB200 billion. The resolution is valid for 60 months from the date of approval by the shareholders general meeting. For details, please refer to the relevant announcements disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on June 30, 2018.

XVII. SIGNIFICANT MATTERS FOR THE SUBSIDIARIES OF THE COMPANY

1. On July 10, 2018, the Company disclosed the “Announcement on Participation in the Establishment of Guangdong Equity Exchange Company Limited”. In October 2013, the Company invested RMB32,500,000 in the establishment of Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心有限公司) (“Guangdong Equity Exchange”), representing 32.50% of the total issued shares of this company. In order to implement the relevant regulations of the Notice on Regulated Development of Regional Equity Market (Guo Ban Fa 2017 No. 11) and the Provisional Measures for Supervision and Administration of Regional Equity Market (Decree No. 132 of the China Securities Regulatory Commission) and according to the approval opinions of Guangdong Province’s People’s Government, Guangdong Equity Exchange Company Limited (廣東股權交易中心股份有限公司) was jointly promoted by Guangdong Equity Exchange and Guangzhou Equity Exchange Co., Ltd. (廣州股權交易中心有限公司) (“Guangzhou Equity Exchange Company”) by way of merger through establishment of a new company, with a registered capital of RMB310,983,100. Guangdong Equity Exchange and Guangzhou Equity Exchange Company shall be deregistered accordingly. The Company made contribution to Guangdong Equity Exchange Company Limited by way of contributing the equity held by it in Guangdong Equity Exchange, holding 37,374,805 shares in this company and representing 12.0183% of the total issued shares of this company. For details, please refer to the announcement of the Company disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews of the Hong Kong Stock Exchange (www.hkexnews.hk) on July 10, 2018. At present, Guangdong Equity Exchange Company Limited has been established.
2. On August 29, 2018, the Company held the 10th meeting of the 9th session of the Board of Directors to consider and approve “The Resolution on the Adjustment of Increase in Capital Contribution to GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司)”, pursuant to which it was approved to increase the capital contribution to GFHK, a wholly-owned subsidiary, by HKD5.237 billion, which can be completed in one lump sum or in batches according to the situation. The source of capital is the fund raised from the issuance of the overseas listed foreign shares (H shares) of the Company; the Company’s management is authorized to handle the specific matters in relation to the increase of capital contribution to GFHK in accordance with the relevant regulations. For details, please refer to the announcement of the Company disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews of the Hong Kong Stock Exchange (www.hkexnews.hk) on August 30, 2018.

3. The Securities Association of China issued the Management Rules for the Private Investment Fund Subsidiaries under Securities Companies (證券公司私募投資基金子公司管理規範) and the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (證券公司另類投資子公司管理規範) on December 30, 2016, which put forward new norms and requirements for the private investment fund subsidiaries and the alternative investment subsidiaries under securities companies. The Company has attached great importance to the rectification work of its subsidiaries, and submitted to the relevant regulatory authorities the Declaration Materials for the Rectification Plan Reports of Relevant Subsidiaries Adjusted in Accordance with the Requirements of the Two Rules and the Latest Rules (《關於按照兩部規範及最新規範要求調整後的相關子公司整改方案報告等申報材料》) (hereinafter referred to as the “Rectification Plan”). In 2018, the Company facilitated the rectification work in an orderly manner pursuant to the Rectification Plan and relevant regulatory requirements. As of the end of the Reporting Period, with the approval of the regulatory authorities, 68.3125% equity interest in GF Lease and 100% equity interest in GF Hexin held by GF Qianhe have been adjusted to be directly held by the Company.
4. In 2018, GFHK incurred loss mainly due to loss on the investment in GTEC Pandion Multi-Strategy Fund SP (the “Fund”) by GF Investments (Hong Kong), its wholly-owned subsidiary, with its own funds. As of December 31, 2018, the accumulative amount of investment in the Fund by GF Investments (Hong Kong) with its own funds amounted to US\$90,067,700, representing 99.90% interest in the Fund. The Fund was established by GF Investments (Hong Kong) in the Cayman Islands with two wholly owned subsidiaries of GFHK (the “Relevant Subsidiaries of the Group”) as its fund manager and investment advisor, respectively. It is a diversified strategic fund with derivative hedging as its main strategy.

In 2018, due to significant fluctuations of the foreign exchange market and lack of market liquidity, the Fund incurred investment loss. The Fund received a margin call from its prime broker, which amounted to US\$129,000,000 (including initial margin of US\$30,000,000) as at December 31, 2018. According to the legal advice from Campbells, a Cayman law firm, investors of the Fund bear limited liability to the extent of their investment amounts in the Fund. As a result of the issues above mentioned, it is possible that there are potential litigations by or against the Relevant Subsidiaries of the Group in the future. Currently, the Company is actively and prudently handling with the subsequent matters in relation to the Fund.

Significant Events

XVIII. 2018 INDEX OF INFORMATION DISCLOSURE

During the Reporting Period, the Company published the following information in respect of A Shares (excluding the “Announcements on H Shares”) in the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed the same on the website of CNINFO (巨潮資訊網) (www.cninfo.com.cn):

No.	Matters of Announcement	Date of Publication
1	Announcement on Approval for Amendment to Material Clauses in the Articles of Association of the Company by the Guangdong Bureau of the CSRC	January 3, 2018
2	Announcement on the Key Financial Information for December 2017	January 10, 2018
3	Announcement on Preliminary Financial Data for the Year 2017	January 16, 2018
4	Announcement on the Key Financial Information for January 2018	February 7, 2018
5	Announcement on the Key Financial Information for February 2018	March 7, 2018
6	Announcement on the Result of the Issuance of the 2018 (First Tranche) Short-term Corporate Bonds of Securities Firms	March 15, 2018
7	Announcement on the Resolutions of the 5th Meeting of the Ninth Session of the Board of Directors	March 17, 2018
8	Announcement on the Resolutions of the 5th Meeting of the Ninth Session of the Supervisory Committee	March 24, 2018
9	Announcement on the Resolutions of the 6th Meeting of the ninth Session of the Board of Directors	March 24, 2018
10	Highlights of the 2017 Annual Report	March 24, 2018
11	Announcement on the Estimated Daily Related/Connected Transactions for 2018	March 24, 2018
12	Announcement on the Changes in Accounting Policies	March 24, 2018
13	Announcement on the Annual Cumulative Amount of New Borrowings Above 20% of the Net Assets as at the end of the Preceding Year	April 10, 2018
14	Announcement on the Key Financial Information for March 2018	April 11, 2018
15	Announcement on the Name Change of the 2016 Public Issuance of Corporate Bonds to Qualified Investors	April 23, 2018
16	Announcement on the Issuance of the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	April 23, 2018
17	Announcement on the Resolutions of the 7th Meeting of the Ninth Session of the Board of Directors	April 25, 2018
18	2018 First Quarterly Report	April 25, 2018

No.	Matters of Announcement	Date of Publication
19	Resolutions of the 6th Meeting of the Ninth Session of the Supervisory Committee	April 25, 2018
20	Announcement on the Coupon Rate for the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	April 25, 2018
21	Announcement on the Result of Issuance of the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 2, 2018
22	Announcement on Receipt of No Objection Letter for the Conducting of Pilot Cross-border Business by the Company from the China Securities Regulatory Commission	May 3, 2018
23	Announcement on the Interest Payment in 2018 for the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 4, 2018
24	Announcement on the Key Financial Information for April 2018	May 8, 2018
25	Announcement on the Resolutions of the 8th Meeting of the Ninth Session of the Board of Directors	May 9, 2018
26	Announcement on the Related/Connected Transactions Involved in the Company's Non-public Issuance of A Shares	May 9, 2018
27	Announcement on Signing the Conditional Subscription Agreement in Relation to the Non-public Issuance of A Shares	May 9, 2018
28	Announcement on Dilution of Current Returns Resulting from the Non-public Issuance of A Shares and the Remedial Measures	May 9, 2018
29	Notice of the 2017 Annual General Meeting	May 9, 2018
30	Announcement on the Listing of the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 24, 2018
31	Announcement on the Result of Issuance of the 2018 (Second Tranche) Short-term Corporate Bonds of Securities Firms	May 25, 2018
32	Announcement on the Result of Issuance of the 2018 (Third Tranche) Short-term Corporate Bonds of Securities Firms	June 1, 2018
33	Announcement on the Key Financial Information for May 2018	June 7, 2018
34	Announcement on the Annual Cumulative Amount of New Borrowings Above 20% of the Net Assets as at the end of the Preceding Year	June 7, 2018
35	Announcement on the Redemption and Delisting of "13 GF 01" and "13 GF 02" Corporate Bonds, and Interest Payment for "13 GF 03" Corporate Bonds	June 12, 2018

Significant Events

No.	Matters of Announcement	Date of Publication
36	Announcement on the Result of Redemption and Delisting upon the Exercise of "16 GF 02" Subordinated Bonds	June 14, 2018
37	Announcement on the Resolutions of the 9th Meeting of the Ninth Session of the Board of Directors	June 26, 2018
38	Announcement on Reminder Notice of the 2017 Annual General Meeting	June 27, 2018
39	Announcement on the Resolutions of the 2017 Annual General Meeting	June 30, 2018
40	Announcement on the Key Financial Information for June 2018	July 10, 2018
41	Announcement on Participation in the Establishment of Guangdong Equity Exchange Company Limited	July 10, 2018
42	Announcement on the Result of Issuance of the 2018 (Fifth Tranche) Short-term Corporate Bonds of Securities Firms	July 12, 2018
43	Announcement on the Interest Payment in 2018 for the 2017 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	July 20, 2018
44	Announcement on the Result of Redemption and Delisting upon the Exercise of "16 GF 04" Subordinated Bonds	July 20, 2018
45	Announcement in Relation to the Approval of Tang Xiaodong's Qualification as a Deputy General Manager	July 31, 2018
46	Announcement on Obtaining No Objection Letter for the First Class OTC Option Dealer Qualification	August 3, 2018
47	Announcement on the Key Financial Information for July 2018	August 7, 2018
48	Announcement on the Implementation of Profit Distribution for A Shares for 2017	August 9, 2018
49	Announcement on Approval for Amendment to Material Clauses in the Articles of Association of the Company by the Guangdong Bureau of the CSRC	August 16, 2018
50	Announcement on the Payment of Principal and Interest and Delisting of "16 GF 05" Subordinated Bonds	August 18, 2018
51	Announcement on the Resignation of Ms. Zhan Lingzhi as Supervisor	August 18, 2018
52	Announcement on the Name Change of the 2016 Public Issuance of Corporate Bonds to Qualified Investors	August 20, 2018
53	Announcement on the Issuance of the 2018 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	August 20, 2018

No.	Matters of Announcement	Date of Publication
54	Announcement on the Coupon Rate of the 2018 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	August 22, 2018
55	Announcement on the Resolutions of the 10th Meeting of the Ninth Session of the Board of Directors	August 30, 2018
56	Highlights of the 2018 Interim Report	August 30, 2018
57	Announcement on Adjusting the Method of Increasing Capital to GF Holdings (Hong Kong) Corporation Limited by the Company	August 30, 2018
58	Announcement on the Resolutions of the 7th Meeting of the Ninth Session of the Supervisory Committee	August 30, 2018
59	Announcement in Relation to Acceptance of the Application for Non-public Issuance of A Shares by the China Securities Regulatory Commission	September 6, 2018
60	Announcement on the Key Financial Information for August 2018	September 7, 2018
61	Announcement on the Resignation of Mr. Li Yanxi as Independent Director	September 15, 2018
62	Announcement on the Resolutions of the 11th Meeting of the Ninth Session of the Board of Directors	September 19, 2018
63	Declaration by the Nominator and Candidate of Independent Director (Fan Lifu)	September 19, 2018
64	Notice of the 2018 First Extraordinary General Meeting (Cancelled)	September 20, 2018
65	Clarification Announcement on the Notice of the 2018 First Extraordinary General Meeting	September 21, 2018
66	Notice of the 2018 First Extraordinary General Meeting (Updated)	September 21, 2018
67	Announcement on the Key Financial Information for September 2018	October 16, 2018
68	Announcement Regarding the Provisional Proposal on Jointly Nominating Candidate for the Supervisor of the Ninth Session of the Supervisory Committee by Shareholders of the Company	October 19, 2018
69	Supplemental Notice of the 2018 First Extraordinary General Meeting	October 19, 2018
70	Announcement on the Resolutions of the 12th Meeting of the Ninth Session of the Board of Directors	October 27, 2018
71	2018 Third Quarterly Report	October 27, 2018
72	Announcement on the Resolutions of the 8th Meeting of the Ninth Session of the Supervisory Committee	October 27, 2018

Significant Events

No.	Matters of Announcement	Date of Publication
73	Announcement on Reply to Feedback of “Notice Regarding the CSRC’s First Feedback on the Review of Administrative Permission Items”	October 27, 2018
74	Announcement on the Reminder Notice of the 2018 First Extraordinary General Meeting	November 2, 2018
75	Announcement on the Resolutions of the 2018 First Extraordinary General Meeting	November 6, 2018
76	Announcement on the Resolutions of the 13th Meeting of the Ninth Session of the Board of Directors	November 6, 2018
77	Announcement on the Key Financial Information for October 2018	November 7, 2018
78	Announcement on Reply (Revised Draft) to Feedback of “Notice Regarding the CSRC’s First Feedback on the Review of Administrative Permission Items”	November 9, 2018
79	Announcement on Reply in respect of Preparing for the Meeting of the Issuance Review Committee of the CSRC in Relation to the Non-public Issuance of Shares	November 12, 2018
80	Announcement on the Approval Obtained from the Issuance Review Committee of the CSRC for the Application of Non-public Issuance of A Shares	November 13, 2018
81	Announcement on the Result of Issuance of Subordinated Bonds by way of Private Placement	November 14, 2018
82	Announcement on Obtaining the Reply on Approval on the Public Issuance of the Corporate Bonds to Qualified Investors from the CSRC	November 16, 2018
83	Announcement on the Key Financial Information for November 2018	December 7, 2018
84	Announcement on Obtaining the Regulatory Letter of Opinions from the CSRC for Application of Credit Derivative Business	December 15, 2018
85	Announcement on Approval for Amendment to Material Clauses in the Articles of Association of the Company by the Guangdong Bureau of the CSRC	December 22, 2018
86	Announcement in Relation to the Approval of Mr. Lan Hailin's Qualification as a Supervisor	December 22, 2018
87	Announcement on the Resolutions of the 14th Meeting of the Ninth Session of the Board of Directors	December 27, 2018
88	Announcement in Relation to the Receipt of Approval from the China Securities Regulatory Commission for the Non-public Issuance of A Shares	December 27, 2018

During the Reporting Period, the Company disclosed the following information in respect of H Shares (excluding “Overseas Regulatory Announcements”) on the website of the Hong Kong Stock Exchange (www.hkexnews.hk):

No.	Matters of Announcement	Date of Publication
1	Articles of Association	January 2, 2018
2	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2017	January 5, 2018
3	Announcement on the Key Financial Information for December 2017	January 9, 2018
4	Announcement on Preliminary Financial Data for the Year 2017	January 15, 2018
5	Announcement on the Key Financial Information for January 2018	February 6, 2018
6	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2018	February 6, 2018
7	Announcement on the Key Financial Information for February 2018	March 6, 2018
8	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2018	March 6, 2018
9	Date of Board Meeting	March 8, 2018
10	2017 Corporate Social Responsibility Report	March 23, 2018
11	Announcement on the Changes in Accounting Policies	March 23, 2018
12	Announcement on (1) Authorization of Issuances of Corporate Onshore and Offshore Debt Financing Instruments by the Company and (2) Proposed Amendments to the Articles of Association	March 23, 2018
13	2017 Annual Results Announcement	March 23, 2018
14	Date of Board Meeting	April 9, 2018
15	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2018	April 9, 2018
16	Announcement on the Key Financial Information for March 2018	April 10, 2018
17	2017 Annual Report	April 18, 2018
18	Notification Letter and Request Form to Registered Shareholders	April 18, 2018
19	Notification Letter and Request Form to Non-Registered Shareholders	April 18, 2018
20	2018 First Quarterly Report	April 24, 2018
21	Engagement of External Auditors	April 24, 2018
22	Announcement on the Key Financial Information for April 2018	May 7, 2018

Significant Events

No.	Matters of Announcement	Date of Publication
23	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2018	May 7, 2018
24	(1) Proposed General Mandate to Issue Shares (2) Proposed Non-Public Issuance of A Shares (3) Proposed Subscription for A Shares by a Connected Person (4) Authorization to the Board and its Authorized Representatives to Deal with the Relevant Matters Relating to the Non-Public Issuance of A Shares and (5) Proposed Amendments to the Profit Distribution Provision of the Articles of Association	May 8, 2018
25	Notice of AGM	May 8, 2018
26	Reply Slip for the 2017 Annual General Meeting	May 8, 2018
27	Proxy Form for the 2017 Annual General Meeting	May 8, 2018
28	Notification Letter and Request Form to Registered Shareholders	May 8, 2018
29	Notification Letter and Request Form to Non-Registered Shareholders	May 8, 2018
30	Announcement on the Key Financial Information for May 2018	June 6, 2018
31	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2018	June 6, 2018
32	2017 AGM Circular	June 7, 2018
33	Notification Letter and Request Form to Registered Shareholders	June 7, 2018
34	Notification Letter and Request Form to Non-Registered Shareholders	June 7, 2018
35	Poll Results of the 2017 Annual General Meeting and Final Dividend for 2017	June 29, 2018
36	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2018	July 6, 2018
37	Announcement on the Key Financial Information for June 2018	July 9, 2018
38	Announcement on the Key Financial Information for July 2018	August 6, 2018
39	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2018	August 6, 2018
40	Date of Board Meeting	August 14, 2018
41	Articles of Association	August 15, 2018
42	Resignation of Supervisor	August 17, 2018
43	Proposed Amendments to the Articles of Association and the Rules of Procedure of the Supervisory Committee	August 29, 2018

No.	Matters of Announcement	Date of Publication
44	Interim Results Announcement for the Six Months ended June 30, 2018	August 29, 2018
45	Announcement in Relation to Acceptance of the Application for Non-public Issuance of A Shares by the China Securities Regulatory Commission	September 5, 2018
46	Announcement on the Key Financial Information for August 2018	September 6, 2018
47	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2018	September 6, 2018
48	2018 Interim Report	September 7, 2018
49	Notification Letter and Request Form to Registered Shareholders	September 9, 2018
50	Notification Letter and Request Form to Non-Registered Shareholders	September 9, 2018
51	Resignation of an Independent Non-executive Director	September 14, 2018
52	Proposed Appointment of an Independent Non-executive Director	September 18, 2018
53	(1) Proposed Amendments to the Articles of Association (2) Proposed Amendments to the Rules of Procedure of the Supervisory Committee (3) Proposed Election of Mr. Fan Lifu as an Independent Non-executive Director of the Company and (4) Notice of the 2018 First EGM	September 19, 2018
54	Notice of the 2018 First EGM	September 19, 2018
55	Reply Slip for the 2018 First Extraordinary General Meeting	September 19, 2018
56	Proxy Form for the 2018 First Extraordinary General Meeting	September 19, 2018
57	Notification Letter and Request Form to Registered Shareholders	September 19, 2018
58	Notification Letter and Request Form to Non-Registered Shareholders	September 19, 2018
59	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2018	October 5, 2018
60	Date of Board Meeting	October 11, 2018
61	Announcement on the Key Financial Information for September 2018	October 15, 2018
62	Supplemental Notice of the 2018 First Extraordinary General Meeting	October 18, 2018
63	Second Proxy Form For 2018 First Extraordinary General Meeting	October 18, 2018
64	Notification Letter and Change Request Form to Registered Shareholder(s)	October 18, 2018
65	Notification Letter and Request Form to Non-Registered Shareholder(s)	October 18, 2018

Significant Events

No.	Matters of Announcement	Date of Publication
66	2018 Third Quarterly Report	November 5, 2018
67	Announcement on the Poll Results of the 2018 First Extraordinary General Meeting	November 5, 2018
68	Adjustments to the Members of the Audit Committee and the Remuneration and Nomination Committee of the Board of Directors	November 5, 2018
69	List of Directors and Their Roles and Functions	November 5, 2018
70	Announcement on the Key Financial Information for October 2018	November 6, 2018
71	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2018	November 6, 2018
72	Approval Obtained from the Issuance Review Committee of the China Securities Regulatory Commission for the Application of Non-public Issuance of A Shares	November 12, 2018
73	Announcement on the Key Financial Information for November 2018	December 6, 2018
74	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2018	December 6, 2018
75	Announcement in Relation to the Approval of Mr. Lan Hailin's Qualification as a Supervisor	December 21, 2018
76	Articles of Association	December 21, 2018
77	Announcement in Relation to the Receipt of Approval from the China Securities Regulatory Commission for the Non-public Issuance of A Shares	December 26, 2018

Section 7
Changes in
Shareholdings and
Particulars About
Shareholders



Changes in Shareholdings and Particulars About Shareholders

I. CHANGES IN SHAREHOLDINGS

1. CHANGES IN SHAREHOLDINGS

During the Reporting Period, there were no changes in the total number of ordinary shares and the shareholding structure of the Company.

Set out below is the share capital of the Company:

	Number of shares	Percentage (%)
		Unit: Share
I. Shares with selling restrictions	0	0
II. Shares without selling restrictions	7,621,087,664	100%
1. RMB-dominated ordinary shares	5,919,291,464	77.67%
2. Domestic listed foreign shares	0	
3. Listed foreign shares	1,701,796,200	22.33%
4. Others	0	0
III. Total number of shares	7,621,087,664	100.00%

2. Changes in restricted shares

N/A

II. SECURITIES ISSUANCE AND THE LISTING

1. Securities issuance (exclusive of preference shares) during the Reporting Period

For details about the issuance of corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills, please refer to "Section 11 Corporate Bonds" of this report.

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

Total number of shares of the Company and changes in the shareholding structure: N/A.

As at the end of 2017, the Company had a gearing ratio of 69.64%. As at the end of 2018, the Company's gearing ratio was 73.20%.

3. Existing employees' shares

Not applicable.

Changes in Shareholdings and Particulars About Shareholders

III. SHAREHOLDERS AND DE FACTO CONTROLLERS

1. Number of shareholders and their shareholdings in the Company

Unit: Share

Total number of ordinary shareholders at the end of the Reporting Period	153,051 (of which, 151,285 were A shareholders, 1,766 were registered H shareholders)	Total number of ordinary shareholders as at the end of the last month before the date of the disclosure of the annual report	162,586 (of which, 160,826 were A shareholders, 1,760 were registered H shareholders)	Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period	Nil	Total number of preferred shareholders whose voting rights were resumed as at the end of the last month before the date of the disclosure of the annual report	Nil
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Shareholdings of shareholders who hold more than 5% of the shares or shareholdings of the top ten shareholders

Name of shareholder	Capacity of shareholder	Percentage of shareholding (%)	Number of shares held as at the end of the reporting period	Increase or decrease during the Reporting Period	Number of shares with selling restrictions held	Number of shares without selling restrictions held	Pledge or freeze Status of shares	
							Number of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31	1,700,122,260	55,780	0	1,700,122,260		
Jilin Aodong Pharmaceutical Group Co., Ltd.	Domestic general legal entity	16.43	1,252,297,867	0	0	1,252,297,867		
Liaoning Cheng Da Co., Ltd.	State-owned legal entity	16.38	1,248,107,588	-2,046,500	0	1,248,107,588		
Zhongshan Public Utilities Group Co., Ltd.	Domestic general legal entity	9.01	686,754,216	0	0	686,754,216		
Huaxia Life Insurance Co., Ltd. – Universal life Insurance Product	Fund and wealth management products, etc.	2.99	228,131,005	0	0	228,131,005		
China Securities Finance Corporation Limited	Domestic general legal entity	2.99	227,870,638	2,288,679	0	227,870,638		
Puning Xinhong Industrial Investment Co., Ltd.	Domestic general legal entity	1.91	145,936,358	0	0	145,936,358	Pledged	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		
JT Asset Management – SPD Bank – JT Asset Management – Hengsheng New Momentum Subordination No. 1 Asset Management Scheme	Fund, wealth management product, etc.	0.62	47,065,765	-	0	47,065,765		

Changes in Shareholdings and Particulars About Shareholders

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of 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	1,700,122,260	Listed foreign shares	1,700,122,260
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867	RMB-dominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,248,107,588	RMB-dominated ordinary shares	1,248,107,588
Zhongshan Public Utilities Group Co., Ltd.	686,754,216	RMB-dominated ordinary shares	686,754,216
Huaxia Life Insurance Co., Ltd. – Universal life Insurance Product	228,131,005	RMB-dominated ordinary shares	228,131,005
China Securities Finance Corporation Limited	227,870,638	RMB-dominated ordinary shares	227,870,638
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
JT Asset Management — SPD Bank — JT Asset Management — Hengsheng New Momentum Subordination No. 1 Asset Management Scheme	47,065,765	RMB-dominated ordinary shares	47,065,765

Note 1: Among 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 other shareholders are RMB-denominated ordinary shares (A Shares);

Changes in Shareholdings and Particulars About Shareholders

- Note 3: According to the public information disclosed on January 10, 2019 by [Jilin Aodong Pharmaceutical Group Co., Ltd. (“Jilin Aodong”), Liaoning Cheng Da Co., Ltd. (“Liaoning Cheng Da”) and Zhongshan Public Utilities Group Co., Ltd. (“Zhongshan Public Utilities”), as at December 31, 2018, Jilin Aodong held 41,026,000 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), a total of 77,894,800 H shares, representing 1.02% of the total share capital of the Company. Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of its wholly-owned subsidiary, Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 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 1.32% of the total share capital of the Company. As at December 31, 2018, the shareholding percentages of A Shares and H Shares in the Company of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 17.45%, 16.40% and 10.34%, respectively;*
- Note 4: The number of shares held by Liaoning Chengda at the end of the reporting period decreased by 2,046,500 shares compared with the end of December 2017, mainly due to the participation of Liaoning Chengda in the margin refinancing and securities refinancing;*
- Note 5: According to the public information disclosed on the website of HKExnews, as at December 31, 2018, other than Public Utilities International (Hong Kong) Investment Company Ltd. as set out in Note 3, shareholders holding 5% or more of the H Shares of the Company are as follows: on November 30, 2018, the labor union committee of GF Securities Co., Ltd. held a total of 174,547,400 long-position H Shares of the Company, representing 10.26% of the H Share capital of the Company; on October 19, 2018, BlackRock Inc. held a total of 86,559,609 long-position H Shares of the Company, representing 5.09% of the H Share capital of the Company; holding a total of 88,400 short-position H Shares of the Company, representing 0.01% of the H Share capital of the Company. 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.*

Changes in Shareholdings and Particulars About Shareholders

2. Shareholdings of top 5 shareholders who hold more than 10% (including 10%) shares

Name of shareholder	Legal representative	General Manager	Date of establishment	Code of Organization	Registered Capital (RMB)	Principal Business
Jilin Aodong	Li Xiulin	Guo Shuqin	March 20, 1993	United social credit code: 91222400243805786K	1,162,769,962	Planting and breeding, importing of raw and auxiliary materials, mechanical equipment, instruments, spare parts (except the 12 imported items which are operated by the specified companies approved by the State) required for business (except for special projects controlled by the State and franchise), machinery repair, warehousing, the production and scientific research by this enterprise; pharmaceutical industry, pharmaceutical business, pharmaceutical research and development; vehicle rental service; self-owned real estate operating activities. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities.)
Liaoning Cheng Da	Shang Shuzhi	Geyu	September 2, 1993	United social credit code: 91210000117590366A	1,529,709,816	Import and export business of goods and technology for its own use or as an agency service (except for those restricted by the State, and operation related to restricted items may only commence after obtaining approval), managing throughput processing and the operation of "Three in, one added business", conducting counter trade and entrepot trading, contracting overseas projects and international bidding projects home and abroad of this industry, exporting of equipment and materials required for the above overseas projects; dispatching abroad of laborers in engineering, manufacturing and service sectors of the industry, acquisition of agricultural and sideline products (except food), chain management of fertilizer, planting of herbs, rental, warehousing services. Coal wholesale business. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)
Name of shareholder	Legal representative	General Manager	Date of establishment	Code of Organization	Registered Capital (RMB)	Principal Business
Zhongshan Public Utilities	Su Bun (Alternative)	Liu Xuetao	December 26, 1992	United social credit code: 914420001935372689	1,475,111,351	Investment and management of public utilities, operation and management of markets, investments and investment planning, consultancy and management, etc. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)

Changes in Shareholdings and Particulars About Shareholders

3. Substantial Shareholders' and Other Persons' interests and Short Positions in Shares and Underlying Shares

As of December 31, 2018, as far as the Directors of the Company are aware after having made all reasonable enquiries, the following persons (other than the Directors, Supervisors and chief executive of the Company) held interests or short positions in the shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under section 336 of the SFO:

No.	Name of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share)	Long position (Note 1) short position (Note 2)	Percentage of total issued shares of the Company (%) (Note 10)	Percentage of total issued A Shares/H Shares of the Company (%) (Note 10)
1	Jilin Aodong	A Shares	Beneficial owner	1,252,297,867	Long position	16.43	21.16
		H Shares	Interest in a controlled corporation	77,894,800 (Note 3)	Long position	1.02	4.58
2	Liaoning Cheng Da	A Shares	Beneficial owner	1,248,107,588	Long position	16.38	21.09
		H Shares	Interest in a controlled corporation	1,473,600 (Note 4)	Long position	0.02	0.09
3	Zhongshan Zhonghui Investment Group Company Limited	A Shares	Interest in a controlled corporation	686,754,216	Long position	9.01	11.60
		H Shares	Interest in a controlled corporation	100,904,000 (Note 5)	Long position	1.32	5.93
4	Zhongshan Public Utilities	A Shares	Beneficial owner	686,754,216	Long position	9.01	11.60
		H Shares	Interest in a controlled corporation	100,904,000 (Note 5)	Long position	1.32	5.93
5	Public Utilities International (Hong Kong) Investment Company Ltd.	H Shares	Beneficial owner	100,904,000 (Note 5)	Long position	1.32	5.93
6	The labor union committee of GF Securities Co., Ltd.	H Shares	Trustee of a trust	174,547,400 (Note 6)	Long position	2.29	10.26
7	L.R. Capital Principal Investment Limited	H Shares	Beneficial owner	102,854,000 (Note 7)	Long position	1.35	6.04
8	Wong Yuen Ping	H Shares	Interest in a controlled corporation	102,854,000 (Note 7)	Long position	1.35	6.04
9	BlackRock, Inc.	H Shares	Interest in a controlled corporation	86,559,609 (Note 8)	Long position	1.14	5.09
		H Shares	Interest in a controlled corporation	88,400 (Note 8)	Short position	0.001	0.01

Changes in Shareholdings and Particulars About Shareholders

- 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 take the underlying shares; (ii) such shareholder is under an obligation to take 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 a 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 take 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 a loss if the price of the underlying shares declines.*
- Note 3: Jilin Aodong held 41,026,000 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), a total of 77,894,800 H shares, representing 1.02% of the total share capital of the Company.*
- Note 4: Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. Therefore, Liaoning Cheng Da and Chengda Steel Co., Ltd. were deemed to have interests in the shares held by Chengda Steel Hongkong Co., Limited.*
- Note 5: Zhongshan Public Utilities held 100,904,000 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 1.32% of the total share capital of the Company. Zhongshan Zhonghui Investment Group Company Limited held 47.98% of the issued shares of Zhongshan Public Utilities. Therefore, Zhongshan Zhonghui Investment Group Company Limited and Zhongshan Public Utilities were deemed to have interests in the shares held by Public Utilities International (Hong Kong) Investment Company Ltd..*
- Note 6: The labor union committee of GF Securities Co., Ltd. held a total of 174,547,400 H Shares of the Company, representing 10.26% of the H Share capital of the Company.*
- Note 7: L.R. Capital Management Company (Cayman) Limited held 102,854,000 H Shares of the Company through its wholly-owned subsidiary, L.R. Capital Principal Investment Limited (領睿資本策略投資控股). L.R. Capital Management Company (Cayman) Limited was held as to 35% by Wong Yuen Ping through Enjoy Fun Limited (BVI). Therefore, Wong Yuen Ping was deemed to have interests in the shares held by L.R. Capital Principal Investment Limited °*
- Note 8: BlackRock, Inc. indirectly held the relevant interests and short positions through a series of its controlled corporations.*
- Note 9: Under Part XV of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of Shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be differences between substantial Shareholders' latest shareholdings in the Company and the shareholding information as reported to the Hong Kong Stock Exchange.*
- Note 10: The relevant percentages are calculated based on 1,701,796,200 H Shares and/or 5,919,291,464 A Shares of the Company in issue as at December 31, 2018.*

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 at December 31, 2018 required to be recorded in the register pursuant to Section 336 of the SFO.

Changes in Shareholdings and Particulars About Shareholders

4. Controlling Shareholders of the Company

There was no controlling shareholder in the Company.

5. De facto controllers and their concert parties of the Company

There was no de facto controller in the Company.

6. Legal entity shareholders who hold more than 10% of the shares of the Company

N/A.

7. Restrictions to Reduction in Shareholdings for Controlling Shareholders, De facto Controllers, Re-organization Parties and Other Commitment Bodies

N/A.

8. 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 at December 31, 2018, 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.

As at December 31, 2018, none of the Company, its holding company, any of subsidiaries or fellow subsidiaries was 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.

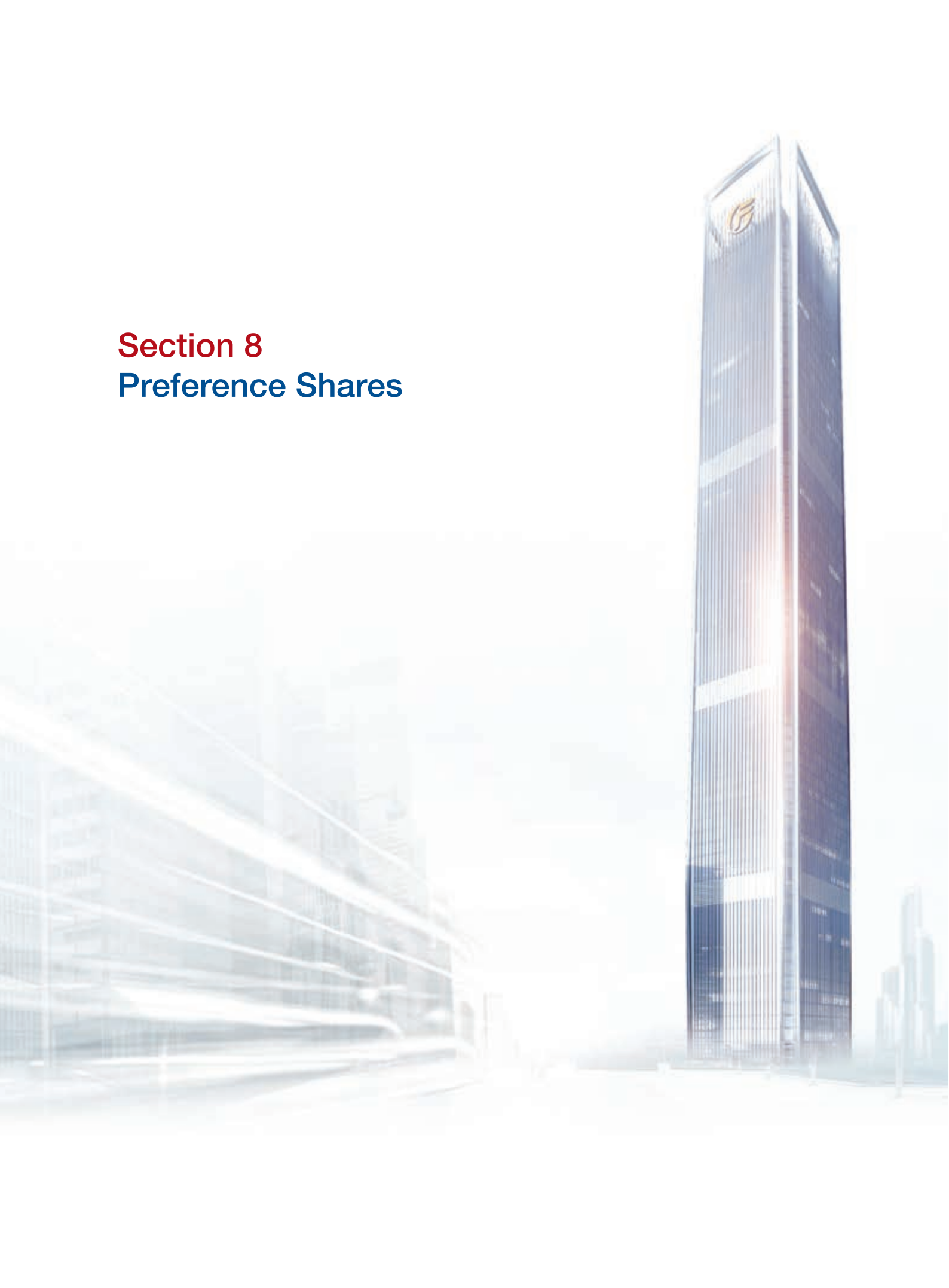
IV. SUFFICIENT PUBLIC FLOAT

According to the information which is publicly available to the Company and to the best of the knowledge of the Directors as at the latest practicable date (March 26, 2019) prior to the publication of this annual report, the Company has always maintained the public float as required under the Hong Kong Listing Rules.

V. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

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

Section 8 **Preference Shares**



During the Reporting Period, the Company did not have any preference shares.



Section 9
Particulars about
Directors,
Supervisors,
Senior Management
and Employees



Particulars about Directors, Supervisors, Senior Management and Employees

I. CHANGES IN THE 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
Tang Xiaodong	Deputy general manager	Appointed	June 25, 2018	Appointed by the Board
Xin Zhiyun	Chief risk officer	Appointed	June 25, 2018	Appointed by the Board
Zhan Lingzhi	Supervisor	Resigned	August 17, 2018	Personal reasons
Li Yanxi	Independent Director	Resigned	September 14, 2018	Personal reasons
Fan Lifu	Independent Director	Elected	November 5, 2018	Elected at the general meeting
Lan Hailin	Supervisor	Elected	November 5, 2018	Elected at the general meeting

1. Mr. Tang Xiaodong and Mr. Xin Zhiyun were appointed as the deputy general manager and chief risk officer of the Company, respectively, at the 9th meeting of the 9th session of the Board convened on June 25, 2018 by the Company. They have obtained the qualifications as senior management of a securities firm. For the biographies of Mr. Tang Xiaodong and Mr. Xin Zhiyun as well as the relevant details, please refer to the relevant announcements disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on June 26, 2018 and July 31, 2018, respectively.
2. On August 17, 2018, the Company received a written resignation letter from Ms. Zhan Lingzhi, a supervisor of the Company. Ms. Zhan Lingzhi tendered her resignation from her position as a supervisor of the 9th session of Supervisory Committee of the Company due to personal reasons of reasonable retirement planning. According to the requirements of the Company Law and the Articles of Association, the resignation of Ms. Zhan Lingzhi will not result in the number of members of the Company's Supervisory Committee falling below the minimum quorum under legal requirement. Therefore, the resignation letter of supervisor Ms. Zhan Lingzhi came into effect when it was received by the Company. For details, please refer to the relevant announcements disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on August 18, 2018.

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3. The Company received a resignation letter from Mr. Li Yanxi, an independent Director of the Company, on September 14, 2018. Mr. Li Yanxi tendered his resignation as an independent Director of the Company, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the 9th session of the Board of the Company due to his personal reason of wishing to devote more time to his other engagements. According to the requirements under the Company Law, Guiding Opinions on the Establishment of Independent Director System in Listed Companies and the Articles of Association of the Company, the resignation of Mr. Li Yanxi will not result in the number of the Board of Directors of the Company falling below the minimum quorum, but will result in the number of independent Directors of the Company falling below one-third of the number of the Board of Directors of the Company. Therefore, the resignation letter from Mr. Li Yanxi will come into effect when a new independent Director is appointed upon consideration and approval by the shareholders' general meeting of the Company and the relevant qualification for the position as a director of a securities company is obtained and he/she formally assumes the role as a Director of the Company. Before that, Mr. Li Yanxi will, in accordance with the requirements of relevant laws, administrative regulations and the Articles of Association, continue to perform his duties as an independent Director of the Company, a member of the Audit Committee of the Board of Directors of the Company and a member of the Remuneration and Nomination Committee of the Board of Directors of the Company. For details, please refer to the relevant announcements disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on September 15, 2018.
4. Mr. Fan Lifu and Mr. Lan Hailin were elected as an independent non-executive Director of the Ninth Session of the Board of the Company and a supervisor of the Ninth Session of the Supervisory Committee of the Company, respectively, at the 2018 first extraordinary general meeting convened on November 5, 2018 by the Company. Mr. Fan Lifu has obtained the qualification as an independent Director of a securities firm, and Mr. Lan Hailin has obtained the qualification as a supervisor of a securities firm. For details, please refer to the relevant announcements disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on November 6, 2018.

III. PARTICULARS OF POSITIONS

The biographies of current Directors, Supervisors and senior management of the Company are as follows:

(I) Directors

Executive Directors

Mr. Sun Shuming has been appointed as our Chairman and executive Director since May 2012. His primary working experience includes: serving as clerk, deputy chief officer and chief officer of the Department of Treaty and Law of the Ministry of Finance of the PRC from August 1984 to August 1990, deputy head of the Department of Treaty and Law of the Ministry of Finance of the PRC from August 1990 to September 1994, the head of the Department of Treaty and Law of the Ministry of Finance of the PRC from September 1994 to March 1996, deputy mayor (a temporary post) of the People's Government of Zhuozhou, Hebei from July 1994 to July 1995, director of the general manager's office and assistant to the general manager of China Economic Development Trust & Investment Corporation from March 1996 to June 2000, deputy director of the Central Financial Work Commission Supervisors Work Department from June 2000 to March 2003, supervisor of China Galaxy Securities Co. Ltd from September 2003 to January 2006, deputy chief officer of the Accounting Department of the CSRC from January 2006 to April 2007, chief officer of the Accounting Department of the CSRC from April 2007 to March 2011. He concurrently acts as the vice chairman of China Securities Inter-agency Quotation Systems Co., Ltd. since March 2015, and chairman of GF Fund since April 2016. Mr. Sun obtained a bachelor's degree in economics from the Hubei Institute of Finance and Economics (now known as Zhongnan University of Economics and Law) in Wuhan in July 1984, and a doctorate degree in economics from the Research Institute for Fiscal Science of the Ministry of Finance in Beijing in August 1997.

Mr. Lin Zhihai has been appointed as our executive Director and general manager since March 2008 and April 2011, respectively. His primary working experience includes: teaching assistant of the finance faculty at the Dongbei University of Finance and Economics from July 1986 to December 1991, assistant economist of the People's Bank of China (Dalian Branch) from January 1992 to May 1993, economist and deputy general manager at the investment banking department of Liaoning Trust & Investment Company from May 1993 to January 1995 and January 1995 to August 1996, respectively. He joined our Company in September 1996, and became a general manager at the Dalian branch of our Company from February 1997 to October 2001, chairman and general manager of Guangfa Northern Securities Company Limited from October 2001 to March 2006, deputy general manager and standing deputy general manager of our Company from March 2006 to April 2011, chairman of GF Asset Management from January 2014 to August 2014. He concurrently acts as the chairman of GFHK since July 2011. Mr. Lin obtained a bachelor's degree in economics in July 1986, and later a master's degree in economics and a doctorate in economics from the Dongbei University of Finance and Economics, located in Dalian, in October 1991 and January 2005, respectively. In addition, Mr. Lin also obtained the senior management executive master of business administration degree from the Hong Kong University of Science and Technology in November 2011. Mr. Lin obtained his qualification as an economist from Liaoning Provincial Department of Personnel (now known as Liaoning Provincial Department of Human Resources and Social Security) in June 1993.

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Mr. Qin Li has been appointed as our executive Director and standing deputy general manager since April 2011. His primary working experience includes: standing deputy general manager at the department of investment banking administration, general manager of the investment management department, general manager of capital operation department, general manager of planning and management department, general manager of investment department, assistant to the general manager, deputy general manager of our Company since March 1997, and chairman of GF Xinde from May 2010 to August 2013, chairman of the board of Guangdong Equity Exchange Co., Ltd. from September 2013 to April 2017. He has been the director of GFHK since September 2006, the director of E Fund since May 2012 and the chairman of GF Asset Management since June 2018. Mr. Qin obtained a bachelor's degree in economics from the Shanghai University of Finance and Economics in July 1992, a master's degree in commercial economics from the Jinan University, Guangzhou, in June 1995, a doctorate in economics from the Renmin University of China, Beijing, in July 2003 and completed a senior management executive master of business administration course from the Cheung Kong Graduate School of Business in Beijing in September 2013.

Ms. Sun Xiaoyan has been appointed as our executive Director since December 2014. Her primary working experience includes: staff of capital operation department, finance department and investment banking department, respectively, since joining our Company in July 1993, deputy general manager of our accounting department from September 1998 to January 2000, deputy general manager of our investment and proprietary trading department from January 2000 to October 2002, chief financial officer of GF Fund (preparatory) from October 2002 to August 2003, chief financial officer of GF Fund from August 2003 to October 2003, deputy general manager of GF Fund from October 2003 to March 2005, and general manager of finance department of our Company from November 2003 to March 2014. Ms. Sun has been the chief financial officer of our Company since March 2006, a director of GF Fund since June 2007, the deputy general manager of our Company since April 2011 while also acting as director of GFHK since August 2013. In addition, Ms. Sun was appointed as the chairman of the supervisory committee of ECT from December 2014 to June 2018, and supervisor of ECT since June 2018. Ms. Sun obtained a bachelor's degree in economics from the Renmin University of China in Beijing in July 1993 and a master's degree of business administration from the China Europe International Business School in Shanghai in September 2007.

Non-executive Directors

Mr. Shang Shuzhi has been appointed as our non-executive Director since July 2001. Mr. Shang has been the chairman of Liaoning Cheng Da Co., Ltd. (a company listed on SSE, stock code: 600739, formerly known as Liaoning Cheng Da (Group) Co., Ltd. (遼寧成大(集團)股份有限公司)) since August 1993. His primary working experience includes: deputy general manager at Liaoning Province Textiles Import and Export Corporation from December 1987 to February 1991, deputy manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation in charge of operation from February 1991 to November 1991, general manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation from December 1991 to July 1993, chairman of Liaoning Cheng Da Group Ltd. from January 1997 to December 2017. Mr. Shang graduated from the Dongbei University of Finance and Economics, Dalian, in August 1977, majoring in international trade. Mr. Shang obtained the qualification of Senior Economist from the Liaoning Provincial Department of Personnel in September 1993, the qualification of Senior International Business-Engineer from the Liaoning Provincial Department of Personnel (now known as Liaoning Provincial Department of Human Resources and Social Security) in December 1994, and a senior management executive master of business administration degree (EMBA) from the Dongbei University of Finance and Economics in Dalian in June 2005.

Mr. Li Xiulin has been appointed as our non-executive Director since May 2014. Mr. Li has been the chairman of Jilin Aodong Pharmaceutical Group Co., Ltd. (a company listed on SZSE, stock code: 000623, formerly known as Yanbian AoDong Pharmaceutical Co., Ltd.) since February 2000 to the present. His primary working experience includes: educated youth of Dashan Commune in Dunhua City, Jilin Province from February 1970 to June 1972, doctor of Dunhua Deer Farm in Yanbian, Jilin Province from June 1972 to August 1982, general manager and engineer of Yanbian AoDong Pharmaceutical Company from August 1982 to December 1987, general manager of Yanbian Dunhua Deer Farm from December 1987 to February 1993, chairman and general manager of Yanbian AoDong Pharmaceutical Co., Ltd. (renamed as Jilin Aodong Pharmaceutical Group Co., Ltd. in October 1998) from February 1993 to February 2000. Mr. Li obtained an academic diploma of bachelor's degree qualification in economics from the Open College of Central Party School of the Communist Party of China, Beijing, in June 1992, and completed the 28th training course in business administration at the Tsinghua University School of Economics and Management in Beijing from February 2000 to June 2000.

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Ms. Liu Xuetao has been appointed as our non-executive Director since May 2017. Mr. Liu has been the director and general manager of Zhongshan Public Utilities Group Co., Ltd. (a company listed on SZSE, stock code: 000685) since November 2016 to the present. Her primary working experience includes: assistant engineer of the Third Design Institute of Ministry of Chemical Industry (化學工業部第三設計院) from July 1989 to May 1992, engineer of Shunde Rongqi Construction Development General Company (順德市容奇城建開發總公司) from May 1992 to June 1996; assistant to division head of water supply division, head of technology and management office, assistant to general manager, deputy general manager and general manager of Zhongshan Water Supply Co., Ltd. (中山市供水有限公司) from June 1996 to August 2008; deputy general manager, executive vice general manager, general manager of water business department, deputy general manager of Zhongshan Public Utilities Group Co., Ltd. from August 2008 to November 2016. Ms. Liu concurrently served as director of Jining Zhongshan Public Utilities Water Co., Ltd. since July 2009, concurrently served as chairman of Zhongshan Municipal Dafeng Water Supply Co. Ltd. (中山市大豐自來水有限公司) and chairman of Zhongshan Sino French Water Supply Co. Ltd. (中山中法供水有限公司) from October 2011 to December 2017, concurrently served as executive director of Zhongshan Sewage Treatment Co. Ltd. (中山市污水處理有限公司) and executive director of Zhongshan Public Water Co., Ltd. from March 2012 to August 2017, and concurrently served as executive director and general manager of Zhongshan Tianyi Energy Co., Ltd. (中山市天乙能源有限公司) from October 2016 to May 2017, concurrently served as chairman of Zhongshan - Hong Kong Passenger Shipping CO-OP Co., Ltd. (中港客運聯營有限公司) since January 2017, and concurrently served as vice chairman of CNOOC Guangdong Natural Gas Co., Ltd. (中海廣東天然氣有限責任公司) since March 2017. Ms. Liu obtained a bachelor's degree in water supply and drainage engineering from HeFei University of Technology in July 1989, and a master's degree in engineering from Wuhan University of Science and Technology from March 2009 to June 2011.

Independent Non-executive Directors

Mr. Yang Xiong has been appointed as our independent non-executive Director since May 2014. Mr. Yang is currently and has been a member of the managing committee and a senior partner of BDO China Shu Lun Pan Certified Public Accountant LLP and the general manager of Northern headquarters of BDO since August 2011. His primary working experience includes: vice chairman of the Guizhou Office of Certified Public Accountants from 1995 to August 1998, chief accountant of Guizhou Qianyuan Certified Public Accountants from September 1998 to November 2000, director and deputy chief accountant of Tianyi Certified Public Accountants from December 2000 to November 2002, chief accountant of Zhonghe Zhengxin Certified Public Accountants from December 2002 to October 2009, and chief accountant of Pan-China Certified Public Accountants from November 2009 to July 2011. Mr. Yang was an independent director of Rizhao Port Co., Ltd. (a company listed on SSE, stock code: 600017) from July 2008 to March 2014, an independent director of Beijing Shougang Company Limited (a company listed on SZSE, stock code: 000959) from November 2009 to January 2016, an independent director of JSTI Group Co., Ltd. (a company listed on SZSE, stock code: 300284) from August 2008 to April 2015, an independent director of Easecompeace Technology Card Co., Ltd (a company listed on SZSE, stock code: 002017) from April 2011 to April 2017; and an independent director of Rongfeng Holdings Co., Ltd (a company listed on

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SZSE, stock code: 000668) from September 2013 to December 2017. He has also been an independent director of Aerospace Industrial Development Corp. Co., Ltd. (航天工業發展股份有限公司) (a company listed on SZSE, stock code: 000547) since August 2015 and an independent director of Bank of Guiyang Co., Ltd. (a company listed on SSE, stock code: 601997) since July 2017. Mr. Yang graduated from the Wuhan Technical University of Surveying and Mapping (now merged into Wuhan University) in July 1989, majoring in electronic engineering. He obtained his qualification as a PRC certified public accountant in January 1995.

Mr. Tang Xin has been appointed as our independent non-executive Director since May 2014. Mr. Tang currently is a professor of the Law School of Tsinghua University, the vice director of the Commercial Law Research Centre of Tsinghua University and an associate editor of Tsinghua Law Journal. Mr. Tang was selected as a member of the first session and second session of the Mergers and Acquisitions Review Committee of the CSRC from February 2008 to October 2010. Mr. Tang has been an independent director of China Spacesat Co., Ltd (a company listed on SSE, stock code: 600118) from July 2008 to November 2014 and a member of the third session of the listing committee of the SSE since August 2012. Mr. Tang served as an independent director of SDIC Power Holdings Co., Ltd. (previously known as SDIC Power Holdings Co., Ltd., a company listed on SSE, stock code: 600886) from April 2009 to September 2013, an independent director of Changjiang Securities Co., Ltd. (a company listed on SZSE, stock code: 000783) from December 2007 to December 2013, an independent director of Beijing Rural Commercial Bank Co., Ltd. from May 2009 to October 2015 and an independent director of Shandong Publication & Media Co., Ltd. from June 2012 to June 2015. Mr. Tang has also been an independent director of Harvest Fund Management Co., Ltd since August 2010, an independent director of Suzhou Oriza Holdings Co., Ltd. since November 2015, an external supervisor of Beijing Rural Commercial Bank Co., Ltd. since November 2015, and an independent director of China Life Insurance Company Limited since March 2016. In September 2014, Mr. Tang served as the head of the committee of independent directors of the China Association for Public Companies. Mr. Tang obtained his bachelor's, master's and doctorate degrees in law from the Renmin University of China in Beijing, in July 1992, July 1995 and June 1998, respectively.

Mr. Chan Kalok has been appointed as our independent non-executive Director since December 2014. Mr. Chan currently is the dean of business school of The Chinese University of Hong Kong. His primary working experiences includes: professor, head of the finance faculty and acting president of finance school of the Hong Kong University of Science and Technology from June 1995 to October 2014. Mr. Chan was a member of the risk management committee of the Hong Kong Exchanges and Clearing Limited from July 2005 to June 2011 and the president of Asian Finance Association from 2008 to 2010. Mr. Chan is currently a member of the Hang Seng Index Advisory Committee, a member of the Hong Kong Housing Authority, a member of the Financial Infrastructure and Market Development Committee under the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a member of the Supervisory Committee of Tracker Fund and a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, an independent director of COSCO SHIPPING Ports Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1199), an independent director of Bank of Communications (Hong Kong) Limited. He obtained his bachelor's degree in social science (majoring in economics) from The Chinese University of Hong Kong in June 1985 and a doctorate degree from the Ohio State University in the U.S.A. in June 1990.

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Mr. Fan Lifu has been appointed as our independent non-executive Director since November 2018. Mr. Fan is currently a professor at the School of Finance of the Dongbei University of Finance and Economics and the director of the Research Department of the Dongbei University of Finance and Economics. His primary working experience includes: a teaching assistant at the School of Finance of the Dongbei University of Finance and Economics from April 1998 to December 2000; a lecturer at the School of Finance of the Dongbei University of Finance and Economics from January 2001 to June 2002; an associate professor at the School of Finance of the Dongbei University of Finance and Economics from July 2002 to June 2011; a deputy director of the Research Department of the Dongbei University of Finance and Economics from December 2009 to December 2016; a deputy dean of the School of Finance of the Dongbei University of Finance and Economics from December 2016 to January 2019. Mr. Fan has been an independent director of Tieling Newcity Investment Holding Limited (鐵嶺新城投資控股股份有限公司) (a company listed on the SZSE, stock code: 000809) since December 2017. Mr. Fan obtained a bachelor's degree, a master's degree and a doctorate degree in economics from Dongbei University of Finance and Economics in July 1995, April 1998 and December 2009, respectively.

(II) Supervisors

Mr. Zhang Shaohua has been appointed as our employee representative supervisor and chairman of the supervisory committee since September 2017. His primary working experience includes: an employee and deputy director of the Harbin Government's Office for the Securities Regulatory Commission (哈爾濱市人民政府證券管理辦公室) from August 1989 to March 1997; deputy general manager of the investment banking department of the Company from March 1997 to January 2004; general manager of the investment banking department of the Company from January 2004 to March 2006; assistant to general manager of the Company from March 2006 to September 2017; general manager of the Beijing branch of the Company from March 2006 to April 2010; general manager of the headquarters for investment banking management of the Company from April 2010 to March 2013; general manager of the investment banking department of the Company from June 2010 to March 2013; director of GF Investments (Hong Kong) from September 2011 to May 2016; director of GF Investments (Cayman) Company Limited from September 2011 to September 2017; director of GF Investment Management (Hong Kong) Company Limited from October 2011 to September 2017 and chairman of GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司) from May 2012 to September 2017. Mr. Zhang has served as the chief representative of the Beijing office of the Company since July 2011 and as the chairman of the trade union committee of the Company since August 2017. Mr. Zhang obtained a bachelor's degree in engineering from Harbin Institute of Technology in August 1989.

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Mr. Cheng Huaiyuan has been appointed as our employee representative Supervisor since February 2010. His primary working experience includes: an employee, deputy director of the process and equipment department of Sino Pharmengin Corporation Wuhan Pharmaceuticals Design Institution, which is principally engaged in the design and general contracting of pharmaceutical engineering, from August 1988 to June 1999, research fellow of the development research center and deputy manager of the human resources department of our Company from June 1999 to March 2003, general manager of human resources department of GF Huafu Securities Co. Ltd. from March 2003 to December 2003, shareholder supervisor of GF Huafu Securities Co. Ltd. from May 2003 to March 2004. He has also been the deputy general manager of the party-public relations department from January 2004 to January 2010 (being responsible for overall work). Mr Cheng was the general manager of the party-public relations department since January 2010 and general vice president of the labor union of our Company since January 2004. Mr. Cheng obtained a bachelor's degree in engineering from the Huazhong University of Technology (now known as Huazhong University of Science and Technology), Wuhan, in July 1988 and a master of management degree from Wuhan University in June 1999. Mr. Cheng has obtained the qualification of senior economist from the Guangdong Provincial Department of Personnel (now known as Guangdong Provincial Department of Human Resources and Social Security) in February 2002.

Mr. Tan Yue has been appointed as our Supervisor since June 2016. Mr. Tan is currently the professor of the accounting faculty and lecturer for doctoral students in the Management School of Jinan University. His major working experience includes: a tutor of Zhuzhou Foundation University (株洲基礎大學) from December 1981 to August 1984; a lecturer of Changsha University of Electric Power (長沙電力學院) from January 1987 to August 1996; the deputy professor, professor, professor of the finance faculty and lecturer for doctoral students of the accounting faculty of Jinan University since August 1996, including the head of accounting faculty of Jinan University, head of accounting department and deputy dean of the International School of Jinan University, deputy dean (acting for duties) of the Management School of Jinan University and executive dean of the Management School of Jinan University from October 2004 to June 2015. Mr. Tan was an independent director of Hua'an Futures Co., Ltd. (華安期貨有限責任公司) from September 2009 to June 2015; the chairman of the Supervisory Committee of Luxiang Co., Ltd. (路翔股份有限公司) from November 2010 to November 2012; an independent director of MOSO Power Supply Technology Co., Ltd. (茂碩電源科技股份有限公司) (a company listed on SZSE, stock code: 002660) from December 2010 to December 2013; an independent director of Golden Eagle Funds Management Co., Ltd. (金鷹基金管理有限公司) from April 2016 to January 2017; and an independent director of Bluedon Information Security Technology Co., Ltd. (藍盾信息安全技術股份有限公司) (a company listed on SZSE, stock code: 300297) from July 2015 to June 2017. Mr. Tan is an independent director of Suofeiya Home Collection Co., Ltd. (索菲亞家居股份有限公司) (a company listed on SZSE, stock code: 002572) since January 2015; an independent director of Shenzhen Desay Battery Technology Co., Ltd. (深圳市德賽電池科技股份有限公司) (a company listed on SZSE, stock code: 000049) since April 2015; an external director of Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司) since October 2016, an external director of Guangzhou Yue Xiu Holdings Limited (廣州越秀集團有限公司) since July 2017. Mr. Tan obtained a bachelor's degree in science from the Xiangtan University (湘潭大學) in Xiangtan in January 1982, a master's degree in engineering from the Northeastern Engineering Institute (東北工學院) in Shenyang in March 1987, and a doctorate degree in finance (philosophy) from The Chinese University of Hong Kong in Hong Kong in December 2007.

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Mr. Gu Naikang has been appointed as our Supervisor since June 2016. Mr. Gu is currently a professor and lecturer for doctoral students of the finance and investment faculty of the Management School of Sun Yat-sen University (中山大學). His major working experience includes: a tutor of Wuxi Institute of Light Industry (無錫輕工業學院) (now known as Jiangnan University) from July 1986 to July 1988; a lecturer, associate professor, professor and lecturer of doctoral students of the Management School of Sun Yat-sen University (中山大學) since September 1991. Mr. Gu has been appointed as an independent director of Shenzhen Zubo Design Co., Ltd. from January 2012 to March 2018, an independent director of Guangxi Yuegui Guangye Holdings Co., Ltd. (廣西粵桂廣業控股股份有限公司) (a company listed on SZSE, stock code: 000833, formerly known as Guangxi Guitang (Group) Co., Ltd.) from January 2013 to November 2018. Mr. Gu has been appointed as an independent director of Guangzhou Pearl River Industrial Development Co., Ltd. (廣州珠江實業開發股份有限公司) (a company listed on SSE, stock code: 600684) since May 2014; an independent director of Guangdong Provincial Expressway Development Co., Ltd. (廣東省高速公路發展股份有限公司) (a company listed on SZSE, stock code: 000429) since July 2016; and an independent director of Ming Yang Smart Energy Group Limited (a company listed on SSE, stock code: 601615) since June 2017. Mr. Gu obtained a bachelor's degree in engineering from the Wuxi Institute of Light Industry in Wuxi in July 1986, a master's degree in economics from Sun Yat-sen University in Guangzhou in July 1991, and a doctorate degree in management from Sun Yat-sen University in Guangzhou in December 1998.

Mr. Lan Hailin has been appointed as our Supervisor since November 2018. Mr. Lan is currently a professor and lecturer for doctoral students in the School of Business Administration (工商管理學院) of South China University of Technology (華南理工大學) and the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology. His primary working experience includes: a teaching assistant of the School of Social Science of Ningxia University from March 1982 to July 1986; a lecturer of the School of Social Science of South China University of Technology from July 1986 to July 1992; an associate professor, a professor and a tutor of doctoral students of the School of Business Administration of South China University of Technology from July 1992 to present; the Associate Dean of the School of Business Administration of South China University of Technology from January 1997 to December 1998; the Dean of the School of Business Administration of South China University of Technology from January 2000 to December 2007; the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology from January 1990 to present. Mr. Lan has served as an independent director of Hunan Liuyang Fireworks Co., Ltd. (a company listed on SSE, stock code: 600599) from July 2006 to January 2008; an independent director of Keda Clean Energy Co., Ltd. (a company listed on SSE, stock code: 600499) from September 2001 to August 2006 and from August 2009 to September 2015; an independent director of Vatti Corporation Limited (a company listed on SZSE, stock code: 002035) from August 2002 to October 2007 and from May 2013 to April 2016; an independent director of Guangdong Macro Co., Ltd. (a company listed on SZSE, stock code: 000533) from January 2016 to July 2016. Mr. Lan has served as an independent director of Guangdong Sky Dragon Printing Ink Group Co., Ltd. (a company listed on SZSE, stock code: 300063) since July 2013; an independent director of Guangzhou Automobile Group Co., Ltd. (a company listed on

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SSE and the Hong Kong Stock Exchange, stock code: 601238 and 2238, respectively) since December 2013; an independent director of Guangdong Xinbao Electrical Appliances Holdings Co., Ltd. (a company listed on SZSE, stock code: 002705) since August 2014; an independent director of Jiangsu Shuangxing Color Plastic New Materials Co., Ltd. (a company listed on SZSE, stock code: 002585) since May 2016; an independent director of Letong Chemical Co., Ltd. (a company listed on SZSE, stock code: 002319) since August 2016. Mr. Lan obtained a bachelor's degree in history from Ningxia University in Yinchuan in January 1982, a master's degree in business administration from GANNON University in Erie, USA in May 1990, and a doctorate degree in industrial economics from Jinan University in Guangzhou in July 2004.

(II) Senior management

The brief biographies of Mr. Lin Zhihai, Mr. Qin Li and Ms. Sun Xiaoyan are set out in “(I). Directors” in this section.

Mr. Ouyang Xi has been appointed as a deputy general manager of our Company since November 2004. His primary working experience includes: library assistant at the Guangdong Mechanics College (now known as Guangdong University of Technology) from July 1989 to August 1992, deputy general manager and managing deputy general manager of the investment banking department of our Company from July 1995 to February 2001, general manager of the proprietary trading department of our Company from February 2001 to January 2003, standing deputy general manager of the investment banking head office of our Company from January 2003 to January 2004, chief financial officer of our Company from January 2004 to March 2006, deputy general manager and secretary of the Board of Directors of our Company from July 2005 to November 2009 and director of GF Fund from March 2005 to June 2007. He has been a director of GFHK since September 2006. Mr. Ouyang obtained a bachelor's degree in science from Wuhan University in July 1989 and a master's degree in economics from Jinan University in Guangzhou in June 1995.

Mr. Luo Binhua has been appointed as a deputy general manager and the secretary to our Board of our Company since November 2009. His primary working experience includes: clerk of the production output office of the Rural Social and Economic Survey Team of Jiangxi Province (now known as the Jiangxi Chief Survey Team of the National Bureau of Statistics) from June 1988 to September 1991, manager, deputy general manager and general manager of the investment banking department of our Company from December 1993 to January 2004, and assistant to general manager and the general manager of investment banking head office of our Company from January 2004 to November 2009. He was chairman of GF Xinde from December 2008 to May 2010 and from August 2013 to June 2015, and a director of GF Asset Management from January 2014 to May 2017. He has been a director of GFHK since July 2011, joint company secretary of the Company since November 2014, and chairman of GF Qianhe since September 2017. Mr. Luo obtained a bachelor's degree in agriculture from the South China Agricultural University, Guangzhou, in July 1988, a master's degree in economics from Jinan University, Guangzhou, in June 1994 and an executive master of business administration degree from the Hong Kong University of Science and Technology in June 2012.

Particulars about Directors, Supervisors, Senior Management and Employees

Mr. Yang Long has been appointed as a deputy general manager of our Company since May 2014. His primary working experience includes: employee of the research department of Tianjin Municipal Government from July 1991 to August 1993, employee of the office of Tianjin Water Conservancy Bureau from August 1993 to June 1994, general manager of the Hongbao Road brokerage branch of our Company in Shenzhen from July 1994 to January 1998, general manager of our sub-headquarters of Shenzhen from January 1998 to March 2004, standing deputy general manager of brokerage business sub-headquarter and general manager of our sub-headquarter of Shenzhen from March 2004 to October 2004, deputy general manager of our human resources management division from October 2004 to March 2005, general manager of operations department of bank-securities link business from March 2005 to September 2005, consultant to Unicom Huajian Connections Company Limited from October 2005 to December 2008, assistant to general manager of our Company from January 2009 to September 2014 (he was concurrently the general manager of Shenzhen branch office from October 2009 to November 2012 and the general manager of Shenzhen High Tech South Yidao Securities branch from September 2011 to December 2011), chairman of GF Asset Management from May 2017 to June 2018. Mr. Yang has been the chairman of GF Internet Microfinance since August 2015. Mr. Yang obtained a bachelor's degree in economics from Nankai University in Tianjin in June 1988, a master's degree in economics from the Central Party School of the Communist Party of China in Beijing in July 1991, a doctorate degree in management from Nankai University in Tianjin in December 2003, and an senior management executive master of business administration degree from the Hong Kong University of Science and Technology in May 2013.

Mr. Wu Jifu has been appointed as a deputy general manager and the chief compliance officer of our Company since May 2014. His primary working experience includes: lecturer of accounting department of the school of economics at Heilongjiang University from July 1987 to July 1993, deputy head and head of the accountancy department of the school of economics at Heilongjiang University from July 1993 to July 1995 and July 1995 to October 1997, respectively, deputy director of the Audit Department of the Provincial Securities Supervision and Administration Office of the Heilongjiang Bureau of the CSRC from October 1997 to November 1998, deputy director of the Audit Department and director of the General Office of the Office of the Commissioner of the CSRC in Harbin from November 1998 to February 2004, director of the General Office of the Heilongjiang Bureau of the CSRC from March 2004 to February 2006, director of the supervision department of the Heilongjiang Bureau of the CSRC from March 2006 to July 2008, and supervisor of GF Asset Management from January 2014 to August 2017; He has been the chief compliance officer of our Company since July 2008, and director of GFHK since August 2013. Mr. Wu obtained a bachelor's degree in economics from Heilongjiang University in July 1987, and a master's degree in economics from Heilongjiang University in June 1998.

Particulars about Directors, Supervisors, Senior Management and Employees

Mr. Zhang Wei has been appointed as a deputy general manager of our Company since May 2014. His primary working experience includes: treasury manager of the trust fund department of Anhui International Trust & Investment Company from July 1998 to June 2002, business manager of our investment banking department of our Company from July 2008 to February 2009, deputy general manager of the debt underwriting department of our Company from February 2009 to January 2010, the general manager of the debt underwriting department of our Company from January 2010 to March 2013 (he concurrently served as deputy general manager of investment banking business management headquarters from January 2010 to February 2011 and general manager of fixed income headquarters from February 2011 to May 2012), co-general manager of investment banking department of the headquarters from April 2013 to June 2014, he served as assistant to general manager of the Company from January 2011 to August 2014, and the chairman of GF Asset Management from August 2014 to May 2017; Mr. Zhang has been a director of China Securities Credit Investment Co., Ltd. (中證信用增進股份有限公司) since May 2015, a director of GFHK and chairman of GFFL since June 2015, and the chairman of GF Hexin since August 2015. Mr. Zhang obtained a bachelor's degree in economics from Anhui University, located in Hefei in June 1998, a master's degree in Economics from Fudan University, located in Shanghai, in June 2005 and a doctorate in economics from the Renmin University of China in Beijing in July 2008.

Mr. Tang Xiaodong has been appointed as deputy general manager of the Company since June 2018. His primary working experience includes: software consultant for program design of Institute for Scientific Information in the United States from May 1995 to June 1996, software engineer of ATI Technologies Inc. in the United States from June 1996 to August 1998, trading manager of complex credit derivatives in JP Morgan from July 2000 to October 2001, trading director of North American complex credit derivatives in ABN AMRO from October 2001 to June 2003, head of the Mariner Investment Group in the United States from June 2003 to August 2004, head of trading of North American credit derivatives in Royal Bank of Scotland from September 2004 to May 2007, president of the Great Eastern Advisory in the United States from May 2007 to April 2009, senior advisor to the Planning Commission of China Securities Regulatory Commission from May 2009 to August 2010, deputy inspector of the Fund Department of China Securities Regulatory Commission from August 2010 to December 2012, deputy director of the International Department of China Securities Regulatory Commission from January 2013 to August 2014; chief compliance officer of China Asset Management Co., Ltd. from August 2014 to July 2015, general manager of China Asset Management Co., Ltd. from August 2015 to May 2018. Mr. Tang has served as director and general manager of GFHK since June 2018. Mr. Tang obtained a bachelor's degree in science from University of Science and Technology of China in July 1991, a master's degree in science from Drexel University in the United States in March 1995, and a master's degree in business administration from University of Chicago in the United States in March 2000.

Particulars about Directors, Supervisors, Senior Management and Employees

Mr. Xin Zhiyun has been appointed as chief risk officer of the Company since June 2018. His primary working experience includes: software engineer and editor of the Higher Education Press from July 1995 to January 1998; principal staff member and deputy director of the Information Center of China Securities Regulatory Commission, deputy director of the general office, director-level consultant, director-level consultant (in charge) and director of the audit office of the institutional supervision department of China Securities Regulatory Commission successively from February 1998 to September 2008; member of CPC Committee, vice president, chief risk officer, chief compliance officer of Essence Securities Co., Ltd. from October 2008 to June 2018, concurrently served as director of Essence Capital Co., Ltd., of which concurrently served as financial manager of Essence Securities Co., Ltd. from August 2011 to September 2013. Mr. Xin obtained a bachelor's degree in engineering from North China University of Technology in July 1992, a master's degree in education from Beijing Normal University in July 1995, and a doctorate degree in engineering from Tsinghua University in January 2008.

POSITION HELD IN THE SHAREHOLDING COMPANIES

Name	Name of shareholding companies	Position held in the shareholding companies	Tenure	Remuneration received from shareholding companies
Director's position:				
Shang Shuzhi	Liaoning Cheng Da	Chairman	January 1997 to present	Yes
Li Xiulin	Jilin Aodong	Chairman	February 2000 to present	Yes
Liu Xuetao	Zhongshan Public Utilities	Director, General Manager	November 2016 to present	Yes

POSITION HELD IN OTHER COMPANIES

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Sun Shuming	China Securities Inter-agency Quotation Systems Co., Ltd. (中證機構間報價系統股份有限公司)	Vice chairman	March 2015 to present	No
Liu Xuetao	Jining Zhongshan Public Utilities Water Co., Ltd.	Director	July 2009 to present	No
	Zhongshan - Hong Kong Passenger Shipping CO-OP Co., Ltd	Chairman	January 2017 to present	No
	CNOOC Guangdong Natural Gas Co., Ltd.	Vice chairman	March 2017 to present	No
Qin Li	E Fund	Director	May 2012 to present	No
Sun Xiaoyan	ECT	Chairman of the supervisory committee	December 2014 to June 2018	No
	ECT	Supervisor	June 2018 to present	No

Particulars about Directors, Supervisors, Senior Management and Employees

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Yang Xiong	BDO China Shu Lun Pan Certified Public Accountant LLP	Senior partner	August 2011 to present	Yes
	Aerospace Industrial Development Corp. (航天工業發展股份有限公司)	Independent director	August 2015 to present	Yes
Tang Xin	Bank of Guiyang Co., Ltd.	Independent director	July 2017 to present	Yes
	Law School of Tsinghua University	Professor	January 2015 to present	Yes
	Harvest Fund Management Co., Ltd	Independent director	August 2010 to present	Yes
	Suzhou Oriza Holdings Co., Ltd.	Independent director	November 2015 to present	Yes
	Beijing Rural Commercial Bank Co., Ltd	External supervisor	November 2015 to present	Yes
Chan Kalok	China Life Insurance Co., Ltd.	Independent director	March 2016 to present	Yes
	Business School of The Chinese University of Hong Kong	Dean	November 2014 to present	Yes
	COSCO SHIPPING Ports Limited	Independent director	October 2016 to present	Yes
	Bank of Communications (Hong Kong) Limited	Independent director	April 2017 to present	Yes
Fan Lifu	School of Finance of the Dongbei University of Finance and Economics	Deputy dean	December 2016 to January 2019	Yes
	Research Department of the Dongbei University of Finance and Economics	Director	January 2019 to present	Yes
	Tieling Newcity Investment Holding Limited	Independent director	December 2017 to present	Yes

Particulars about Directors, Supervisors, Senior Management and Employees

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Tan Yue	Management School of Jinan University	Professor	January 2003 to present	Yes
	Shenzhen Desay Battery Technology Co., Ltd.	Independent director	April 2015 to present	Yes
	Suofeiya Home Collection Co., Ltd.	Independent director	January 2015 to present	Yes
	Guangzhou Metro Corporation	External director	October 2016 to present	Yes
	Guangzhou Yue Xiu Holdings Limited	External director	July 2017 to present	Yes
Gu Naikang	Management School of Sun Yat-sen University	Professor	April 2004 to present	Yes
	Guangzhou Pearl River Industrial Development Co., Ltd.	Independent director	May 2014 to present	Yes
	Guangdong Provincial Expressway Development Co., Ltd.	Independent director	July 2016 to present	Yes
	Ming Yang Smart Energy Group Limited	Independent director	June 2017 to present	Yes
	Guangxi Yuegui Guangye Holdings Co., Ltd.	Independent director	January 2013 to November 2018	Yes
	Shenzhen Zubo Design Co., Ltd.	Independent director	January 2012 to March 2018	Yes
	School of Business Administration of South China University of Technology	Professor	September 1997 to present	Yes
	Chinese Corporate Strategy Management Research Centre of South China University of Technology	Director	January 1990 to present	Yes
Lan Hailin	Guangdong Sky Dragon Printing Ink Group Co., Ltd.	Independent director	July 2013 to present	Yes
	Guangzhou Automobile Group Co., Ltd.	Independent director	December 2013 to present	Yes
	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	Independent director	August 2014 to present	Yes
	Jiangsu Shuangxing Color Plastic New Materials Co., Ltd.	Independent director	May 2016 to present	Yes
	Letong Chemical Co., Ltd.	Independent director	August 2016 to present	Yes
	GF Internet Microfinance	Chairman	July 2015 to present	No
Yang Long	China Securities Credit Investment Co., Ltd.	Director	May 2015 to present	No
Zhang Wei				

Penalties imposed by the securities regulatory authority on the current and resigned directors, supervisors and senior management of the Company during the Reporting Period for the last three years.

N/A.

IV. APPRAISAL AND REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Decision-making process for remuneration of Directors, Supervisors and senior management

The Directors and Supervisors of the Company who do not have contractual labour relationship with the Company enjoy allowances. Those who have contractual labour relationship with the Company receive remuneration according to the Company's policies. The general meeting, the Board of Directors, the Board of Supervisors, the Remuneration and Nomination Committee of the Board and Independent Directors perform their respective responsibilities in this decision-making process according to the relevant requirements.

(II) Basis for determining the remuneration of Directors, Supervisors and senior management

The remuneration of Directors, Supervisors and senior management shall be determined depending on the Company's actual situation and their positions and performance by reference to the standards of similar companies in the finance industry.

(III) Payment of remuneration of Directors, Supervisors and senior management

The remuneration will be paid regularly to their personal accounts after deducting income tax on behalf of them according to the Company's remuneration policies.

The Measures on Performance Assessment and Remuneration Management for GF Securities Business Managers requires that: "payment of more than 40% of annual performance-based remuneration for business managers of the Company shall be deferred for a period of at least three years. The deferred payment of remuneration shall be divided equally. The specific proportion of deferred payment and the period of deferred payment shall be reviewed and determined by the Board." The Board of the Company will formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. According to these requirements, the remuneration composition of our Executive Directors, employee representative Supervisors and senior management includes the remuneration provided and paid in 2018 and the deferred remuneration for 2017 and before. During the Reporting Period, the deferred remuneration after tax for 2017 and before of the above individuals was: Sun Shuming: RMB9,140,500; Lin Zhihai: RMB8,308,300; Qin Li: RMB7,428,300; Sun Xiaoyan: RMB6,878,900; Ouyang Xi: RMB5,749,700; Luo Binhua: RMB5,083,700; Yang Long: RMB5,022,100; Wu Jifu: RMB5,661,700; Zhang Wei: RMB5,638,100; Tang Xiaodong: Nil; Xin Zhiyun: Nil; Zhang Shaohua: RMB2,688,400; Cheng Huaiyuan: RMB1,379,900. The deferred remuneration after tax for 2017 and before of Non-executive Directors, Independent Non-executive Directors and shareholder representative Supervisors was: nil.

(IV) Appraisal of Directors, Supervisors and Senior Management Personnel**(1) The appraisal of Directors and senior management personnel**

Mr. Tang Xin, an independent Director, and Mr. Yang Xiong, an independent Director have issued a written statement:

“I have noted that the Company received the Notice of Decision on Taking Rectification Measures Against GF Securities Co., Ltd. (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2019] No. 20) (《關於對廣發證券股份有限公司採取責令改正措施的決定》(廣東證監局行政監管措施決定書[2019] 20號)) from Guangdong Bureau of the CSRC. Guangdong Bureau of the CSRC decided to take administrative regulatory measures against the Company, which the involved Directors and senior management personnel involved shall be accountable.

At the present, the accountability work of the relevant employees is under process. In view of the information in respect of the appraisal of the relevant employees for 2018 is incomplete due to such circumstance, I am unable to make judgement on the relevant matter and recommend to postpone the consideration of the following three resolutions, i.e. the Resolution on Appraisal of Directors' Performance in 2018, Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2018 and Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2018, which is proposed to the Board for consideration on 26 March.”

Under the above circumstance, the Board of the Company decided to postpone the consideration of the above matters. The Company will disclose separately upon the consideration and approval of the above resolutions.

Particulars about Directors, Supervisors, Senior Management and Employees

- (2) The appraisal on supervisors' performance includes supervisor's self-appraisal, peer appraisal among supervisors, democratic appraisal by the employee representatives meeting and appraisal by the Supervisory Board. When the Supervisory Committee reviews the performance of each supervisor, the supervisor concerned should abstain from voting

Specific steps for appraisal on supervisors' performance are as follows:

- ① supervisors' self-appraisal: Supervisors conduct self-appraisal on their respective annual performance in accordance with the Form of Self-appraisal on Supervisors' Performance (《監事履職自我評價表》) with the self-appraisal results of being competent, basically competent or incompetent;
- ② peer appraisal among supervisors: Supervisors conduct peer appraisal on other supervisors' annual performance and give a score for actual performance of other supervisors in accordance with the Form for Peer Appraisal of Supervisors. The Supervisory Board determines the results of peer appraisal according to the rules of peer appraisal with appraisal results of being competent, basically competent or incompetent;
- ③ democratic appraisal by the employee representatives meeting: the employee supervisors submit their work report to the employee representatives meeting for democratic appraisal by the employee representatives. The democratic appraisal shall be conducted by secret ballot. The results of democratic appraisal of the employee representatives include excellent, competent, basically competent and incompetent;
- ④ appraisal by the Supervisory Board: The appraisal by the Supervisory Board is determined by the Supervisory Board. The office of the Supervisory Board together with relevant departments collect the annual performance of supervisors and assist the Supervisory Board in checking the Form of Appraisal of Supervisors' Performance (《監事履職評價表》) based on the annual performance of supervisors;

Particulars about Directors, Supervisors, Senior Management and Employees

- ⑤ appraisal results of supervisors are considered by the Supervisory Board: The Supervisory Board conducts appraisal on the annual performance of relevant supervisors. The Supervisory Board considers the appraisal results on annual performance of supervisors (competent, basically competent or incompetent) according to the self-appraisal results of each supervisor, results of peer appraisal, results of democratic appraisal by the employee representatives meeting and results of consistency checking of the Form of Appraisal of Supervisors' Performance (《監事履職評價表》);
- ⑥ When the Supervisory Board considers the performance of each supervisor, the supervisors concerned shall abstain from voting.

According to the Resolution on Appraisal of Supervisors' Performance in 2018 considered and approved by the Supervisory Board, the appraisal results of Directors are as follows:

The appraisal result of Zhang Shaohua of being competent is approved;
The appraisal result of Cheng Huaiyuan of being competent is approved;
The appraisal result of Tan Yue of being competent is approved;
The appraisal result of Gu Naikang of being competent is approved;
The appraisal result of Lan Hailin of being competent is approved.

The human resources management system of the Company and the relevant requirements are applicable to the appraisal and remuneration of employee representative supervisor. The Performance Appraisal and Salary Management Regulations for Chairman of Supervisory Committee is applicable to the Chairman of Supervisory Committee of the Company.

Particulars about Directors, Supervisors, Senior Management and Employees

(V) Remuneration of Directors, Supervisors and senior management during the Reporting Period

Unit: RMB ten thousand

Name	Position	Sex	Age	Status	The total remuneration before tax received from the Company	Remuneration received from related parties of the Company
Sun Shuming	Executive Director, Chairman	Male	56	Current	196.44	No
Shang Shuzhi	Non-executive Director	Male	66	Current	18.00	Yes
Li Xiulin	Non-executive Director	Male	66	Current	18.00	Yes
Liu Xuetao	Non-executive Director	Female	53	Current	18.00	Yes
Lin Zhihai	Executive Director, general manager	Male	55	Current	193.84	No
Qin Li	Executive Director, standing deputy general manager	Male	50	Current	166.20	No
Sun Xiaoyan	Executive Director, deputy general manager, chief financial officer	Female	46	Current	159.70	No
Yang Xiong	Independent Non-executive Director	Male	52	Current	27.00	Yes
Tang Xin	Independent Non-executive Director	Male	47	Current	27.00	Yes
Chan Kalok	Independent Non-executive Director	Male	57	Current	27.00	Yes
Li Yanxi	Independent Non-executive Director	Male	49	Resigned	27.00	Yes
Fan Lifu	Independent Non-executive Director	Male	46	Current	2.25	Yes
Zhang Shaohua	Chairman of Supervisory Committee, employee representative Supervisor	Male	53	Current	169.39	No
Zhan Lingzhi	Supervisor	Female	63	Resigned	0	No
Tan Yue	Supervisor	Male	59	Current	15.00	Yes
Gu Naikang	Supervisor	Male	53	Current	15.00	Yes
Lan Hailin	Supervisor	Male	59	Current	1.25	Yes
Cheng Huaiyuan	Employee representative Supervisor	Male	52	Current	99.90	No
Ouyang Xi	Deputy general manager	Male	51	Current	164.15	No
Luo Binhua	Deputy general manager, Secretary to the Board, joint company secretary	Male	54	Current	162.78	No
Yang Long	Deputy general manager	Male	54	Current	183.40	No
Wu Jifu	Deputy general manager, chief compliance officer	Male	53	Current	168.04	No
Zhang Wei	Deputy general manager	Male	43	Current	184.58	No
Tang Xiaodong	Deputy general manager	Male	50	Current	157.95	No
Xin Zhiyun	Chief risk officer	Male	48	Current	86.95	No
Total	—	—	—	—	2,288.83	—

Particulars about Directors, Supervisors, Senior Management and Employees

- Note 1: The Company does not pay non-cash compensation.
- Note 2: The total remuneration before tax received from the Company was the remuneration provided and paid in 2018.
- Note 3: For the total remuneration of key senior management in office in the period when the Company made a provision during the Reporting Period, please refer to the relevant information in the note in the audit report.

Share option granted to Directors and senior management of the Company during the Reporting Period

N/A.

V. INFORMATION OF THE STAFF OF THE COMPANY

(I) Number of staff, professional structure and their education level

Number of current staff of the parent company	10,277
Number of current staff of the major subsidiaries	1,902

Total number of current staff **12,179**

Total number of paid employees for the current period 12,178

Professional structure

	Number of Professionals	Percentage
Professions		
Primary business	10,133	83.20%
Risk management	106	0.87%
Legal and compliance	103	0.85%
Information Technology	747	6.13%
Others	1,090	8.95%

Total **12,179** **100.00%**

Education level

	Number of Employees	Percentage
Education level		
Doctoral degree	151	1.24%
Master's degree	3,078	25.27%
Bachelor's degree	7,353	60.37%
Associate degree and below	1,597	13.11%

Total **12,179** **100.00%**

Age

	Number of Employees	Percentage
Age range		
30 and below	4,697	38.57%
31 to 40	4,974	40.84%
41 to 50	2,088	17.14%
51 and above	420	3.45%

Total **12,179** **100.00%**

Note 1: The above number of employees includes 247 employees for early retirement;

Note 2: There were no retired employees for whom the Company is required to pay additional cost.

(II) Remuneration policies for employees

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, the Administrative Measures on the Labor Contract for GF Securities Employees, the Administrative Measures on the Benefits Leave for GF Securities Employee and Implementation Measures for the Management on Performance Evaluation of Employees of GF Securities which effectively protected the rights and interests for employees in labor protection, working conditions, salary payment, social insurance, working hours management, rest and vacation and the interests of female employees.

The Company established a competitive remuneration mechanism based on market principle. The remuneration of the Company's employees comprises of fixed salary, performance bonus and benefits.

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.

(III) Training plans

The Company attached great importance to employee training, carried out training and learning activities as common measures for the development of talents and was committed to building a team of highly qualified personnel. The Company took the training center as the carrier and built a hierarchical and targeted employee training course system of "business + leadership" to meet the development needs of employees in different professional stages of professional channels and management channels; through the operation of four learning platforms such as Guangfa Aixue APP, we can flexibly coordinate the learning needs of employees in various scenarios, help employees effectively use personal fragmentation time, and guide employees to learn independently, actively share and precipitate in time. By establishing an effective training management mechanism, we created an atmosphere that was conducive to guiding employees to learn and share independently, and built a learning organization. The employee training that met the strategic needs, supported the sustainable and stable development of the Company, and achieved a "win-win" for the Company's business development and employee career development.

In 2018, the Company focused on a new round of strategic planning. With an emphasis on the learning content of "customer center orientation" and "international development direction", the Company continued to actively promote the employee training and development of talents:

- I. **Supporting the launch of a new round of strategic planning focusing on "customer center orientation"**. On one hand, through the top-down and step-by-step strategic promotion activities, all employees were encouraged to put the connotation of strategic planning into the brain and into the heart; on the other hand, through the implementation of the "training + assessment" qualification certification system in the main line of business, the customer service capabilities of employees would be comprehensively enhanced.

Particulars about Directors, Supervisors, Senior Management and Employees

- II. Promoting the construction of international talent teams.** On one hand, the Company supported the development needs of the Company's business transformation by conducting a number of professional training programs such as the special training for investment banking international business and overseas special training for "private banking"; on the other hand, it continued to promote the hierarchical leadership development projects and continuously optimize the building of talent team of the Company.
- III. Carrying out the construction of learning platform and promotion of corporate culture.** On one hand, the Company paid attention to improving the user experience of various learning platforms, continuously promoted the content creation and employee self-learning guidance mechanisms, and explored a socialized learning model. In 2018, the number of original online professional courses and online hours of employees were significantly improved. On this basis, the Company also gradually explored the implementation path of knowledge management platform and knowledge management mechanism; on the other hand, it deeply explored the Company's internal corporate culture and excellent practice cases of leadership cultivation, and continued to strengthen the tractive effort of corporate culture and core values through multi-channel publicity and classified corporate culture training.

(IV) Contracted staff

Currently, certain departments and branches of our corporate headquarter outsource non-core, sundry and supporting work to the labor outsourcing agents. The Company signs service agreements with them and regulates their service quality according to the requirements of laws and regulations including Company Law.

VI. CONSTITUTION OF ALL SPECIAL COMMITTEES UNDER THE BOARD

As at 31 December 2018, the ninth session of the Board of the Company established four special committees. The committees and their members were as follows:

Strategy Committee: Sun Shuming (chairman), Shang Shuzhi, Li Xiulin, Liu Xuetao, Lin Zhihai;

Risk Management Committee: Sun Shuming (chairman), Tang Xin, Lin Zhihai, Qin Li, Sun Xiaoyan;

Audit Committee: Yang Xiong (chairman), Chan Kalok, Fan Lifu;

Remuneration and Nomination Committee: Tang Xin (chairman), Yang Xiong, Fan Lifu, Lin Zhihai, Qin Li.

VII. INFORMATION ABOUT CUSTOMER SOLICITATION AND CUSTOMER SERVICE OF COMMISSION BROKERS

As at the end of Reporting Period, the Company had 245 security brokerage branches which had entrusted brokers to engage in businesses including client solicitation. There were 1,741 brokers in total, among which, 1,688 brokers have gained the security broker qualification, 53 brokers were under applications for the qualification.

During the Reporting Period, the three-tiered management system of “retail business management headquarters - marketing management department at branch offices - marketing development department of sales department” was adopted for the management of brokers. The E-commerce department, as the headquarters’ functional department under the retail business headquarters, established a system for managing our securities brokers and organising centralised training activities. The branch offices coordinated and supervised the business of securities brokers within their respective jurisdictions. The brokerage branches were responsible for implementing the recruitment, training, practicing registration, marketing development and daily management activities.

Section 10
Corporate
Governance



I. BASIC SITUATION OF THE CORPORATE GOVERNANCE

The Company is committed to becoming a modern investment bank with international competitiveness, brand influence and systematic significance. As a public company listed in both Mainland China and Hong Kong, the Company carries out standardized operations in strict accordance with the requirements of laws and regulations and normative documents of the place where the Company is listed, therefore continuously improving the social recognition and public reputation.

The Company continues to enhance corporate governance pursuant to stipulations under the relevant laws and regulations including the Company Law, the Securities Laws, the Regulations on Supervision and Administration of Securities Firms, the Rules on Governance of Securities Firms, the Standardized Operational Guidelines for Companies Listed on the Main Board of the Shenzhen Stock Exchange and the Hong Kong Listing Rules. The Company constantly improves its internal control management system so as to gradually reinforce the integrity, rationality and effectiveness of its internal control. The Company further establishes and improves its rules and regulations. The general meeting of Shareholders, the Board of Directors, the Supervisory Committee and the management of the Company perform their respective duties and act with due diligence, which establishes a sound structure of corporate governance. Through this corporate governance structure, the Company ensures its standard operation in accordance with the Corporate Governance Code. There is no difference between the actual situation of corporate governance and the relevant requirements and provisions of the CSRC and the Hong Kong Stock Exchange.

To satisfy the requirements of both corporate governance and specific operation for an A+H dual listed company, the Company approved at the Board meeting on March 19, 2015, the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules as the code of conduct for securities transactions of the Company by all Directors, and the adoption of the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules as the guidelines for standardizing the Company's governance. On April 10, 2015, the Company's H shares were issued and listed on the Main Board of Hong Kong Stock Exchange. Since then, the Company has strictly complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Hong Kong Listing Rules (hereinafter referred to as the "Code"), and all provisions thereof. The Company has met most of the recommended best practice provisions as set out in the Code.

During the Reporting Period, the Company convened a total of 30 meetings, including two general meetings of shareholders, ten meetings of the Board of Directors, four meetings of the Supervisory Committee, two annual report work meetings of Independent Non-Executive Directors, five meetings of the Audit Committee, three meetings of the Remuneration and Nomination Committee, two meetings of the Strategy Committee, and two meetings of the Risk Management Committee.

II. THE COMPANY'S INDEPENDENCE RELATIVE TO THE CONTROLLING SHAREHOLDER IN TERMS OF THE BUSINESS, PERSONNEL, ASSETS, INSTITUTIONS AND FINANCE

The ownership structure of the Company is decentralized, with no controlling shareholder. The Company is completely separated from the largest shareholder with regard to the business, personnel, assets, institutions, finance and other aspects. The Board of Directors, the Supervisory Committee and each functional department are all able to operate independently, equipped with independent business and operation capacities. Details are as follows:

1. Operational independence

The Company independently carries out operation within its business scope approved by the CSRC in accordance with the Company Law and the Company's Articles of Association. The Company has obtained the required business license to run securities business and has independent business and operation capacities. In its business operations, the Company is free from influence and control of shareholders including the largest shareholder and related parties, and is able to compete in the market. There are no situations where shareholders and related parties violate the Company's operational procedures and interfere with the internal management and operation decisions of the Company.

2. Independence of personnel

The Company has established a human resources department and an independent labor and personnel policy and an independent labor, personnel and payroll management system. The Company is completely separated with the largest shareholder and other shareholders. The engagement of the Company's Directors, Supervisors, and senior management complies with the Company Law, the Securities Law and the Measures on Supervision of Qualifications for Directors, Supervisors and Senior Management Personnel of Securities Firms and other relevant provisions. The Company's incumbent Directors, Supervisors and senior management personnel have already obtained the regulators' approval with regard to qualifications for their respective roles. No senior management serves in the largest shareholder of the Company and other shareholders, or works in a part-time manner for other non-profit institutions or engages in other business activities. The Company has established a well-developed employment, personnel management, payroll management and social security system, and has signed a labor contract with each of the employees according to laws. The Company has independent rights to employ labors, with no interference from shareholders.

3. Independence of the assets

The Company has independent and integral assets which are necessary for carrying out securities business. No shareholders (including the largest shareholder) or other related parties have taken up the Company's assets or acted detrimentally to the legitimate rights of the Company and its other shareholders or clients. The Company independently operates and manages its own assets according to laws, possessing the franchises, real estate, operation equipment and trademarks which are required for its operation. The Company has legitimate rights to own and use such assets, and no shareholders (including the largest shareholder) have occupied the Company's assets and capital which may harm the interests of the Company.

4. Institutional independence

The Company has established a sound corporate governance structure, and has set up the general meeting of shareholders, the Board of Directors and its four special committees (namely the Strategy Committee, the Risk Management Committee, the Audit Committee, the Remuneration and Nomination Committee), the Supervisory Committee, the management team and related business management departments which work properly and exercise powers according to laws within the framework of their respective mandates. With independent and complete securities business and management systems, the Company independently develops business and complies with the CSRC requirements in terms of the organizational setup and operation. The Company's existing offices and business premises are completely split from those of its shareholders, so there is no shared use among different organizations.

5. Financial independence

In accordance with the Accounting Standards for Business Enterprises, the Accounting Standards for Business Enterprises - Application Guide, the Financial Rules for Financial Enterprises and other provisions, the Company has established an independent financial department along with independent financial accounting system and financial management system. The Company is staffed with independent financial accountants, none of whom serve in a part-time manner for any shareholders. The Company's financial decisions are made independently, and no shareholders or related parties have interfered with the use of funds. The Company opens a separate banking account, and no shareholders (including the largest shareholder) and related parties share accounts with the Company. As an independent taxpayer, the Company has completed separate tax registration and pays tax according to laws, and no shareholder pays taxes together with the Company.

As of December 31, 2018, the Company has not provided any guarantees to any shareholder (including the largest shareholder) and other related parties.

III. COMPETITION WITH SUBSTANTIAL SHAREHOLDERS

None

IV. THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

(I) About Shareholders and the general meetings of Shareholders

The general meeting shall be the authority of power of the Company, through which the shareholders shall exercise their functions. The existing Articles of Association and the Rules of Procedure of the General Meeting of Shareholders of the Company have provided for the rights and obligations of shareholders, the authority of the general meeting of shareholders, the convening, voting and resolutions of the general meeting of shareholders, which ensure the standard and effective operation of the general meeting of Shareholders and protect the interests of Shareholders, especially those of the minority shareholders and the Company.

Under Article 72 of Articles of Association of the Company, Shareholder(s) severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, the Articles of Association, give a written reply on whether to convene an extraordinary general meeting or not within 10 days after receipt of the request. If the Board agrees to convene an extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is passed by the Board. In the event of any change to the original proposals set forth in the notice, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or more shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposals set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result of its failure to do so, the Shareholder(s) severally or jointly holding 10% or above shares of the Company for 90 consecutive days or above may convene and preside over such meeting by itself/themselves.

In addition, under Article 77 of the Articles of Association of the Company, where the Company convenes a general meeting, the Board, the Supervisory Committee and shareholder(s) severally or jointly holding 3% or above shares of the Company may make proposals to the Company. Shareholder(s) severally or jointly holding 3% or above shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of a proposal, and announce the content of the proposals on the agenda. Otherwise, the convener shall not change the proposals set out in the notice of general meeting or add any new proposal after the said notice announcement is served.

(II) General meeting of shareholders during the Reporting Period

Session of meeting	Type of meeting	Participation	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
		ratio of investors					
Annual general meeting 2017	Annual general meeting	56.3159%	June 29, 2018	<p>1. 2017 Annual Report of Board of Directors of GF Securities; 2. 2017 Annual Report of Supervisory Committee of GF Securities; 3. 2017 Annual Final Financial Report of GF Securities; 4. 2017 Annual Report of GF Securities; 5. 2017 Annual Profit Distribution Proposal of GF Securities; 6. Resolution on Authorization of Proprietary Investment Quota for 2018; 7. Resolution on 2018 Expected Daily Related Party/Connected Transactions; 8. Resolution on the Authorization Granted to the Company for the Issuance of Corporate Onshore and Offshore Debt Financing Instruments (need to be voted by item); 9. Resolution Regarding Amendments to the Articles of Association of the Company; 10. Resolution on Engaging 2018 Annual Auditor; 11. Resolution on Proposed Grant of the General Mandate to Issue Shares to the Board at General Meeting; 12. Resolution on the Company's Compliance with the Conditions for Non-Public Issuance of A Shares; 13. Resolution on the Company's Non-Public Issuance of A Shares Plan (Need to be voted by item); 14. Resolution on the Company's Plan for Non-Public Issuance of A Shares; 15. Resolution on the Feasibility Analysis Report on the Use of Raised Funds by the Company for Non-Public Issuance of A Shares; 16. Resolution Regarding the Report on the Use of proceeds from Previous Funds-raising Activities; 17. Resolution Regarding the Related/ Connected Transactions Involved in the Company's Non-public Issuance of A Shares; 18. Resolution Regarding the Execution of a Subscription Agreement Relating to the Non-Public Issuance of Shares with Conditions precedent between the Company and Specific Subscribers; 19. Resolution on Dilution of Current Returns Resulting from the Non-public Issuance of A Shares and the Remedial Measures; 20. Resolution on the Company's Shareholder Return Plan for the Next Three Years (2018-2020); 21. Resolution on Proposed Authorization of the Board at the General Meeting and the Authorized Person Dealing with the Non-Public Issuance of A Shares; 22. Resolution on the Amendments to Profit Distribution Provision of the Articles of Association of the Company.</p>	All resolutions were approved	June 30, 2018	

Published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKExnews website of Hong Kong Stock Exchange (www.hkexnews.hk) by the Company

Corporate Governance

Session of meeting	Type of meeting	Participation ratio of investors	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The 2018 first extraordinary general meeting	Extraordinary general meeting	51.2529%	November 5, 2018	1. Resolution Regarding Amendments to the Articles of Association of the Company; 2. Resolution Regarding Amendments to the Rules of Procedures of the Meeting of the Supervisor Committee; 3. Resolution Regarding Election of Independent Director of the Ninth Session of the Board of the Company; 4. Resolution Regarding Election of Supervisor of the Ninth Session of the Supervisory Committee of the Company.	All resolutions were approved	November 6, 2018	

As a responsible public company, the Company is dedicated to effective protection of shareholders of the Company and their full right of information, to ensure the fairness of information disclosure. The Company has also continued to take a series of concrete actions to further improve and increase its communication with investors. The Company appointed a secretary of Board of Directors and a Company secretary who are responsible for information disclosure. The securities representative and the Board's office assist in information disclosure and maintenance of investors relations. The Company interacts and communicates with investors in a variety of forms, mainly including phone calls, emails, investor relation platform on the Company's website, the interaction platform of the SZSE, site visits, attending investor presentations and overseas road shows. Shareholders may at any time make queries and express their views to the Board in writing through the Company secretary and the Board's office. Where appropriate, shareholders' inquiries and comments will be forwarded to the Board of Directors and/or the relevant special committees of the Company's Board to address shareholders' questions, to ensure that shareholders, especially minority shareholders can fully exercise their rights (for contact information of the Company, please refer to "II. Contact Persons and Contact Information" in Section 1 in this report).

- (III) Holders of preferred shares whose voting rights have been restored request the convening of extraordinary general meeting

Not applicable

V. BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE MEETINGS CONVENED DURING THE REPORTING PERIOD

- (I) In respect of Directors, Board of Directors and the management team

The existing Articles of Association and the Rules of Procedure of the Board of Directors have provided for the qualification, obligations and responsibilities of Directors, the authority of the Board of Directors, the convening, voting and resolutions of the meeting of the Board of Directors, etc., which ensure the standard and effective operation of the Board of Directors.

1. The composition of the Board

The Company appoints and replaces Directors strictly in accordance with the relevant regulations and the provisions of its Articles of Associations. The Board of Directors shall exercise its power and functions according to laws, ensuring that the convening, voting, resolutions of the Board of Directors comply with the Company Law, the Articles of Association and other regulations. The Board of Directors of the Company currently comprises 11 Directors, among them, four are Executive Directors, three are Non-Executive Directors and four are Independent Non-Executive Directors. The number of Independent Non-Executive Directors exceeds one-third of the total number of the Company's Directors.

The Directors shall be elected or replaced at the general meeting and their term of office shall be three years. The Directors shall perform their official duties since the adoption of the resolution of the shareholders and upon the date of their competency being approved by the CSRC. Upon the expiry of the term, a Director shall be eligible for re-election and re-appointment. Independent Directors shall have the same term of office as the other Directors. The term of office of an independent Director is renewable upon re-election when it expires, but no independent Director shall serve for more than two sessions. Ordinary resolution for the election of Directors at a general meeting shall be passed by one half or above of the voting rights held by the Shareholders (including their proxies) attending the general meeting.

Independent Non-Executive Directors shall have independence as required under Rule 3.13 of the Hong Kong Listing Rules. As of the date of this annual report, the Company has received confirmation in writing from all Independent Non-Executive Directors on their independence. The Company will continue to confirm their independent status, based on the aforesaid confirmation and the relevant information available to the Board.

2. *Duties of the Board of Directors*

The Board of Directors is the decision-making body of the Company, responsible for the general meeting of shareholders, and shall discharge their duties in accordance with laws, regulations, the Articles of Association of the Company and the listing rules where our Shares are listed. The Board of Directors is responsible for the formulation of the Company's strategies and corporate governance policies, implementation of risk management and internal control as well as corporate finance decisions.

According to the Articles of Association of the Company, the Board shall exercise the following functions and powers: to convene general meetings and report to general meetings; to execute resolutions of general meetings; to resolve on the Company's business plans and investment plans; to formulate the Company's long-term and mid-term development plans; to prepare the annual financial budgets and final accounting plans of the Company; to prepare the profit distribution plan and loss makeup plan of the Company; to prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and listing plans; to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company; to decide on external investment, acquisition and disposal of assets, asset pledge, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting; to resolve on the establishment of internal management organizations of the Company; to appoint or dismiss the Company's general manager, secretary of the Board, chief compliance officer and chief audit officer as nominated by the Chairman of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager and determine their remuneration and rewards and penalties; to set up the basic management system of the Company; to formulate the proposals for any amendment to the Articles of Association; to manage the disclosure of information by the Company; to propose to general meetings the appointment or change of the accounting firm acting as the auditors of the Company; to review the work report of the general manager of the Company and examine the work conducted by the general manager; to monitor, review and evaluate the establishment and implementation of the Company's various internal control systems and to be responsible for the effectiveness of the internal control; to ensure the independence of the chief compliance officer, guarantee the independent communication between the chief compliance officer and the Board and safeguard the smooth reporting between the chief compliance officer and the regulatory authority; to review the compliance report and monitor the implementation of the compliance policies; to examine and approve significant risk management policies including risk preference; to evaluate and determine the nature and extent of risks that the Company is willing to take in achieving its strategic objectives and ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board of Directors shall supervise the design, implementation and monitoring of the risk management and internal control systems by the management and the management shall provide the Board of Directors confirmations on the effectiveness of such systems; and to exercise other functions and powers as stipulated by laws, administrative rules and regulations or the Articles of Association.

According to the resolution of the second extraordinary general meeting of the Company for the year of 2014, the Company purchased liability insurance for its Directors, Supervisors and senior management to provide protection for possible compensation liability in the course of performing their duties and to promote their full performance of duties.

3. Major initiatives on corporate governance by the Board of Directors

In terms of corporate governance, the Board or its subordinated specific committees shall perform the following responsibilities: to formulate and review the policy and practice of corporate governance, and make proposals to the Board; to review and monitor training and continued professional development of the Directors and senior management personnel; to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; and to review its compliance with the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules, and the disclosure in the Corporate Governance Report as set out in Appendix 14 therein. During the Reporting Period, the Board of Directors of the Company carries out major initiatives on corporate governance as follows:

- (1) By adhering to the cultural values of "giving back to community" and "actively fulfilling social responsibilities", the Company actively responded to the calls from the party committees and governments at all levels and the regulators of the securities industry, and based on the actual situation of the Company's targeted poverty alleviation and assistance work, submitted the proposal on amendments to the relevant donation provisions of the Articles of Association to the general meeting;
- (2) Pursuant to the relevant provisions of the Notice Regarding Further Implementing Cash Dividend Distribution of Listed Companies 《關於進一步落實上市公司現金分紅有關事項的通知》 issued by the CSRC on May 4, 2012 and the Regulatory Guidelines No. 3 for Listed Companies - Distribution of Cash Dividends of Listed Companies 《上市公司監管指引第3號——上市公司現金分紅》 issued by the CSRC on November 30, 2013 and based on its own actual situation, the Company submitted the proposal on amendments to the profit distribution provisions of the Articles of Association to the general meeting;
- (3) Pursuant to the auxiliary rules and consolidated regulatory requirements, such as the Administrative Measures for Risk Control Indicators of Securities Companies 《證券公司風險控制指標管理辦法》 issued by the CSRC on October 1, 2016 and the Regulations on Comprehensive Risk Management of Securities Companies 《證券公司全面風險管理規範》 issued by the China Securities Industry Association on December 30, 2016, the Company submitted the proposal on amendments to the relevant provisions of the Articles of Association to the general meeting, and also amended its Terms of Reference for the Chairman 《董事長工作細則》 and Terms of Reference for the General Manager 《總經理工作細則》.

The Company provides professional training to its Directors, Supervisors and senior managers for their performance of duties, provides them with the monthly newsletters of the Directors and Supervisors that are compiled by the Company, to improve their understanding of the securities industry and the Company's business and to facilitate its Directors, Supervisors and senior managers for the performance of their duties.

Before the publication of this report, the Board has reviewed the Corporate Governance section herein (the corporate governance report), and the Board is of the view that this corporate governance report complies with the relevant requirements of the Hong Kong Listing Rules.

4. *Duties of the management team*

The Company implements the general-manager responsibility system under the leadership of the Board of Directors. The Articles of Association of the Company clearly delineate the respective responsibilities of the Board of Directors and the management. The management shall be accountable for the daily business operations of the Company; organizing the implementation of the Board's resolutions, the Company's annual business plans and investment plans; preparing the plan for the establishment of internal management of the Company; preparing the plan of the basic management system of the Company; deciding the appointment or removal of executives other than those appointed or removed by the Board; and exercising other functions and powers conferred in the Articles of Association and by the Board. If necessary, the Board of Directors could delegate its management and administrative authority to the management team, and provide clear guidelines on the authorized acts. Senior management staff shall be appointed or removed by the Board. They serve for a term of three years and may serve consecutive terms upon reappointment.

5. *Chairman and General Manager*

The position of the Chairman and General Manager of the Company shall be separately held by different individuals to ensure a balanced mandate and to avoid excessive concentration of power. The position of Chairman is held by Mr. Sun Shuming and the position of General Manager of the Company is held by Mr. Lin Zihai. The Company's Articles of Association, Terms of Reference for the Board of Directors and Terms of Reference for the General Manager clearly delineate the duties of the Chairman and the General Manager.

The Chairman is the legal representative of the Company, who leads the daily operations of the Board, and monitors and examines the implementation of resolutions made by the Board to ensure efficient and orderly operations of the Board. The general manager manages the daily business operations of the Company, organizes and implements the Board's resolutions, and reports to the Board.

6. The Board meetings during the Reporting Period

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Fifth Meeting of the Ninth Session of the Board of Directors	March 16, 2018	1. Resolution on Establishing Strategic Investment Banking Department; 2. Resolution on Renaming the Interbank Business and Products Department.	All resolutions were passed	March 17, 2018	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company
The Sixth Meeting of the Ninth Session of the Board of Directors	March 23, 2018	1. Board Report of GF Securities for the Year of 2017; 2. Work Report of GF Securities Board Strategy Committee for the Year of 2017; 3. Work Report of GF Securities Board Risk Management Committee for the Year of 2017; 4. Work Report of GF Securities Board Audit Committee for the Year of 2017; 5. Work Report of GF Securities Board Remuneration and Nomination Committee for the Year of 2017; 6. Resolution on Drawing General Meeting's attention to Work Report of GF Securities Independent Directors for the Year of 2017; 7. Resolution on Drawing General Meeting's attention to Duty Report of GF Securities Independent Directors for the Year of 2017; 8. Resolution on Performance Assessment on Directors for the Year of 2017; 9. Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2017; 10. Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2017; 11. Final Financial Report of GF Securities for the Year of 2017; 12. Annual Report of GF Securities for the Year of 2017; 13. Social Responsibility Report of GF Securities for the Year of 2017; 14. Corporate Governance Report of GF Securities for the Year of 2017; 15. Compliance Report of GF Securities for the Year of 2017; 16. Report of Self-Assessment of Internal Control of GF Securities for the Year of 2017; 17. Risk Management Report of GF Securities for the Year of 2017; 18. Plan of Profit-sharing of GF Securities for the Year of 2017; 19. Resolution on Change of Accounting Policy; 20. the Resolution on the Authorization of Proprietary Investment Quota for 2018; 21. Resolution on Expected Daily Related Party/Connected Transactions of GF Securities for the Year of 2018; 22. Resolution on the Authorization Granted to the Company for the Issuance of Corporate Onshore and Offshore Debt Financing Instruments; 23. Resolution on the Amendment to the Articles of Association of the Company; 24. Resolution on the Authorization to Convene the Annual General Meeting of GF Securities Co., Ltd. for the Year of 2017; 25. Resolution on Distribution of Performance Salary for the Management for the Year of 2017.	All resolutions were passed	March 24, 2018	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company
The Seventh Meeting of the Ninth Session of the Board of Directors	April 24, 2018	1. the 2018 First Quarterly Report of GF Securities; 2. the Resolution Regarding Engaging Auditors in 2018.	All resolutions were passed	April 25, 2018	

Corporate Governance

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Eighth Meeting of the Ninth Session of the Board of Directors	May 8, 2018	1. the Resolution Regarding the Proposal to the Shareholders' Meeting to Authorize the Board the General Mandate to Issue Shares; 2. the Resolution Regarding the Satisfaction of the Criteria for the Non-public Issuance of A Shares by the Company; 3. the Resolutions Regarding the Plan on the Non-Public Issuance of A Shares by the Company; 4. the Resolution Regarding the Proposal of the Non-public Issuance of A Shares by the Company; 5. the Resolution Regarding the Feasibility Analysis Report on Use of Proceeds from the Non-public Issuance of A Shares by the Company; 6. the Resolution Regarding the Report on Use of Proceeds from Previous Fund-raising Activities; 7. the Resolution Regarding the Related Party/Connected Transactions Involved in the Company's Non-public Issuance of A Shares; 8. the Resolution Regarding the Execution of a Subscription Agreement relating to the Non-public Issuance of A Shares with Conditions Precedent between the Company and a Specific Subscriber; 9. the Resolution Regarding the Dilution of Current Returns resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures; 10. the Resolution Regarding the Shareholders' Return Plan of the Company for the Next Three Years (2018-2020); 11. the Resolution Regarding the Grant of Authorization to the Board and its Authorized Representatives by the General Meeting to Deal with the Relevant Matters relating to the Non-public Issuance of A Shares; 12. the Resolution Regarding Amendment to the Profit Distribution Provision of the Articles of Association.	All resolutions were passed	May 9, 2018	
The Ninth Meeting of the Ninth Session of the Board of Directors	June 25, 2018	1. the Resolution on the Appointment of Mr. Tang Xiaodong as the Deputy General Manager of the Company; 2. the Resolution on the Appointment of Mr. Xin Zhiyun as the Chief Risk Officer of the Company; 3. the Resolution on the Change the Name of Corporate Financing Development Department; 4. the Resolution on the Amendment to Audit Management System of the Company	All resolutions were passed	June 26, 2018	
The Tenth Meeting of the Ninth Session of the Board of Directors	August 29, 2018	1. the 2018 Interim Report of GF Securities; 2. the GF Securities Interim Report of Risk Management for the Year of 2018; 3. the Resolution on the Adjustment of the Structure of the Investment Banking Business Management Division; 4. the Resolution on the Adjustment of Increase in Capital Contribution to GF Holdings (Hong Kong) Corporation Limited; 5. the Resolution on the Amendment to the Articles of Association; 6. the Resolution on the Amendment to the Terms of Reference for the Chairman of the Company; 7. the Resolution on the Amendment to the Terms of Reference for the General Manager of the Company; 8. the Resolution on the Authorization to Convene the General Meeting.	All resolutions were passed	August 30, 2018	
The Eleventh Meeting of the Ninth Session of the Board of Directors	September 18, 2018	1. the Resolution on the Nomination of the Candidate for the Independent Director of the 9th Session of the Board.	The resolution was passed	September 19, 2018	
The Twelfth Meeting of the Ninth Session of the Board of Directors	October 26, 2018	1. the 2018 Third Quarterly Report of GF Securities.	The resolution was passed	October 27, 2018	
The Thirteenth Meeting of the Ninth Session of the Board of Directors	November 5, 2018	1. the Resolution on Electing Mr. Fan Lifu as a Member of the Audit Committee of the 9th Session of the Board of the Company; 2. the Resolution on Electing Mr. Fan Lifu as a Member of the Remuneration and Nomination Committee of the 9th Session of the Board of the Company.	All resolutions were passed	November 6, 2018	
The Fourteenth Meeting of the Ninth Session of the Board of Directors	December 26, 2018	1. the Resolution on the Establishment of Liaoning Branch.	The resolution was passed	December 27, 2018	

7. *Implementation of the resolutions of shareholders' meetings by the Board of Directors*

The Board of Directors of the Company has implemented the resolutions of shareholders' meetings well, and implementation of the resolutions of shareholders' meetings during the Reporting Period is as follows:

On June 29, 2018, the Company held the 2017 annual general meeting and passed the Proposal on 2017 Profit Distribution of GF Securities 《廣發證券2017年度利潤分配預案》, which provided cash dividend of RMB4 (tax inclusive) for every 10 shares based on the existing share capital of the Company of 7,621,087,664 Shares. It was completed before August 15, 2018.

On June 29, 2018, the Company held the 2017 annual general meeting and passed the relevant resolutions on non-public issuance of A shares. On December 26, 2018, the Company received the Reply on the Approval in Relation to the Non-public Issuance of Shares by GF Securities Co., Ltd. (《關於核准廣發證券股份有限公司非公開發行股票的批覆》) from the CSRC and the Board of the Company has dealt with the matters regarding this issuance within the prescribed period and performed the information disclosure obligations in a timely manner pursuant to the above-mentioned approval documents and the authorization of the Company's general meeting.

On June 29, 2018, the Company convened the 2017 annual general meeting and passed the resolution on engagement of our auditor for the Year of 2018. According to the resolution, the Company engaged Ernst & Young as our auditor for the year of 2018.

On June 29 and November 5, 2018, the Company convened the 2017 annual general meeting and the 2018 first extraordinary general meeting respectively, and passed the resolution regarding amendments to the Articles of Association. After general meeting, the Company submitted an application to Guangdong Bureau of the CSRC for approval of change in major provisions of its Articles of Association in accordance with the relevant laws and regulations and received the Reply on the Approval of Change in Major Provisions of the Articles of Association of GF Securities Co., Ltd. 《關於核准廣發證券股份有限公司變更公司章程重要條款的批覆》 in August 2018 and December 2018, respectively, and the amended Articles of Association took effect.

(II) **The Supervisory Committee meetings during the Reporting Period**

1. *Supervisors and Supervisory Committee*

The existing Articles of Association and the Rules of Procedure of the Supervisory Committee have provided provisions regarding the composition, authority, the convocation of the meeting, notice of meeting and minutes of the Supervisory Committee, etc., which ensure the standard and effective operation of the Supervisory Committee.

Corporate Governance

2. The Supervisory Committee meetings during the Reporting Period

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Fifth Meeting of Ninth Session of the Supervisory Committee	March 23, 2018	1. the Report of Self-Assessment of Internal Control of GF Securities for the Year of 2017; 2. the Annual Report of GF Securities for the Year of 2017; 3. the Resolution on Audit Opinion of 2017 Annual Report of GF Securities; 4. the Supervisory Committee Report of GF Securities for the Year of 2017; 5. the Resolution on Performance Assessment on Supervisors for the Year of 2017; 6. the Special Description of Performance Assessment and Remuneration of GF Securities Supervisors for the Year of 2017; 7. the Social Responsibility Report of GF Securities for the Year of 2017; 8. the Resolution regarding the Nomination of Supervisors Candidates for the Ninth Session of the Supervisory Committee; 9. the Resolution on Performance Salary for Chief Supervisor for the Year of 2017.	All resolutions were passed	March 24, 2018	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company
The Sixth Meeting of Ninth Session of the Supervisory Committee	April 24, 2018	1. the 2018 First Quarterly Report of GF Securities.	The resolution was passed	April 25, 2018	
The Seventh Meeting of Ninth Session of the Supervisory Committee	August 29, 2018	1. the 2018 Interim Report of GF Securities; 2. the Resolution on the Amendment to the Rules of Procedure of the Supervisory Committee of GF Securities.	All resolutions were passed	August 30, 2018	
The Eighth Meeting of Ninth Session of the Supervisory Committee	October 26, 2018	1. the 2018 Third Quarterly Report of GF Securities.	The resolution was passed	October 27, 2018	

VI. PERFORMANCE OF DUTIES BY DIRECTORS DURING THE REPORTING PERIOD

1. Attendance of Directors at Board meetings and general meetings of shareholders

Name of Director	Position	Attendance required during the Reporting Period	Attendance of Board meetings				Two consecutive absences in person	Voting results	Number of general meeting of shareholders attended
			Attendance by on-site meeting	Attendance by written resolutions	Attendance by proxy	Times of absence			
Sun Shuming	Executive Director, Chairman	10	6	4	0	0	No	Affirmative to all	2/2
Shang Shuzhi	Non-Executive Director	10	1	9	0	0	No	Affirmative to all	0/2
Li Xiulin	Non-Executive Director	10	1	9	0	0	No	Affirmative to all	0/2
Liu Xuetao	Non-Executive Director	10	1	8	1	0	No	Affirmative to all	1/2
Lin Zhihai	Executive Director, General Manager	10	6	4	0	0	No	Affirmative to all	2/2
Qin Li	Executive Director, Standing Deputy General Manager	10	6	4	0	0	No	Affirmative to all	1/2
Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	10	6	4	0	0	No	Affirmative to all	2/2
Yang Xiong	Independent Non-Executive Director	10	2	7	1	0	No	Affirmative to all	1/2
Tang Xin	Independent Non-Executive Director	10	0	9	1	0	No	Affirmative to all	0/2
Chan Kalok	Independent Non-Executive Director	10	1	8	1	0	No	Affirmative to all	0/2
Li Yanxi	Independent Non-Executive Director	8	1	6	1	0	No	Affirmative to all	0/2
Fan Lifu	Independent Non-Executive Director	2	0	2	0	0	No	Affirmative to all	0/0
Attendance of Independent Directors at general meetings of shareholders									1

Note 1: During the term of office of Li Yanxi in 2018, the Company held 2 general meeting of shareholders and 8 board meetings;

Note 2: After Mr. Fan Lifu obtained their qualification as a director of a securities company in 2018, the Company held 2 board meetings and nil general meeting of shareholders.

During the Reporting Period, Mrs. Liu Xuetao, the Non-Executive Director of the Company, was unable to attend the Tenth Meetings of the Ninth Session of the Board of Directors due to her work and authorized Mr. Sun Shuming, the Executive Director of the Company, to attend the meetings on her behalf. Mr. Yang Xiong, the Independent Non-Executive Director of the Company, was unable to attend the Twelfth Meetings of the Ninth Session of the Board of Directors due to his work and authorized Mr. Tang Xin, the Independent Non-Executive Director of the Company, to attend the meetings on his behalf. Mr. Tang Xin, the Independent Non-Executive Director of the Company, was unable to attend the Sixth Meetings of the Ninth Session of the Board of Directors due to his work and authorized Mr. Li Yanxi, the Independent Non-Executive Director of the Company, to attend the meetings on his behalf. Mr. Chan Kalok, the Independent Non-Executive Director of the Company, was unable to attend the Tenth Meetings of the Ninth Session of the Board of Directors due to his work and authorized Mr. Tang Xin, the Independent Non-Executive Director of the Company, to attend the meetings on his behalf. Mr. Li Yanxi, the Independent Non-Executive Director of the Company, was unable to attend the Eighth Meetings of the Ninth Session of the Board of Directors due to his work and authorized Mr. Tang Xin, the Independent Non-Executive Director of the Company, to attend the meetings on his behalf. Mrs. Liu Xuetao, Mr. Yang Xiong, Mr. Tang Xin, Mr. Chan Kalok and Mr. Li Yanxi explained to the Company why they were unable to attend the meetings prior to the issuance of their power of attorney, and carefully studied the material of the board meetings and made specific voting instructions on the power of attorney, stating that the agents were not entitled to vote following their own will.

2. Objections raised by Independent Non-Executive Directors on matters of the Company

During the Reporting Period, the Independent Non-Executive Directors did not raise any objections on the matters of the Company.

3. Other explanations on the performance of duties by Independent Directors

In 2018, Independent Non-Executive Directors of the Company were actively involved in each of the Board meetings. During the period of their appointment, the Independent Non-Executive Directors had sufficient time and energy to carry out their duties; before each meeting the Independent Non-Executive Directors carefully reviewed the relevant materials, and fully expressed professional and independent opinions; when making independent judgments, they were not affected by the major shareholders of the Company and any other entities and individuals which are our stakeholders.

(1) Performance of duties by Independent Non-Executive Directors in the Board's special committees

Four Independent Non-Executive Directors of the Company served as members of the Audit Committee and the Remuneration and Nomination Committee, among which there was one Independent Non-Executive Directors who separately served as the chairman of the Audit Committee and the Remuneration and Nomination Committee. In the re-election of the Board of Directors of the Company during the year, an additional Independent Non-Executive Director was appointed as a member of the Risk Management Committee. Each of the Independent Non-Executive Directors attended meetings of the above-mentioned special committees in person and provided expert advice and consultation to the Board to help make informed decisions.

(2) Periodic reports

While auditing annual reports, the Independent Non-Executive Directors strictly abided by the Annual Report Regulations of GF Securities Independent Directors and ensure that there is sufficient time and energy to fulfill their duties, and make timely communications with registered accountant of the annual audit before and after the audit. Three of the four Independent Non-Executive Directors are members of the Audit Committee and they, with the dual role, took part in the annual audit and communicated with registered accountant of the annual audit, and expressed their views. In accordance with the relevant requirements of the foregoing provisions, on December 4, 2018, the Independent Non-Executive Directors heard the reporting of the 2018 Annual Financial Express (unaudited) prepared by the Corporate Finance Division of the Company, made communications with the certified public accountant of annual audit, and consented to the annual audit work plan and reminded, and urged audit institutions to carry out audit procedures in place during the audit process, and corporate finance and other related departments to actively cooperate with the audit.

On March 19, 2019, Ernst & Young, as the registered accountant of the annual audit of the Company, issued a draft audit report with standard unqualified opinions on the 2018 annual financial report of the Company, held meeting with the Independent Non-Executive Directors to solicit advice, and made communication on problems discovered in the course of the audit. After full communication with the registered accountant of the annual audit, Independent Non-Executive Directors are of the view that: Ernst & Young carried out appropriate audit procedures in the annual audit in strict accordance with requirements of the Auditing Standards for CPAs of China and the International Standards on Auditing, and standard unqualified opinions on the financial report were based on adequate, appropriate and effective audit evidence. The preliminary audit results fairly reflect the financial status of GF Securities as of December 31, 2018 and the 2018 annual operating results and cash flow.

(3) Other duty performance

On March 23, 2018, the Independent Non-Executive Directors of the Company issued independent opinions on the 2017 profit distribution proposal, distribution of performance-based remunerations for the business management for the year of 2017, the report of self-assessment of internal control for the year of 2017, use of the Company's funds by the controlling shareholders or other associated parties, external guarantees of the Company, expected ordinary related party/connected transactions of 2018 and changes in the Company's accounting policies.

On April 24, 2018, the Independent Non-Executive Directors of the Company issued views of prior approval in respect of the re-appointment of the accounting firm.

On May 8, 2018, the Independent Non-Executive Directors of the Company issued views of prior approval and independent opinions in respect of relevant matters to be proposed at the eighth meeting of the Ninth Session of the Board of Directors.

On June 25, 2018, the Independent Non-Executive Directors of the Company issued independent opinions on matters that are proposed by the Chairman, Sun Shuming, and the General Manager, Lin Zhihai.

On August 29, 2018, the Independent Non-Executive Directors made a special explanation and issued independent opinions on the use of the Company's funds by the controlling shareholders or other associated parties and external guarantees of the Company.

On September 18, 2018, the Independent Non-Executive Directors of the Company issued independent opinions on the nomination of candidates of Independent Directors of the Ninth Session of the Board of Directors.

4. Directors' training

The Company attaches great importance to continuous training of Directors, to ensure appropriate understanding of the Company's business operations and development by Directors, and their comprehensive understanding of the applicable laws, decrees and regulations where the Company's shares are listed. During the Reporting Period, in addition to attending training organized by the regulatory bodies periodically, the Company's Directors were also proactively involved in seminars and symposiums of trade associations and other self-regulatory organizations, which enabled the exchange of experience within the same industry to promote the capacity of fulfilling their duties. The Supervisory Committee Office and the office of the Board of Directors also regularly prepare the Communications of Directors and Supervisors on a monthly basis, irregularly prepare the special training material, and provide it to the Directors in a timely manner and assist Directors in getting comprehensive knowledge of the Company's operations, the implementation of resolutions and the industry's latest development as well as the latest regulations, thus improving the ability of Directors' discharging of their duties with targeted results.

The details of Directors' training in 2018 are as follows:

Name	Position	Training content
Sun Shuming	Executive Director, Chairman	<ol style="list-style-type: none"> 1. On January 5, 2018, he attended the "Studying and Putting into Practice the Spirit of the 19th CPC National Congress" seminar course of GF Securities; 2. On February 1, 2018, he attended the "2018 Global/China Economic Outlook" seminar course and the "Publicity and Implementation (2017-2021) Five-year Strategic Plan of GF Securities" seminar course of GF Securities; 3. On March 23, 2018, he attended the "Special Training on New Financial Instruments Standards" of GF Securities (provided by Deloitte); 4. From May 28 to June 1, 2018, he attended the training course on supervision and management of security and confidentiality of military-related confidential business consulting service units organized by the Military Security Qualification Examination and Certification Center; 5. On June 12, 2018, he attended the "Learning the Spirit of the Important Speech of General Secretary Xi Jinping" seminar course of GF Securities; 6. On June 28, 2018, he attended the "Special Party Class of the "July 1st" Commemorative and Commendation Conference" training course of GF Securities; 7. On July 17, 2018, he attended the training course for chairman of the listed companies and companies to be listed in the Guangdong jurisdiction for 2018 organized by the Guangdong Securities Regulatory Bureau; 8. On November 7-8, 2018, he attended the seminar course in relation to main leading cadres of the Guangdong province and cities study and implement the spirit of the important speech of General Secretary Xi Jinping related to inspecting Guangdong, organized by the General Office of the Guangdong Provincial Committee of the Communist Party of China.
Lin Zihai	Executive Director, General Manager	<ol style="list-style-type: none"> 1. On January 5, 2018, he attended the "Studying and Putting into Practice the Spirit of the 19th CPC National Congress" seminar course of GF Securities; 2. On February 1, 2018, he attended the "2018 Global/China Economic Outlook" seminar course and the "Publicity and Implementation (2017-2021) Five-year Strategic Plan of GF Securities" seminar course of GF Securities; 3. On March 23, 2018, he attended the "Special Training on New Financial Instruments Standards" of GF Securities (provided by Deloitte); 4. On May 29, 2018, he attended the "Internal Control Guidelines of Securities Company Investment Banking Business" executive training course held by the China Capital Market Institute; 5. On June 12, 2018, he attended the "Learning the Spirit of the Important Speech of General Secretary Xi Jinping" seminar course of GF Securities; 6. On June 28, 2018, he attended the "Special Party Class of the "July 1st" Commemorative and Commendation Conference" training course of GF Securities; 7. On August 28, 2018, he attended the private bank topic outbound training to training course of GF Securities for 2018; 8. On November 28, 2018, he attended the third training course for directors, supervisors and senior management of listed companies in 2018 organized by the Listed Companies Association of Guangdong.

Name	Position	Training content
Qin Li	Executive Director, Standing Deputy General Manager	<ol style="list-style-type: none"> 1. On January 5, 2018, he attended the “Studying and Putting into Practice the Spirit of the 19th CPC National Congress” seminar course of GF Securities; 2. On February 1, 2018, he attended the “2018 Global/China Economic Outlook” seminar course and the “Publicity and Implementation (2017-2021) Five-year Strategic Plan of GF Securities” seminar course of GF Securities; 3. On March 23, 2018, he attended the “Special Training on New Financial Instruments Standards” of GF Securities (provided by Deloitte); 4. On May 29, 2018, he attended the “Internal Control Guidelines of Securities Company Investment Banking Business” executive training course held by the China Capital Market Institute; 5. On June 12, 2018, he attended the “Learning the Spirit of the Important Speech of General Secretary Xi Jinping” seminar course of GF Securities; 6. On June 28, 2018, he attended the “Special Party Class of the “July 1st” Commemorative and Commendation Conference” training course of GF Securities; 7. On November 28, 2018, he attended the third training course for directors, supervisors and senior management of listed companies in 2018 organized by the Listed Companies Association of Guangdong.
Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	<ol style="list-style-type: none"> 1. On February 1, 2018, he attended the “2018 Global/China Economic Outlook” seminar course and the “Publicity and Implementation (2017-2021) Five-year Strategic Plan of GF Securities” seminar course of GF Securities; 2. On March 23, 2018, he attended the “Special Training on New Financial Instruments Standards” of GF Securities (provided by Deloitte); 3. On June 12, 2018, he attended the “Learning the Spirit of the Important Speech of General Secretary Xi Jinping” seminar course of GF Securities; 4. On November 28, 2018, he attended the third training course for directors, supervisors and senior management of listed companies for 2018 organized by the Listed Companies Association of Guangdong.
Shang Shuzhi	Non-Executive Director	<ol style="list-style-type: none"> 1. On March 23, 2018, he attended the “Special Training on New Financial Instruments Standards” of GF Securities (provided by Deloitte); 2. On December 7, 2018, he attended the training course for directors and supervisors of listed companies for 2018 organized by the Dalian Listed Companies Association.

Name	Position	Training content
Li Xiulin	Non-Executive Director	<ol style="list-style-type: none"> 1. On March 23, 2018, he attended the “Special Training on New Financial Instruments Standards” of GF Securities (provided by Deloitte); 2. On May 16, 2018, he attended the latest practical training of listed companies in Jilin Province organized by Securities Association of Jilin; 3. On July 17-19, 2018, he attended the second representative class of the 13th session of National People’s Congress held by the General Office of the Standing Committee of the National People’s Congress.
Liu Xuetao	Non-Executive Director	<ol style="list-style-type: none"> 1. On March 23, 2018, he attended the “Special Training on New Financial Instruments Standards” of GF Securities (provided by Deloitte); 2. August 22-23, 2018, he attended the training course for directors, supervisors and senior management of listed companies in the Guangdong jurisdiction (First training course in 2018) organized by the Listed Companies Association of Guangdong.
Yang Xiong	Independent Non-Executive Director	<ol style="list-style-type: none"> 1. On March 23, 2018, he attended the “Special Training on New Financial Instruments Standards” of GF Securities (provided by Deloitte); 2. On July 20, 2018, he attended the 2nd follow-up training of the listed company by SSE; 3. From July 30 to August 3, 2018, he attended the seminar in relation to internal governance and cultural construction of accounting firm organized by the Beijing National Accounting Institute.
Tang Xin	Independent Non-Executive Director	<ol style="list-style-type: none"> 1. On May 11, 2018, he attended the expert seminar on the issuance and trading system of depositary receipts held by the Legal Department of the China Securities Regulatory Commission; 2. On September 5, 2018, he attended the expert seminar on the governance principles of listed companies organized by the China Association for Public Companies.

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Name	Position	Training content
Chan Kalok	Independent Non-Executive Director	<ol style="list-style-type: none"> 1. On March 23, 2018, he attended the “Special Training on New Financial Instruments Standards” of GF Securities (provided by Deloitte); 2. On September 20, 2018, he attended the CHKLC Director Training Series 2018 – Session 4: Keep Your Data Secure and Achieve Compliance While Going through Digital Transformation(English) organized by the Chamber of Hong Kong Listed Companies; 3. On September 28, 2018, he attended the PWMA Wealth Management Summit organized by Private Wealth Management Association; 4. On October 3, 2018, he attended the Conference for Independent Non-Executive Directors organized by Hong Kong Monetary Authority.
Fan Lifu	Independent Non-Executive Director	<ol style="list-style-type: none"> 1. On January 10-12, 2018, he attended the training of independent director qualification organized by SZSE. 2. On June 16, 2018, he attended the 2nd Session of China Financial Education Development Forum organized by the National Supervisory Committee for Professional Degrees in Finance. 3. On October 20, 2018, he attended the 6th Session of China Investment Seminar and Investment Discipline Construction Seminar organized by the Investment Discipline Construction Committee of the Investment Association of China. 4. On November 24, 2018, he attended the 7th Session of China Corporate Finance Forum jointly organized by the Financial Work Office of Shandong Provincial and Qingdao University. 5. From December 2-8, 2018, he attended the advanced study class of “Preventing Financial Risks to Strength Economical Ability of Financial Service Entity” which is a national knowledge and technology talents knowledge renewal project of the Ministry of Human Resources and Social Security organized by the National Professional and Technical Personnel Continuing Education Base (Dongbei University of Finance and Economics).

VII. PERFORMANCE OF DUTIES BY THE SPECIAL COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

The Board consists of four special committees, namely the Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee. The clear division of power and responsibility of the Committees guarantees effective operation and makes the decision division of the Board more refined. The special committees play a good role in the Company's major decisions. As of the end of the Reporting Period, the details of the composition of each special committee are in "VI. Constitution of All Special Committees under the Board" as set out in Section 9 of this report.

During the Reporting Period, details of meetings convened by the special committees are as follows:

1. The Strategy Committee

The Strategy Committee is mainly responsible for formulating the mid to long-term strategic goals and development plans of the Company, reviewing the mid to long-term strategic goals and development plans of each business and management segment of the Company, supervising and guiding the implementation of the Company's strategies. The duties that the Strategy Committee shall perform are set forth in the Rules of Procedure for the Strategy Committee of the Board of Directors published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

In 2018, the major achievements of the Strategy Committee included: on May 8, 2018, the Strategy Committee under the Board considered and approved the Resolution Regarding the Proposal to the Shareholders' Meeting to Authorize the Board the General Mandate to Issue Shares.

(1) During the Reporting Period, the Strategy Committee held two meetings:

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2018 First Meeting of the Ninth Session of the Board Strategic Committee	March 23,2018	1.the Work Report of GF Securities Board Strategic Committee for the Year of 2017.	The resolution was passed
2018 Second Meeting of the Ninth Session of the Board Strategic Committee	May 8,2018	1. the Resolution Regarding the Proposal to the Shareholders' Meeting to Authorize the Board the General Mandate to Issue Shares.	The resolution was passed

(2) The details of attendance of the Strategy Committee members are as follows:

Name of member	Position	Attendance/shall be present at meeting
Sun Shuming	Executive Director and Chairman of Strategic Committee	2/2
Shang Shuzhi	Non-Executive Director	2/2
Li Xiulin	Non-Executive Director	2/2
Liu Xuetao	Non-Executive Director	2/2
Lin Zhihai	Executive Director	2/2

2. The Risk Management Committee

The Risk Management Committee is mainly responsible for the assessment of the Company's overall risk status, monitoring the overall risk management of the Company, to ensure that all kinds of risks associated with its operational activities are controlled within a reasonable range. The duties of the Risk Management Committee are set forth in the Rules of Procedure for the Risk Management Committee of the Board of Directors published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

In 2018, the major achievements of the Risk Management Committee included:

- reviewing the interim and the annual risk management reports, annual audit work report and compliance reports of the Company;
- reviewing the Company's regular internal control self-assessment report;
- reviewing and determining the scale and risk limits for the Company's substantial business segments.

(1) During the Reporting Period, the Risk Management Committee convened two meetings:

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2018 First Meeting of the Ninth Session of the Board Risk Management Committee	March 23,2018	1. the Work Report of GF Securities Board Risk Management Committee for the Year of 2017; 2. the GF Securities Report of Risk Management for the Year of 2017; 3. the GF Securities Report of Compliance for the Year of 2017; 4. the Report of Self- Assessment of Internal Control of GF Securities for the Year of 2017; 5. the Audit Work Report of GF Securities for the Year of 2017; 6. the Resolution of 2018 Annual Proprietary Business Funding Available.	All resolutions were passed
2018 Second Meeting of the Ninth Session of the Board Risk Management Committee	August 29,2018	1. the GF Securities Interim Report of Risk Management for the Year of 2018.	The resolution was passed

(2) The attendance of members of the Risk Management Committee is as follows:

Name of member	Position	Attendance/ shall be present at meeting
Sun Shuming	Executive Director and Chairman of the Risk Management Committee	2/2
Tang Xin	Independent Non-Executive Director	2/2
Lin Zhihai	Executive Director	2/2
Qin Li	Executive Director	2/2
Sun Xiaoyan	Executive Director	2/2

3. The Audit Committee

The Audit Committee is mainly responsible for reviewing the Company's internal control and effectiveness of its implementation and coordinating, overseeing and inspecting the internal and external audits of the Company. The duties of the Audit Committee are set forth in the Rules of Procedure for the Audit Committee of the Board of Directors published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Audit Committee and its members fulfilled their responsibilities and worked diligently in accordance with the relevant legal and regulatory requirements, promoted the audit and supervision role into full play, and played an important role in further improving corporate governance and enhancing the audit quality.

The Audit Committee plays full role in the working of the annual report and financial statements in accordance with the Annual Report Working Rules of the GF Securities Board Audit Committee, and positively performs responsibilities of preparing and reviewing the disclosures in annual reports and financial statements, improves the transparency and quality of the disclosure in the annual reports and financial statements.

During the Reporting Period, through reviewing the Company's periodic financial statements, special report of utilization of proceeds, annual audit work report and the proposal of related party/connected transactions, the Audit Committee obtained a full picture of the Company's financial status, supervised the progress of audit work and the implementation of connected/related transactions, and reviewed the effectiveness of the Company's internal control. The Audit Committee eventually concluded that the Company's financial system operated solidly, the financial status was good, and the internal control system was sound and its implementation was effective.

In 2018, the major achievements of the Audit Committee included:

- supervising the annual audits, reviewing the Company's periodic financial statements;
- reviewing the Company's internal audit report and annual working plan;
- making recommendations to the Board on the appointment, reappointment or change of external auditors, approving the compensation and terms of engagement for external auditors;
- examining and supervising related party/connected transactions and assessing the appropriateness of related party/connected transactions;
- monitoring and assessing the independence and objectivity of work conducted by external auditors of the Company and the effectiveness of the auditing procedures;
- reviewing the efficiency of the internal control system and the adequacy of accounting and financial reporting functions;
- being responsible for the communications between internal auditors and external auditors.

(1) During the Reporting Period, the Audit Committee convened five meetings:

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2018 First Meeting of the Ninth Session of the Board Audit Committee	March 23,2018	1.the Work Report of GF Securities Board Audit Committee for the Year of 2017; 2. Opinions on the 2017Annual Financial Report (financial report and notes); 3.the Resolution on Change of Accounting Policy; 4.the Resolution on Expected Daily Related Party/Connected Transactions of GF Securities for the Year of 2018; 5.the Report of Self-Assessment of Internal Control of GF Securities for the Year of 2017; 6.the Audit Work Report of GF Securities for the Year of 2017.	All resolutions were passed
2018 Second Meeting of the Ninth Session of the Board Audit Committee	April 24,2018	1.the 2018 First Quarterly Report of GF Securities; 2.the Resolution on Engaging Audit Institution in 2018.	All resolutions were passed
2018 Third Meeting of the Ninth Session of the Board Audit Committee	May 8,2018	1. the Resolution Regarding the Report on Use of Proceeds from Previous Fund-raising Activities; 2. the Resolution Regarding the Related Party/Connected Transactions Involved in the Company's Non-public Issuance of A Shares; 3. the Resolution Regarding the Execution of a Subscription Agreement relating to the Non-public Issuance of A Shares with Conditions Precedent between the Company and a Specific Subscriber.	All resolutions were passed
2018 Fourth Meeting of the Ninth Session of the Board Audit Committee	August 29, 2018	1.2018 Interim Report of GF Securities; 2. the Interim Audit Work Report of GF Securities of 2018.	All resolutions were passed
2018 Fifth Meeting of the Ninth Session of the Board Audit Committee	October 26,2018	1. the 2018 Third Quarterly Report of GF Securities.	The resolution was passed

- (2) During the Reporting Period, members of the Audit Committee worked diligently and had sufficient time to carry out their duties and were able to attend the Audit Committee meetings. Prior to the meetings, they carefully reviewed the relevant documents and during the meetings, they actively expressed their opinions and performed their duties. The details of attendance of the Audit Committee members are as follows:

Name of member	Position	Attendance/ shall be present at meeting
Yang Xiong	Independent Non-Executive Director and Chairman of Audit Committee	5/5
Chan Kalok	Independent Non-Executive Director	5/5
Li Yanxi	Independent Non-Executive Director	5/5

Note 1: During the term of office of Li Yanxi in 2018, the Company held 5 meeting of the Board Audit Committee;

Note2: After Mr. Fan Lifu obtained his qualification as a director of a securities company in 2018, the Company didn't hold any meeting of the Audit Committee.

- (3) Overview of the Company's audit

The Company's 2018 annual audit was done by Ernst & Young who mainly divided it into two phases, namely preliminary phase and year-end phase. For the preliminary phase, Ernst & Young fully carried out audit of internal control according to the relevant requirements, and tested the internal control at company level and process level (including business processes of headquarters and business department) to evaluate the effectiveness of the internal control design and whether the control is effectively implemented during the audit period. Ernst & Young also learned about the Company's control environment, main operation situation, business innovation and system update situation and malpractices and risk of fraud through interviews; comprehended and analyzed and performed pretesting on major matters such as consolidation of structured entities, valuation of fair value of financial assets and impairment of various financial assets, and major items such as financial instrument, operating income and return on investment during the audit of financial statements; tested and evaluated major information systems used by the Company, and communicated with the management team and governance team on preliminary discovery. For the year-end audit phase, Ernst & Young followed up on the finding of the preliminary phase and performed detailed auditing procedures for all major items, and communicated with the management team and governance team on year-end discovery.

To prepare for the 2018 annual audit and issue relevant audit reports on a timely basis. The Audit Committee of the ninth session of the Board of Directors of the Company arranged the financial department to communicate with Ernst & Young on major matters such as audit plans, audit processes, financial instrument valuation and the consolidation scope, for which it also carried out supervision and follow-up. On December 4, 2018, the Audit Committee held a communication meeting on the audit plan with Ernst & Young. In addition, the Company's finance department also communicated with Ernst & Young on matters such as preliminary discovery, impairment provision of financing business, financial instrument valuation, impairment, consolidation scope and key audit matters.

On March 19, 2019, Ernst & Young preliminarily issued a standard unqualified audit report and internal control audit report to the Company for the year of 2018.

The Audit Committee assessed the independence and objectivity of Ernst & Young and the effectiveness of the auditing procedure to ensure that the financial reports Ernst & Young issued can provide objective and honest opinions. Before assessing the 2018 annual financial statements of the Company, the Audit Committee received a written confirmation from Ernst & Young in terms of the independence and objectivity of Ernst & Young as an auditor. Ernst & Young has taken necessary protective measures in accordance with the relevant requirements of professional ethics in order to prevent possible threats to independence.

The Audit Committee considered that the Ernst & Young has, in accordance with the relevant requirements of the Standards on Auditing for Certified Public Accountants, implemented appropriate audit procedures, obtained sufficient, appropriate and effective audit evidence for issuing audit opinions, and adhered to independent auditing standards, ensuring smooth progression of the Company's annual audit.

On March 26, 2019, the Audit Committee reviewed the Self-Assessment Report of GF Securities on Internal Control for the Year of 2018, and concluded that the internal control system was sound and its implementation was effective. For the assessment of the Company's internal control by the Company's Board of Directors and related information, please refer to Sections 11 to 16 in this chapter.

4. The Remuneration and Nomination Committee

The Remuneration and Nomination Committee is mainly responsible for the selection and appraisal evaluation of the Company's Directors and senior management members, improving the Company's performance evaluation system, improving the soundness of the Company's overall remuneration system and monitoring its implementation. The duties that the Remuneration and Nomination Committee shall perform are set out in the Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors by the Company published on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

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By acting as the adviser of the Board as to the director nomination, the Remuneration and Nomination Committee nominates the candidates for new directors first for recommendation to the Board which will make decision on proposing to the general meeting for election or not. The Remuneration and Nomination Committee and the Board shall consider major factors including the cultural and educational background and professional experience of the relevant candidates.

The diversification policy on the Board's composition of the Company is that: in designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The final decision will be made on the merits of the candidates and the contribution brought to the Board. The diversity of the Board is analyzed as follows:

Item	Category	Number	Percentage of the Board members
Gender	Male	9	82%
	Female	2	18%
Age	40 to 50	4	36%
	51 to 60	5	45%
	61 to 70	2	18%
Title	Executive director	4	36%
	Non-executive director	3	27%
	Independent non-executive director	4	36%
Term of office as a member of the board	5 years or less (5 years inclusive)	7	64%
	5 to 10 years (5 years exclusive, but 10 years inclusive)	2	18%
	Over 10 years (10 years exclusive)	2	18%
Years in securities and financial industry	20 years or less (20 years inclusive)	4	36%
	20 to 30 years (20 years exclusive, but 30 years inclusive)	5	46%
Profession or expertise in economics/finance/financial accounting	Over 30 years(30 years exclusive)	2	18%
	N/A	9	82%

The Company confirms that the composition of the Board, background of the Board members and the procedure for the election of new directors are in compliance with the requirements in respect of diversification of the Board under the Hong Kong Listing Rules and the diversification policy on Board members of the Company.

In 2018, the major achievements of the Remuneration and Nomination Committee included:

- assessing the performance of Directors and senior management, and making their annual performance assessment;
 - considering and making opinions on the assessment of Directors and senior management and the remuneration management system.
- (1) During the Reporting Period, the Remuneration and Nomination Committee held three meetings:

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2018 First Meeting of the Ninth Session of the Board Remuneration and Nomination Committee	March 23,2018	1.the Work Report of GF Securities Board Remuneration and Nomination Committee for the Year of 2017; 2.the Resolution of Performance Assessment on Directors for the Year of 2017; 3. the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2017; 4. the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2017; 5.the Resolution of Distribution of Performance Salary for Management for the Year of 2017.	All resolutions were passed
2018 Second Meeting of the Ninth Session of the Board Remuneration and Nomination	June 25,2018	1. Resolution on Matters Nominated by the Chairman (Sun Shuming); 2. Resolution on Matters Nominated by the General Manager(Lin Zhihai).	All resolutions were passed
2018 Third Meeting of the Ninth Session of the Board Remuneration and Nomination	September 18,2018	1.Resolution Regarding Nomination of Independent Director Candidates for the Ninth Session of the Board.	The resolution was passed

(2) The details of attendance of the Remuneration and Nomination Committee members are as follows:

Name of member	Position	Attendance/ shall be present at meeting
Tang Xin	Independent Non-Executive Director and Chairman of Remuneration and Nomination Committee	3/3
Yang Xiong	Independent Non-Executive Director	3/3
Li Yanxi	Independent Non-Executive Director	3/3
Lin Zhihai	Executive Director	3/3
Qin Li	Executive Director	3/3

Note1: During Mr. Li Yanxi's term of office in 2018, the Company held 3 meeting of the Remuneration and Nomination Committee;

Note2: After Mr. Fan Lifu obtained his qualification as a director of a securities company in 2018, the Company didn't held any meeting of the Remuneration and Nomination Committee.

VIII. WORK OF THE SUPERVISORY COMMITTEE

1. Details of attendance of Supervisors in the Supervisory Committee meetings

In 2018, according to the requirements of laws and regulations such as the Company Law, the Securities Law and the Rules for Governance of Securities Companies, focusing on the Company's priorities, the Supervisory Committee of the Company strictly abided by the relevant requirements of the Articles of Association of the Company and the Rules of Procedure for Supervisory Committee to lawfully perform supervision duties.

Name of member	Position	Number of Supervisors shall participate in Supervisory Committee meeting during the Reporting Period	Number of Supervisors attended Supervisory Committee meeting in person	Number of Supervisors attended Supervisory Committee meeting by proxy	Number of absence	Voting results
Zhang Shaohua	Employee Supervisor, Chief Supervisor	4	4	0	0	Affirmative to all
Zhan Lingzhi	Supervisor	2	2	0	0	Affirmative to all
Cheng Huaiyuan	Employee Supervisor	4	4	0	0	Affirmative to all
Tan Yue	Supervisor	4	4	0	0	Affirmative to all
Gu Naikang	Supervisor	4	4	0	0	Affirmative to all
Lan Hailin	Supervisor	0	0	0	0	—

Note1: During Ms. Zhan Lingzhi's term of office in 2018, the Company held 2 meeting of the Supervisory Committee;

Note2: After Mr. Lan Hailin obtained his qualification as a supervisor of a securities company in 2018, the Company didn't held any meeting of the Supervisory Committee.

2. Supervision and inspection organized and carried out by the Supervisory Committee

During the Reporting Period, by focusing on the regulatory requirements of Mainland China and Hong Kong, for the purpose of supervising the standard operation of corporate governance, the Supervisory Committee monitored the legal compliance of the convening procedures, methods and contents of meetings and meeting agendas by attending the Shareholders' general meeting and presenting at the board meetings, conducted follow-up inspections on the implementation of resolutions and compliance of systems of the Shareholders' general meeting, Board of Directors and Supervisory Committee of the Company, monitored information disclosure as an important task of supervision on corporate governance, ensured the right to know, inspected and assessed the establishment and implementation of relevant information disclosure systems of the Company, supervised the truthfulness, accuracy, completeness, fairness and timeliness of disclosures in the regular reports and interim reports and gave advices and recommendations thereof.

During the Reporting Period, the Supervisory Committee implemented the regulatory requirements to prudently fulfill its supervision duties in respect of corporate compliance management and overall risk management. It conducted annual overall review on the effectiveness of the corporate compliance management to issue review report thereon and give advices and recommendations before monitoring their implementations, effectively took advantage of the deliberation function of collective discussion at the office meeting chaired by the Chairman of the Supervisory Committee, timely exchanged views on and made decisions on important work and urged rectifications on major compliance risks. It also played a leading role in consolidating internal supervision resources and promoting the execution of supervision powers of internal supervision agencies in respect of auditing, compliance, risk management and discipline inspection and supervision of the Company in a cost-effective manner so as to improve its performance efficiency and effectiveness.

During the Reporting Period, the Supervisory Committee strengthened its investigations and researches, aligned itself with the Company's strategies and developments and pushed forward the solution of issues. It supervised the implementation of the Company's new strategic planning and carried out investigations and researches on the our "Customer-centered" strategy. It considered employee representatives a bridge to effectively promote the communication between the Company and its employees, went deep in conducting grass-root visits and investigations to guide the employees to perform their respective duties in align with the Company's strategic objectives and key tasks and solicit advices and recommendations from them while pushing forward the solutions of issues for the purpose of ensuring Company's protections on the legal rights and interests of employees.

During the Reporting Period, by successfully completing its election and employment of new supervisors, the Company ensured the normal operation of the Supervisory Committee. In accordance with the requirements of relevant laws and regulations, the Supervisory Committee revised the Rules of Procedures of the Meeting of the Supervisory Committee (《廣發證券監事會議事規則》) in a timely manner to further clarify its supervision duties in respect of overall risk management, continued to improve the Guidance on Duty Performance of Supervisors of GF Securities (《廣發證券事履指引》) and the Reference Handbook of GF Securities for Common Laws and Regulations (《廣發證券監事會常用法律法規備查手冊》) to guide and facilitate the normal and effective performance of duties by the Supervisory Committee and the Supervisors. It regularly organized the preparation of such materials as the Communications of Directors and Supervisors (《董監事通訊》) and the Sharing Briefs of Internal Supervision Information (《內部監督信息共享簡報》), timely kept abreast of regulatory requirements, industry updates, the progress and compliance of the Company's major decisions and risk management, protected the Supervisor's right to information and enhanced the ability of the Supervisory Committee to perform its duties.

3. Opinions issued by the Supervisory Committee on matters relating to the Company in 2018

During the Reporting Period, the Supervisory Committee of the Company carried out supervision work in accordance with laws and regulations, on the basis of careful supervision and inspection, it issued opinions on the Company's operation by law, duty performance of its Directors and senior management, financial position and effectiveness of the internal control of the Company according to related requirements. The Supervisory Committee believes that: the Company was able to realize standardized operation and the Supervisory Committee did not find that the Company's Directors and senior management personnel, in performing their duties, had violated laws, regulations or the Articles of Association or impaired the legitimate rights and interests of its Shareholders, the Company, employees, creditors and other stakeholders; the Company's financial reports truthfully, accurately and completely reflected the Company's financial position and operating results; the Board of Directors and the business management of the Company undertook seriously its obligations under the relevant resolutions of the general meetings of the Company; the Supervisory Committee did not find any insider trading, nor any damage to Shareholders' interests nor any loss of assets of the Company. For details of the opinions issued by the Supervisory Committee on matters relating to the Company in 2018, please see the 2018 Supervisory Committee's Report of the Company.

4. Existing risks of the Company identified by the Supervisory Committee during the Reporting Period

The Supervisory Committee did not raise any objections to supervision matters during the Reporting Period.

IX. COMPLIANCE MANAGEMENT SYSTEM CONSTRUCTION AND AUDIT OF AUDITING DEPARTMENT

1. Compliance management system construction

The Company has established the compliance management organization system for “board of directors (risk management committee) - compliance director - compliance and legal affairs department – various business lines”. The Board of Directors of the Company assumes ultimate responsibility for the effective compliance management and internal control. The Board of Directors reviews and comments on the overall objectives, basic policies, settings of the compliance department and responsibilities thereof, and compliance reports of compliance management. The senior management of the Company assumes major responsibilities of compliance operation. As the person responsible for compliance works of the Company, the chief compliance officer reviews, supervises and inspects the compliance of the operation management and practices of the Company and its staff. The Company has established the compliance and legal affairs department to assist the compliance director in its work, and has established full-time or part-time compliance management personnel in various departments, compliance officers in various subsidiaries, compliance and risk management specialists in various branches, and full-time or part-time compliance management personnel at all business departments to ensure full coverage of compliance management. Among which:

1. At the level of head office departments: In 2018, the Company focused on the implementation of new compliance management requirements, proper management, anti-money laundering and risk isolation belt to enhance the building of compliance management personnel at the head office and to further improve the compliance coordination capabilities of the business department at the head office, deepen supervision and guidance, establish a communication, authorized examination and self-examination mechanism for the compliance management personnel at the business department of the Company, improve the appraisal and assessment system, reinforce business process control and enhance the internal control capabilities of the business departments of the Company.
2. At branch level: the Company established compliance and risk management specialists vertically managed by the compliance department of head office in 20 branches which are responsible for coordinating the compliance management within their jurisdictions and established compliance posts in 264 business departments to help the compliance and risk management specialists of branches carry out compliance management of business departments. The Company has realized a dynamic and procedural management on the work of the compliance and risk management specialists, has achieved systematic management on compliance posts in business departments and will further explore corresponding mechanism to fully take advantage of the first line compliance management.

3. At the level of subsidiaries: In 2018, the Company continued to implement the regulatory requirements of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) and the Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》). The Company issued and implemented the Measures for the Compliance Management of Subsidiaries of GF Securities (Trial) (《廣發證券子公司合規管理辦法(試行)》) and 2018 Compliance Officer Appraisal Program of Subsidiaries of GF Securities 《廣發證券2018年度子公司合規負責人考核方案》 to further clarify the basic principles and requirements for subsidiary compliance management, include overseas subsidiaries into the unified compliance management system and ensure the effective coverage of compliance management for subsidiaries from the aspects of system construction and mechanism construction; continued to facilitate the Group's compliance control requirements to be applied in subsidiaries through Chinese wall management, anti-money laundering management and compliance report.
2. **Main work of compliance management during the Reporting Period**
 - (1) On improvement of compliance management system: In 2018, the Company continued to enhance the compliance management function of the first line of defense, implement the new requirements of compliance management, strengthen process management and control, and improve the efficiency of business decision-making. First, deepen the full coverage of compliance management, especially to strengthen the compliance management of investment banking, trading and other business lines, and urge relevant business departments to implement new regulations and rectification requirements for investment banks and bonds; second, improve the compliance management mechanism of retail business, to assign a chief compliance officer to the retail business department, strengthen the compliance risk control and management of the retail business by giving full play to the role of the system compliance risk control team of the retail business; third, continuously improve its working mechanism through the Group's Chinese wall, compliance management of overseas subsidiaries and consolidated management to meet the management needs of its collectivization development and global development.
 - (2) On compliance management system and workflow construction: During the Reporting Period, the Company updated (including newly promulgated, revised and abolished) 253 rules and regulations in total, including a variety of business lines such as retail, investment bank, research and development, security investment, security finance, OTC trading, asset custody and financial products management and various aspects such as listed company management, transaction settlement, compliance risk control, auditing, information management, human resource and financial fund management and file management, covering all procedures before, in and after business operation.

- (3) On construction of compliance management information system: The Company's compliance department established a contract management system that conforms to the Company's characteristics in 2018 to improve the contract management level of the Company, optimize the contract signing procedure, track and monitor the performance of the contract, and prevent compliance, legal and operational risks relating to the contract. The contract system includes model contract management, counterparty management, contract project management, contract drafting, contract approval, contract stamping and filing, execution and tracking of performance elements in fund collection and payment, contract termination, and compliance statistics query, which enable to achieve full lifecycle management of contracts of the Company. In addition, the compliance department optimized and upgraded the Chinese wall, transaction activities management system and compliance review system in the compliance management system in 2018.
- (4) On management of the Chinese wall: On the one hand, according to the construction requirements of the Group's Chinese wall management system, the Company improved the Chinese wall monitoring indicators, and has effectively monitored bond transactions between the Company's self-operated, asset management accounts and accounts providing investment advisory service. In addition, the Company included the daily management of the Chinese wall of Hong Kong subsidiaries in its Group's Chinese wall management system, and conducted daily management work of the Chinese wall, such as project information Chinese wall filing, list management and cross-wall application through the Company's Chinese wall system, and GF Asset Management and GF Xinde also could conduct the Chinese wall management of the Group's private equity asset management business and private equity fund business through the Company's Chinese wall system. On the other hand, the Company formulated and issued the Notice on Strengthening the Management of Business Boundaries and Conflicts of Interests of Subsidiaries (《關於加強子公司業務邊界及利益衝突管理的通知》), to strengthen the management of business conflicts between subsidiaries such as GF Asset Management and GF Xinde and the Company, prevent horizontal competition or other conflicts of interest, and ensure subsidiaries to achieve professional operation based on their business positioning, and also completed the preliminary preparation of the Compliance Policy Manual of Group Information Chinese Wall Management (《集團信息隔離牆管理合規政策手冊》) to facilitate the coordination of domestic and overseas business and the co-construction and sharing of the Chinese wall system.
- (5) On compliance consulting and compliance censorship: The compliance department of the Company constantly strengthened quality control of compliance review and consultation to meet the demand for the Company's business compliance and timely implementation and established weekly review meeting mechanism based on the sound operation of a special consultation mechanism on daily business review and major problems, tracked regulation and the industry dynamics and worked hard to continuously improve the accuracy and professionalism of the advice on compliance. Meanwhile, the compliance department of the Company supervised the relevant departments to rectify and improve compliance risks identified in monitoring and inspection as well as business review, to timely identify risk vulnerabilities, and to constantly solidify the compliance basis.

- (6) On compliance examination and investigation: The Company conducted compliance examination and monitoring work in a timely manner based on key issues that regulators focus on and the need of business development. Through routine compliance examination and special examination, the Company deeply analyzed the problems identified during the examination and further strengthened the effects of rectification to continuously improve compliance risk management capabilities.
- (7) On handling complaints: the Company handled and submitted a total of more than 179 customer complaints with the overall handling rate of more than 94% in 2018. During the course of daily complaint handling, the Company effectively implemented customer-oriented service concept, actively cooperated with the dispute mediation institutions in the industry, superintended and coordinated relevant departments to handle various customer dispute mediation for properly settling customer disputes, and closely followed unsettled complaints and follow-up treatment of risk events to effectively eliminate and prevent related risks.
- (8) On anti-money laundering: the Company organized a series of effective anti-money laundering work in accordance with various regulatory policies in 2018. First, according to the requirements of the “No. 235 Decree” and the “No. 164 Decree” issued by the PBoC, the Company organized various business lines, relevant subsidiaries and branches to make concerted efforts to complete the thorough identification of beneficiary owners of non-natural person customers; second, the Company arranged the self-assessment of the Company’s money laundering risk, determined the residual risks based on the assessment results of inherent risks and the effectiveness of anti-money laundering control measures adopted by the Company, and prepared and submitted self-assessment work report and recommendation report; third, the Company completed the evaluation of the effectiveness of the current suspicious transaction monitoring standards, and conducted in-depth analysis on the current monitoring model, indicators and parameters, rationally adjusted and improved monitoring indicator parameter thresholds, and strengthened the monitoring effectiveness of suspicious models; Fourth, the Company carried out a series of special training and publicity activities and achieved remarkable results.
- (9) On compliance appraisal and employee behavior management: the Company strengthened its compliance management, and promoted the compliance culture in order to safeguard the effective implementation of the laws and regulations, regulatory policies, industry standards and its internal system. In accordance with the new requirements in Administrative Measures on Compliance of Securities Firms and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) and the Guidelines on Implementation of Compliance Management of Securities Companies (《證券公司合規管理實施指引》) as well as the Compliance Assessment Measures, the compliance director organized and conducted 2018 compliance appraisal work.

On employee practice behavior management, in 2018, the Company continuously strengthened the management of its employee practice, emphasized the importance of key equipment management in the talks on compliance with new employees, and organized investigation and examination for monitoring alarms of key equipment and took accountability measures in a timely manner.

- (10) On compliance training and compliance culture propaganda: The Company carried out real-time compliance training centering around the regulatory policies such as proper management, investment bank internal control guidelines, employee practice conduct, screening wall systems, anti-money laundering and product sales to fully strengthen the compliance awareness of the employees and to promote compliance culture of sound management in 2018. The training covers all businesses of the Company. Meanwhile, the Company carried out 4 special compliance trainings for compliance management in various departments to improve the performance ability of compliance management personnel. The Company's compliance department conducted timely and comprehensive interpretation and training on important regulatory rules such as new regulations and the Company's innovative business, summarized and analyzed industry regulatory cases, and issued compliance management recommendations to provide reference for business units to carry out related business.

3. Audit of auditing department

During the Reporting Period, taking into account the business development of the Company, the auditing department conducted risk-orientated internal audits such as regular audit, follow-up audit, special audit and off-office auditing, which fully covered the business department of the head office, branch offices and wholly-owned subsidiaries. It also conducted key audits according to a new round of strategic plan of the Company and major regulatory requirements. In 2018, the auditing department conducted 162 audits, through which it evaluated the soundness and effectiveness of internal control of the auditing targets and revealed the defects discovered during the auditing process and proposed rectification opinions and requirements and monitored the implementation of rectification measures.

X. APPRAISAL AND MOTIVATION OF SENIOR MANAGEMENT PERSONNEL

According to the relevant stipulations in the Duty Performance Appraisal and Salary Management Regulations for Board of Directors and Supervisors in GF Securities and the Performance Appraisal and Salary Management Regulations for Operation Management Level in GF Securities, salary of the senior management of the Company will be determined by position and performance. Under the current legal framework, it carries out an annual performance salary motivation mechanism. The Board of Directors will give corresponding performance salary according to the business performance of the Company; individual performance-based salary of the Chairman and senior management will be distributed according to the annual appraisal results. The distribution plan shall have independent opinion of the Independent Directors and will be submitted to the Board for approval after the Remuneration and Nomination Committee gives their written comments.

XI. INTERNAL CONTROL CONSTRUCTION

The Company has established a legal person governance structure consisting of the general meeting, the Board of Directors, the Supervisory Committee and the operation management and has clearly defined the responsibilities and power, rules of procedure and working procedures of the general meeting, the Board of Directors, the Supervisory Committee and the operation management, thereby ensuring the clearly divided power and responsibilities, regulated operation and effective checks and balances among the authority organization, decision-making organization, implementation organization and supervisory organization. The Company has established three defense lines of comprehensive risk management, under which business units, branches and subsidiaries, as the first defense line of comprehensive risk management, are responsible for timely identifying, evaluating, tackling and reporting relevant risks; functional departments such as the risk management department and compliance management department, as the second defense line of comprehensive risk management, are responsible for event risk management; the auditing department, as the third defense line, is responsible for independent and objective review and assessment. The Company continued to improve various rules and systems according to the internal and external requirements and incorporated various risk control measures into its rules and procedures and strengthened the implementation of risk control measures. The Company established the internal communication, reporting and feedback mechanism. The Company has also clearly defined the responsibilities and power of the Board of Directors, the Supervisory Committee, the internal control department and business management departments in respect of internal supervision, inspection and assessment.

The Company highly emphasizes the construction of internal control system and relevant mechanism. The Company comprehensively considered internal environment, risk evaluation, controlling activities, information and communication and internal supervision according to the relevant stipulations under the Company Law, the Securities Laws, the Regulations on Supervision and Administration of Securities Firms, Guidelines on Internal Control of Securities Firms, Guidelines on the Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Basic Standards for Enterprise Internal Control and its supporting guidelines, and keep improving its internal control system and further establish and complete one set of internal control system which matches with the business nature, scale and complexity of the Company according to the actual condition of the Company.

Taking into account changes in the internal and external environment and business development, the Company reviewed and evaluated the key aspects of the internal control process to identify defects timely, continued to improve systems and rules, refine process and measures and continuously enhanced the overall internal control of the Company.

XII. STATEMENT OF THE BOARD OF DIRECTORS ON RESPONSIBILITY OF INTERNAL CONTROL

It is the responsibility of the Board of Directors to establish, complete and effectively implement internal control according to the stipulations in the internal control standard system of the Company, evaluate its effectiveness and reveal assessment report of internal control. The Board monitored, reviewed and evaluated the establishment, the implementation and the effectiveness of various risk management and internal control systems of the Company through the consideration of the Work Report of Risk Management Committee of the

Company for the Year, the Work Report of Audit Committee for the Year, Annual Compliance Report, Internal Control and Evaluation Report for the Year and the Report of Risk Management for the Year. The Supervisory Committee will supervise the Board of Directors on its establishment and implementation of internal control. Operation management level is responsible for the daily functioning of internal control.

The objectives of the internal control are to reasonably ensure validity and compliance of the operation management, assets safety, authenticity and completeness of financial reports and the relevant information and thus to enhance operation efficiency and effects so as to promote realization of the development strategy. Due to the inherent limitations of the internal control, it can only provide reasonable assurance for the realization of the above targets. The Company has established supervision and examination mechanism on internal control. Once defect in internal control is recognized, the Company will immediately adopt rectification measures. Besides, changes in the situation will cause the internal control to become inappropriate or its degree on compliance with the controlling policy and procedures will be lowered, there will be certain risks to the effectiveness of the internal control in the future as inferred by the result of the evaluation of the internal control.

The Board of Directors has commented on the internal control of the Company according to requirements of the Basic Standards of Enterprise Internal Control. It is of the view that the internal control was effective as of December 31, 2018.

In 2019, the Company will continue improving its internal control system, standardizing implementation of its internal control system, reinforcing supervision and examination of internal control according to the provisions and requirements of the Basic Standards of Enterprise Internal Control and the Corporate Governance Code in the view of changes in the external operation environment and actual demands of the Company's development so that the Company can have a healthy and sustainable development.

XIII. BASIS FOR ESTABLISHING INTERNAL CONTROL FOR FINANCIAL REPORTS

The Company emphasizes the establishment and improvement of internal control system concerning financial reports and has established relevant regulations and systems in business calculation, cost expenditure, financial management and accounting information system management according to the requirements in accounting laws, accounting principles and relevant financial systems. According to the requirements in the Basic Standards of Enterprise Internal Control and Practice Guidelines for Enterprise Internal Control, the Company sets scientific financial accounting organization structure, equips with qualified financial accountants, uses standard and rigorous financial accounting management system, and chooses appropriate accounting policies and reasonable accounting evaluation to ensure that the financial reports compiled by the Company conform to the requirements in the accounting principles and can genuinely, accurately and entirely reflect the financial status, operation results and cash flow of the Company. The Company's Supervisory Committee and external auditors conduct effective inspection and supervision over the Company's financial affairs in accordance with the Articles of Association and relevant requirements, and express professional audit opinions on the Company's financial reports.

During the Reporting Period, relevant internal control systems relating to the financial reports of the Company were complete; the smooth operation could guarantee the quality of financial reports and ensure high reliability of financial information. During the Reporting Period, there were no significant defects in the internal control relating to the financial reports of the Company and the annual financial reports of the Company are truthful, accurate and complete.

XIV. ACCOUNT STANDARDIZATION

Standardization of the accounts in the Company was launched in July 2006. It is one of the securities companies working on this issue at the earliest time in the industry. The Company had established an account standardization leadership group with the leader as director and account standardization working group with relevant chief employees as the group members to entirely arrange the work of account standardization on the principle of “overall arrangement, scattering implementation and stable promotion”. Through measures including organizing structure, system arrangement, training communication and supervision and audit, it has powerfully guaranteed the launching of account standardization. The Company had checked all accounts in the system and completed account information through contacting customers by all means, and restricted the transactions and placed into other databases for the remaining unqualified accounts according to the requirements of the regulatory authorities and finally the standardization was stably completed. On April 16, 2008, the Company officially passed the acceptance of the Guangdong Securities Regulatory Bureau and became one of the security companies that first completed the account standardization in advance.

As of December 31, 2018, there were 6,432 unqualified accounts, 1,486,763 dormant accounts, 33,418 risk handling accounts, 17,885 pure capital accounts, and 853 judicial freezing accounts in the Company.

Account standardization is a long term fundamental construction project. On the basis of standardizing historical accounts, the Company began constructing and improving accounts management mechanism for the long term. According to the relevant arrangement of the China Securities Depository and Clearing Corporation Limited on accounts consolidation, the Company had established an accounts consolidation project team, which actively coordinated all the relevant departments and branch offices to entirely sort out and improve business process revision, business training, system testing and the organization of supervision after consolidating the accounts and successfully completed the relevant work on account consolidation.

XV. EVALUATION OF INTERNAL CONTROL

1. Details on the significant defects in internal control detected during the Reporting Period

No major defect in the internal control was identified during the Reporting Period.

2. Self-assessment report on internal control

Date of disclosure of the full text of Internal Control and Evaluation Report March 27, 2019

Disclosure index of full text of Internal Control and Evaluation Report	For detailed information, please visit the website of CNINFO for the March 27, 2019 report (www.cninfo.com.cn)
The percentage of total assets of units included in the evaluation scope to the total assets in the Company's consolidated financial statements	100%
The percentage of total operating income of units included in the evaluation scope to the operating income in the Company's consolidated financial statements	100%

Defect recognition criteria

Category	Financial Report	Non-financial Report
Qualitative criteria	<p>The existing significant defects or symptoms of significant defects in internal control in the financial report of the Company, which include: malpractices are conducted by the Directors, Supervisors and senior managers; to modify the financial statements that have been published; in the current financial statements certified public accountants find material misstatements that are not discovered in the process of internal control; non-standard unqualified opinions for financial report are issued by registered accountants; monitoring of internal control by the Company's Audit Committee and internal auditors is vitiating.</p> <p>Defects in internal control, alone or in conjunction with other defects, in the financial report fail to be prevented or detected and corrected, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p>	<p>It is likely that event or sign of significant defects in internal control might exist in the non-financial report of the Company, which include: "three important and one substantial" matters fail to pass through the collective decision procedure; severe draining of management personnel and technicians in key positions, which affects normal course of business; systematic failure in internal control of important business; internal control defects are subject to serious legal risks; internal control defects significantly affect the Company's reputation; internal control defects are subject to serious administrative punishment; except for the losses due to policies, the Company suffers losses for years and the continuation of business is being challenged, does not meet requirements as a listed company, and may face the risk of delisting or merger in the secondary market; failure of substantial merger or reorganization, or newly expanded affiliate with substantial impact is unable to sustain.</p>

v		
Category	Financial Report	Non-financial Report
	<p>The defects of which do not constitute substantial defects or defects of internal control from substantial defects, are considered as general defects.</p>	<p>Defects in internal control, alone or in conjunction with other defects, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p> <p>General defects are those excluding substantial defects and important defects as mentioned above.</p>
Quantitative criteria	<ol style="list-style-type: none"> 1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit. 2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit. 3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit. 	<ol style="list-style-type: none"> 1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% of annual net profit (inclusive). 2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit. 3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.
The number of substantial defects in financial reports (unit: piece)		0
The number of substantial defects in non-financial reports (unit: piece)		0
The number of important defects in financial reports (unit: piece)		0
The number of important defects in non-financial reports (unit: piece)		0

XVI. INTERNAL CONTROL AUDIT REPORT**Review of the internal control audit report**

In the Company's opinion, GF Securities has maintained effective internal control over financial reports in accordance with the Basic Standards for Enterprise Internal Control and related requirements in all material respects.

Disclosure of internal control audit report Disclosed

Disclosure date of full text of internal control audit report March 27, 2019

Disclosure index of full text of internal control audit report For details, please see the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (www.hkexnews.hk) on March 27, 2019

Opinion of the internal control audit report Standard and unqualified opinion

Whether there is any substantial defect in the non-financial report No

Has the accounting firm issued non-standard opinions with regard to the internal control audit report?

Yes No

Is the internal control audit report issued by the accounting firm consistent with the self-assessment report of the Board of Directors?

Yes No

XVII. OTHER ISSUES ON CORPORATE GOVERNANCE**(I) Responsibility to be borne by Directors for the financial statement**

The responsibility statement of the Directors on financial statements below shall be read in conjunction with that of the certified public accountants contained in the audit report of this report, while both statements shall be comprehended separately.

The Company's Directors shall compile genuine and fair combined financial statements according to the disclosure requirements under the China Accounting Standards, International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance. The Company's Directors will also be responsible for the necessary internal monitoring of the combined financial statements so that there will not be any material misstatements as a result of fraud or errors. The Company is not subject to any event or circumstance of material uncertainty, as a result of which significant doubt may be cast upon the ability of the on-going operation of the Company.

(II) Appointment and remuneration of the auditor

Upon approval by the general meeting of Shareholders in 2017, the Company appointed Ernst & Young as external auditor in 2018, which is responsible for providing relevant auditing services and reviewing and approving the financial statements in accordance with the China Accounting Standards and the International Financial Reporting Standards. The Company appoints Ernst & Young as the internal control auditing agency. Please see details of its employment and remuneration in “VI. Appointment and Removal of Accountants” in Section 6 “Significant Events” in this report.

(III) Securities trading by Directors, Supervisors and relevant employees

The Company has formulated the Management Rule on Shares Held by Directors, Supervisors and Senior Management and Relevant Changes to intensify management of declaration, disclosure and supervision of the holding and sale of the Company’s shares by Directors, Supervisors and senior management personnel. Meanwhile, the Company adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for all Directors, Supervisors and relevant employees (as defined in the Corporate Governance Code) at the meeting of the Board on March 19, 2015. After specific enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly followed the standards in the Model Code for Securities Transactions by Directors of Listed Companies during the Reporting Period.

(IV) Company Secretary

The 8th meeting of the 8th session of the Board of Directors had approved the Proposal on Appointing the Joint Company Secretary and appointed both Mr. Luo Binhua, the secretary to the Board of Directors, and Mr. Wan Ka Hung as the joint company secretaries. Mr. Luo Binhua and Mr. Wan Ka Hung will be the main contact persons of the Company with Hong Kong Stock Exchange.

During the Reporting Period, in order to better perform their duties and according to the requirements of the Hong Kong Listing Rules, Mr. Luo Binhua, secretary to the Board of Directors, had accepted professional training for over 64 hours, including the 47th Enhanced Continuing Professional Development Programme Seminar for Associate Members organized by the Hong Kong Institute of Chartered Secretaries, the subsequent professional training organized by the Securities Association of China and etc.; Mr. Wan Ka Hung, joint company secretary, had received professional training for more than 15 hours including: a number of seminars organized by Computershare Hong Kong Investor Services Limited, such as the seminars on Best Practices for Managing Participants at General Meetings, Quarterly Review of 2018 Annual General Meeting and Summary of Consultation Documents on Fund-raising Activities of Listed Issuers, and the professional training courses organized by Hong Kong Securities and Investment Institute.

(V) Investor relations

1. *Amendments to the Company's rules during the Reporting Period*

In June 2018, the Company made amendments to the Articles of Association in respect of the contents relating to external donations in line with the cultural values of “repaying the society” and “taking initiative in fulfilling social responsibilities”, in response to the calls of various party committees, government authorities and securities regulatory authorities at all levels and in view of the actual situation of the Company's works in precise poverty alleviation and assistance; Meanwhile, in view of the actual situation of the Company, the Company made corresponding amendments to the Articles of Association in respect of the provisions relating to profit distribution in accordance with relevant rules and regulations, such as the Notice on the Further Implementation of Matters Relating to Cash Dividends of Listed Companies issued by the CSRC in May 2012 and the Regulation Guidelines for Listed Companies No. 3 - Cash Dividends of Listed Companies promulgated by the CSRC in November 2013. In November 2018, the Company made amendments to the relevant provisions of the Articles of Association in accordance with the Administrative Measures for Risk Control Indicators of Securities Companies issued by the CSRC in October 2016, the Comprehensive Risk Management Standards for Securities Companies issued by China Securities Industry Association in December 2016 and other supporting rules and regulatory requirements. The Terms of Reference for the Chairman and the Terms of Reference for the General Manager were also amended. The latest Articles of Association came into effect on December 19, 2018 upon approval by the Guangdong Securities Regulatory Bureau. Relevant rules and regulations that need to be disclosed are available for inspection on the Company's website. There were no other material changes in the Articles of Association during the Reporting Period.

2. *Investor relation activities during the Reporting Period*

In 2018, the Company organized various types of interactions for investors and analysts, based on the regulatory requirements and its business development needs. The Company had enhanced its communications with investors through various tools such as dedicated hotlines, the Company's website, teleconference, onsite reception, strategy meetings, online interaction and results announcements. The Company's management team and investor relation team held 32 meetings, cumulatively approximately more than 80 sessions, with domestic and overseas institutional investors and analysts, and met over 200 institutional investors, organised 4 domestic and international results presentations and replied to 88 questions from investors through the interactive platform of the SZSE.

In March 2018, after its annual results were announced, the Company held an on-site results presentation for the year of 2017 in Hong Kong, to further introduce its results and operations to investors. The Company invited analysts for in-depth communication and invited over 100 investors, which deepened the investors' understanding of the Company's operations and performance. In order to strengthen the communications with the market, the Company timely and effectively delivered its operating conditions and performance through telephone communication with analysts and investors after the release of quarterly and interim results. The Company attaches great importance to the communications with small and medium-sized investors, and actively responds to questions raised by investors on the interactive platform of the SZSE. By setting up two hotlines for investors, the Company has maintained smooth and efficient communications with investors.

In 2019, the Company will continue to optimize the construction of the website for the Company's investors relations, the functions of investor hotlines, mailbox and website, so that investors can understand the Company's development in a convenient, fast, prompt and all-round way. The Company will also further enrich investor relation activities, and provide better services to investors and analysts.

Please refer to "XII. Reception of Activities such as Research, Communication and Interview" in Section 5 of the Company's 2018 annual report for details on the Company's reception of investors.

(VI) Establishment and implementation of the Company's inside information system

The Company has formulated the Administrative Measures for Insiders of Inside Information (《内幕信息知情人管理辦法》) and the Management Procedures for Registration of Insiders of Inside Information (《内幕信息知情人登記管理規程》) to further regulate the management of inside information and strengthen the confidentiality of inside information. Pursuant to the measures, the office of the Board of Directors, which is directly led by the secretary of the Board of Directors, is the department for management of the Company's inside information and for specific implementation of information disclosure. The Company has signed confidentiality agreements with each of the secretary of the Board of Directors, the securities affairs representative and the office of the Board of Directors which require them to undertake continuous fulfilment of their obligations of confidentiality during and after their terms of office until the relevant information is disclosed. Before the Company regularly announces periodic reports, insiders of inside information such as substantial shareholders and intermediary services agencies of the Company shall actively cooperate with the Company to complete registration of insiders of inside information. Periodic reports and the registration forms for insiders of inside information in the periodic reports shall be submitted simultaneously to the SZSE.

During the daily business operation of the Company, the Chairman of the Board of Directors and the general manager are the primary persons responsible for maintaining confidentiality of the Company's inside information; while the deputy general manager and other senior management staff are the primary persons responsible for maintaining confidentiality of business and inside information of departments; and the primary persons in charge of each branch and controlled subsidiary are the primary person responsible for maintaining confidentiality of inside information of their own units. Business staff who may access to inside information in their course of business also have obligation of confidentiality. The office of the Board of Directors is responsible for the truthful and completeness of the recording of the list of insiders of inside information during all segments such as the preparation, transmission, examination and disclosure of inside information before their disclosure, and for keeping relevant records for the contents and time of inside information which are known by insiders for inspection of the Company and enquiry by regulatory bodies and, based on specific matters, regularly reports insiders of inside information through the Internet Monitoring Information Platform of the Guangdong Bureau of the CSRC.

The Company has formulated the Administrative Measures for Users of External Information (《外部信息使用人管理辦法》) pursuant to which relevant departments, controlled and non-controlled subsidiaries of the Company shall, before external reporting of information according to laws and regulations and other requirements, make sure such information be reviewed and approved through relevant internal procedures and also reviewed and approved by the secretary of the Board of Directors. Information to be reported externally by the Company involving significant matters shall be considered as inside information. Managing personnel of relevant departments and controlled subsidiaries of the Company shall serve to the relevant personnel of the receiving party a reminder of confidentiality. The office of the Board of Directors has established a system for registration of external use of information which is filed and recorded item by item in chronological order by special staff. The contents for registration mainly include the departments and managers for information transmission, the information title, the serviced unit, the time of delivery, the way of delivery, whether going through approval (if any), and whether a reminder of confidentiality is provided. Meanwhile, external units and relevant staff shall be recorded and filed as insiders of inside information for inspection.

Furthermore, pursuant to the Provisions relating to Strengthening Regulation of Listed Securities Companies (revised in 2010) (《關於加強上市證券公司監管的規定(2010年修訂)》) issued by the CSRC, the Company publicly disclosed major financial information of its monthly operation in the form of provisional announcements every month to increase the frequency of public disclosure and shorten the time during which relevant information is in non-public domain.

Section 11
Corporate Bonds



I. BASIC INFORMATION OF BONDS OF THE COMPANY

(I) Authorization by General Meeting for Issuance of Corporate Bonds

On December 26, 2012 and January 10, 2013, upon consideration and approval by the 3rd extraordinary general meeting of shareholders in 2012 and the 1st extraordinary general meeting of shareholders in 2013, the Company 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 July 21, 2015, the Company convened the first extraordinary general meeting of 2015 at which the Resolution on the Authorization Granted to the Company for the Issuance of Corporate Onshore and Offshore Debt Financing Instruments (《關於授權公司發行公司境內外債務融資工具的議案》) was considered and approved. Pursuant to the resolution, the Company may issue debt financing instruments such as corporate bonds, subordinated bonds and asset securitization products (collectively, the “Onshore and Offshore Debt Financing Instruments”) on a one-off or multiple issuances or multi-tranche issuances basis. The total balance of the Onshore and Offshore Debt Financing Instruments issued by the Company does not exceed RMB200 billion and is able to meet the requirements of the relevant laws and regulations on the maximum amount of issuance in respect of the Onshore and Offshore Debt Financing Instruments issued by the Company.

On June 29, 2018, the Resolution on Authorization of Issuance of Onshore and Offshore Debt Financing Instruments by the Company was considered and approved at the 2017 annual general meeting of the Company. Pursuant to the resolution, the Company is authorized to issue corporate bonds on a one-off or multiple issuances or multi-tranche issuances basis, including corporate bonds (including onshore public and non-public 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), subordinated bonds (including perpetual subordinated bonds), asset securitization products and other debt financing instruments (collectively, the “Corporate Onshore and Offshore Debt Financing Instruments”); and to implement the subsequent issuance and authorization of above-mentioned Corporate Onshore and Offshore Debt Financing Instruments in accordance with this resolution; and the outstanding balance of the Corporate Onshore and Offshore Debt Financing Instruments totalled not more than RMB200 billion. The resolution is valid for 60 months from the date of approval by the shareholders general meeting.

(II) Issuance of Corporate Bonds

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)” (《關於核准廣發證券股份有限公司公開發行公司債券的批復》(證監許可[2013]725號)文件) from the CSRC and was approved to publicly issue corporate bonds with a nominal value of not more than RMB12 billion to the public. On June 19, 2013, the Company completed the issuance of corporate bonds. 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 (RMB'0,000)	Coupon	Debt Service
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13GF01	112181	June 17, 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 17, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13GF03	112183	June 17, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Suitability arrangement of investors	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).						
Interest payment of corporate bonds during the Reporting Period	On June 19, 2018 (interest payment date will be postponed to the next business day if it is a legal holiday), the Company paid the interest and principal amounts for "13GF01" and "13GF02" from June 17, 2017 to June 16, 2018 (the last interest payment year) and paid the interest for "13GF03" from June 17, 2017 to June 16, 2018. 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.						
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.</p> <p>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>On June 19, 2016, the Company chose not to increase the nominal interest rate of "13GF01" (i.e. the redenomination interest rate of "13GF01" for the 2 years after the annual payment date remain unchanged at 4.50%). Pursuant to the requirement of Prospectus of GF Securities Co., Ltd. to Publicly Issue 2013 Corporate Bonds 《廣發證券股份有限公司公開發行公司債券募集說明書》, the Company released an 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公告》). Following the announcement, none of the bondholders has chosen to sell back, all or part of, the "13GF01" at par to the issuer.</p> <p>During the Reporting Period, there is no special articles for redemption and redenomination interest rate.</p>						

On November 18, 2016, the Company obtained the "Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors" (Zheng Jian Xu Ke [2016] No. 2741) (the "Reply") (《關於核准廣發證券股份有限公司向合格投資者公開發行公司債券的批復》(證監許可[2016] 2741號文件)) from the CSRC and was approved to publicly issue corporate bonds with a total nominal value of not more than RMB19 billion to qualified investors.

Corporate Bonds

On May 11 and July 26, 2017, the Company completed the issuance of the first and second tranches of 2017 corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB'0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the First Tranche)	17GF01	112520	May 09, 2017	May 11, 2020	600,000	4.60%	Interest shall be accrued and 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 Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the Second Tranche)	17GF02	112556	July 24, 2017	July 26, 2020	600,000	4.50%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the appropriateness of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On May 11, 2018, the Company paid the interest for "17GF01" from May 11, 2017 to May 10, 2018, the interest for "17GF01" is RMB46.00 (with tax)/10 pieces. On July 26, 2018, the Company paid the interest for "17GF02" from July 26, 2017 to July 25, 2018, the interest for "17GF02" is RMB45.00 (with tax)/10 pieces						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms						

On April 27 and August 24, 2018, the Company completed the issuance of the first and second tranches of 2018 corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB'0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the First Tranche)	18GF01	112690	April 25, 2018	April 27, 2021	450,000	4.60%	Interest shall be accrued and 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 Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the Second Tranche)	18GF02	112751	August 22, 2018	August 24, 2021	190,000	4.30%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the appropriateness of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	No interest payment was made during the Reporting Period.						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms						

On November 15, 2018, the Company obtained the “Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2018] No. 1826) (the “Reply”) (《關於核准廣發證券股份有限公司向合格投資者公開發行公司債券的批復》(證監許可[2018]1826號文件)) from the CSRC and was approved to publicly issue corporate bonds with a total nominal value of not more than RMB7.8 billion to qualified investors.

Corporate Bonds

On March 1, 2019, the Company completed the issuance of the first tranche of 2019 corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB'0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019 (the First Tranche) Type I	19GF03	112857	February 27, 2019	March 1, 2022	780,000	3.70%	Interest shall be accrued and 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.
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the appropriateness of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	No interest payment was made during the Reporting Period.						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms.						

II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

The trustee of 2013 corporate bonds:

Name	China Merchants Securities Co., Ltd.	Business address	26th floor, China Merchants Securities Tower, No. 111, Fuhua 1st Road, Futian Sub-district, Futian District, Shenzhen	Contact	Zhang Huanhuan, Wang Dawei	Contact number	0755-83081287
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Credit rating agency for tracking rating of 2013 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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The trustee of 2017 and 2018 corporate bonds:

Name	Guosen Securities Co., Ltd.	Business address	Floors 16-26, Guosen Securities Tower, No. 1012, Hongling Middle Road, Luohu District, Shenzhen	Contact	Zhou Lei, Wang Xue	Contact number	0755-82130833
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Credit rating agency for tracking rating of 2017 and 2018 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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The trustee of 2019 corporate bonds:

Name	Guotai Junan Securities Co., Ltd.	Business address	No. 768, Nanjin Road West, Jing'an District, Shanghai	Contact	Jiang Zhiqiang, Wang Kunpeng, Sun Yiran	Contact number	021-38676666
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Credit rating agency for rating of 2019 corporate bonds:

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 impacts on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed.

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

III. USE OF PROCEEDS FROM BOND OFFERING

Use of proceeds from and procedures to be fulfilled in bond offering

The proceeds from corporate bond offering in 2013, with the offering expenses deducted, were all used to replenish the Company's working capital;

The proceeds from corporate bond offering in 2017 and 2018, with the offering expenses deducted, were all used to replenish the Company's liquidity;

The proceeds from corporate bond offering in 2019, with the offering expenses deducted, were all used to replenish the Company's working capital.

Year-end balance (RMB'0,000)
Operation of special account for the funds raised

2,740,000 (as of December 31, 2018)

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.

IV. CORPORATE BOND RATING

When the corporate bonds were issued in 2013, 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 in 2013. AAA rating indicates the extremely high credit quality and low credit risks of such bonds.

When the 2017 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2017] No. G218-1) (《中誠信證評信用等級通知書》(信評委函字[2017] G218-1號), the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2017] No. G338-F1) (《中誠信證評信用等級通知書》(信評委函字[2017] G338-F1號), the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2017 (the First Tranche)” (《廣發證券2017年面向合格投資者公開發行公司債券(第一期)信用評級報告》) and the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2017 (the Second Tranche)” (《廣發證券2017年面向合格投資者公開發行公司債券(第二期)信用評級報告》) issued by CCXR, the 2017 corporate bonds were rated AAA at the time of issuance. This rating indicates the extremely high credit quality and low credit risks of such bonds.

When the 2018 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2018] No. G189-F3) (《中誠信證評信用等級通知書》(信評委函字[2018]G189-F3號), the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2018] No. G189-F4) (《中誠信證評信用等級通知書》(信評委函字[2018] G189-F4號), the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2018 (the First Tranche)” (《廣發證券2018年面向合格投資者公開發行公司債券(第一期)信用評級報告》) and the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2018 (the Second Tranche)” (《廣發證券2018年面向合格投資者公開發行公司債券(第二期)信用評級報告》) issued by CCXR, the 2018 corporate bonds were rated AAA at the time of issuance. This rating indicates the strong debt service capability and high security of such bonds.

When the 2019 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2019] No. G119-F1) (《中誠信證評信用等級通知書》(信評委函字[2019]G119-F1號), the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019 (the First Tranche)” (《廣發證券股份有限公司2019年面向合格投資者公開發行公司債券(第一期)信用評級報告》) issued by CCXR, the 2019 corporate bonds were rated AAA at the time of issuance. This rating indicates the high security (basically unaffected by adverse economic conditions) and low default risks of such bonds.

During the effective period of the credit rating of the aforementioned corporate bonds 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 19, 2018, CCXR updated and maintained the AAA rating of the 2013 and 2017 corporate bonds. During the Reporting Period, 2018 corporate bonds did not involve any following-up rating events.

V. CORPORATE BOND CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEDULE AND OTHER DEBT REPAYMENT SAFEGUARD MEASURES

The above corporate bonds bear no warranties.

The debt repayment plans of the above corporate bonds: The principal of the bonds shall be fully repaid upon maturity. The above-mentioned repayment 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. Interest on the bonds shall be paid once every year starting from the value date. Such interest 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. Principal will be repaid upon maturity together with interest payable for the last period. The principal and interest of corporate bonds shall be paid through registration authorities and relevant institutions. The detailed matters about principal and interest payment shall be explained by the Company in the relevant announcement published through the media designated by the CSRC according to the relevant national provisions.

The safeguard measures on debt repayment of the above corporate bonds include but are not limited to: retaining a bond manager; establishing special repayment work team; establishing the Bondholder Meeting Rules; and 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 adopt the following measures in accordance with the mandatory requirements (if applicable) under laws, regulations or regulatory documents: 1. the proportion of discretionary surplus reserve fund and the proportion of general risk reserves shall be increased during the duration of the bonds in order to reduce the solvency risk; 2. no profits shall be distributed to the shareholders; 3. Significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed; 4. salary and bonus of the Directors and senior management shall be reduced or suspended; and 5. 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.

VI. CONVENING OF MEETINGS OF BONDHOLDERS DURING THE REPORTING PERIOD

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

VII. PERFORMANCE OF BOND TRUSTEE DURING THE REPORTING PERIOD

As the trustees, China Merchants Securities Co., Ltd. and Guosen Securities Co., Ltd., strictly performed the relevant obligations as the trustees during the Reporting Period 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; and issued their reports on trusteeship and relevant reports on temporary trusteeship for the year of 2017, respectively. While performing the relevant responsibilities of a trustee, China Merchants Securities Co., Ltd. and Guosen Securities Co., Ltd. had no conflict of interests with the Company.

VIII. REDEMPTION OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS DURING THE REPORTING PERIOD

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

During the Reporting Period, the Company has paid interests for a total of six short-term corporate bonds, in accordance with the No Objection Letter to GF Securities Co., Ltd. for the Short-Term Corporate Bond of Securities Firms in 2016 Meeting Transfer Conditions of the SZSE (Shen Zheng Han [2016] No. 762) (《關於廣發證券股份有限公司2016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[2016] 762號)) and the No Objection Letter to GF Securities Co., Ltd. for the Short-Term Corporate Bond of Securities Firms in 2017 Meeting Transfer Conditions of the SZSE (Shen Zheng Han [2017] No. 63) (《關於廣發證券股份有限公司2017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[2017] 63號)):

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (days)	Coupon	Interest payment
GF 1701	300,000	April 17, 2017	270	4.60%	Principal and interest paid on January 12, 2018
GF 1704	450,000	July 10, 2017	310	4.75%	Principal and interest paid on May 16, 2018
GF 1705	290,000	July 31, 2017	240	4.70%	Principal and interest paid on March 28, 2018
GF 1706	300,000	September 13, 2017	365	4.85%	Principal and interest paid on September 13, 2018
GF 1707	220,000	November 7, 2017	365	5.07%	Principal and interest paid on November 7, 2018
GF 1708	200,000	November 7, 2017	185	4.95%	Principal and interest paid on May 11, 2018

As of the end of the Reporting Period, five tranches of the Company's short-term corporate bonds had not matured. The total balance was RMB19 billion. Key information on these short-term corporate bonds that were outstanding by the end of the Reporting Period is as below:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (days)	Coupon
GF 1801	300,000	March 12, 2018	365	5.30%
GF 1802	300,000	May 21, 2018	365	4.85%
GF 1803	500,000	May 29, 2018	330	4.83%
GF 1804	200,000	June 12, 2018	330	4.95%
GF 1805	600,000	July 10, 2018	360	4.70%

(2) Interest payment for subordinated bonds

On July 21, 2015, the Company convened the first extraordinary general meeting of 2015 at which the Resolution on the Authorization Granted to the Company for the Issuance of Corporate Onshore and Offshore Debt Financing Instruments (關於授權公司發行公司境內外債務融資工具的議案) was considered and approved. Pursuant to the resolution, the Company may issue debt financing instruments such as corporate bonds, sub-ordinated bonds and asset securitization products (collectively, the “Onshore and Offshore Debt Financing Instruments”) on a one-off or multiple issuances or multi-tranche issuances bases. The total balance of issued Onshore and Offshore Debt Financing Instruments of the Company shall not exceed RMB200 billion and shall meet the requirements of relevant laws and regulations on the maximum amount of issuance of Onshore and Offshore Debt Financing Instruments of the Company.

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

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
16 GF 02	500,000	June 13, 2016	2+1	3.50%	The issuer exercised its redemption option and the subordinated bonds expired on June 13, 2016, with all principal and interest accrued from June 13, 2017 to June 12, 2018 paid by the issuer
16 GF 03	500,000	June 21, 2016	3+2	3.70%	The interest accrued from June 21, 2017 to June 20, 2018 was paid on June 21, 2018
16 GF 04	500,000	July 19, 2016	2+2	3.35%	The issuer exercised its redemption option and the subordinated bonds expired on July 19, 2018, with all principal and interest accrued from July 19, 2017 to July 18, 2018 paid by the issuer
16 GF 05	500,000	August 17, 2016	2	3.03%	The subordinated bonds expired on August 17, 2018, with all principal and interest accrued from August 17, 2017 to August 16, 2018 paid by the issuer
16 GF 06	400,000	August 29, 2016	3	3.30%	The interest accrued from August 29, 2017 to August 28, 2018 was paid on August 29, 2018

Corporate Bonds

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
16 GF 07	400,000	September 14, 2016	3	3.50%	The interest accrued from September 14, 2017 to September 13, 2018 was paid on September 14, 2018
17 GF C1	350,000	October 20, 2017	3	5.09%	The interest accrued from October 20, 2017 to October 19, 2018 was paid on October 22, 2018 (the interest payment date is postponed to the next business day as October 20, 2018 is a rest day)
17 GF C2	200,000	October 30, 2017	2	5.10%	The interest accrued from October 30, 2017 to October 29, 2018 was paid on October 30, 2018

As of the end of the Reporting Period, six of the Company's subordinated bonds, in a total balance of RMB23.1 billion were outstanding. Key information on these bonds as of the end of the Reporting Period is as below:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon
16 GF 03	500,000	June 21, 2016	3+2	3.70%
16 GF 06	400,000	August 29, 2016	3	3.30%
16 GF 07	400,000	September 14, 2016	3	3.50%
17 GF C1	350,000	October 20, 2017	3	5.09%
17 GF C2	200,000	October 30, 2017	2	5.10%
18 GF C1	460,000	November 9, 2018	3	4.40%

(III) Interest payment for private corporate bonds

During the Reporting Period, the Company paid interest for four of the private corporate bonds:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
16 GF 08	300,000	November 18, 2016	3	3.45%	The interest accrued from November 18, 2017 to November 17, 2018 was paid on November 19, 2018 (the interest payment date is postponed to the next business day as November 18, 2018 is a rest day)
17 GF 03	350,000	August 15, 2017	3	4.84%	The interest accrued from August 15, 2017 to August 14, 2018 was paid on August 15, 2018
17 GF 04	300,000	August 28, 2017	3	4.95%	The interest accrued from August 28, 2017 to August 27, 2018 was paid on August 28, 2018
17 GF 05	300,000	September 25, 2017	2	5.00%	The interest accrued from September 25, 2017 to September 24, 2018 was paid on September 25, 2018

As of the end of the Reporting Period, four of the Company's private corporate bonds, in a total balance of RMB12.5 billion was outstanding, with key information as below:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon
16 GF 08	300,000	November 18, 2016	3	3.45%
17 GF 03	350,000	August 15, 2017	3	4.84%
17 GF 04	300,000	August 28, 2017	3	4.95%
17 GF 05	300,000	September 25, 2017	2	5.00%

IX. 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 RMB9,000,000,000 as of the end of Reporting Period.

X. 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.

XI. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD

As of March 31, 2018, the balance of the Company's borrowings amounted to RMB197.744 billion. With a cumulative amount of RMB27.625 billion, new borrowings accounted for 31.17% (above 20%) of the net assets at the end of last year. Due to repayment of borrowings in April 2018, the percentage of the cumulative amount of new borrowings of the Company as of April 30, 2018 to the net assets of the Company at the end of last year reduced to not above 20%. As of May 31, 2018, the balance of the Company's borrowings amounted to RMB196.345 billion. With a cumulative amount of RMB26.226 billion, new borrowings accounted for 29.59% (above 20%) of the net assets at the end of last year.

The Company made public disclosures on the above matters in accordance with the Management Measures on Corporate Bond Issuance and Trading. China Merchants Securities Co., Ltd., the Trustee of the Company's 2013 Corporate Bonds, and Guosen Securities Co., Ltd., the Trustee of the Company's 2017 and 2018 Corporate Bonds, issued the Report on the Temporary Trusteeship of Corporate Bonds, respectively.

Except for the above-mentioned events, there were no major issues as listed in Article 45 of the Management Measures on Corporate Bond Issuance and Trading during the Reporting Period.

XII. GUARANTOR FOR THE CORPORATE BOND

None

Section 12
Documents
Available for
Inspection



Documents Available for Inspection

- (1) Texts of the annual report with the signature of the legal representative of the Company.
- (2) Text of the financial statements (H Share).
- (3) The original text of the auditor's report issued by Ernst & Young.
- (4) The original copies of all corporate documents and announcements publicly disclosed on newspapers designated by the CSRC during the Reporting Period.
- (5) Other relevant materials.



APPENDIX
INDEPENDENT
AUDITOR'S
REPORT,
CONSOLIDATED
FINANCIAL
STATEMENTS
AND NOTES



Independent Auditor's Report

**To the Shareholders of GF Securities Co., Ltd.**

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

OPINION

We have audited the consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 249 to 436, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS-continued

Key audit matters

Valuation of financial instruments

The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, particularly those require significant unobservable inputs, usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.

As at 31 December 2018, financial assets and financial liabilities measured at fair value amounted to RMB 196.13 billion and RMB 21.81 billion respectively, representing 50.4% and 7.3% of total assets and total liabilities respectively. Financial instruments which require significant unobservable inputs in estimating fair value, and hence categorized within level 3 of the fair value hierarchy, involve higher uncertainty in their valuation. As at 31 December 2018, 9.6% of financial assets and 58.9% of financial liabilities measured at fair value were categorized within level 3. Due to the significance of financial instruments measured at fair value, and the uncertainty in valuation involving significant judgement for unlisted equity, private equity fund investments, and over-the-counter derivatives, valuation of financial instruments is considered a key audit matter.

Relevant disclosures are included in notes 4 and 67 to the consolidated financial statements.

How our audit addressed the key audit matter

We evaluated and tested the design and operating effectiveness of the key controls relating to the valuation of financial instruments.

We evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.

For valuations which used significant unobservable inputs, such as unlisted equity investments, private equity fund investments and derivatives instruments, we involved our internal valuation specialists in assessing the models used, and re-performing independent valuations.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

Independent Auditor's Report

KEY AUDIT MATTERS-continued

Key audit matters

How our audit addressed the key audit matter

Impairment assessment of debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, advances to customers, and financial assets held under resale agreements

From 1 January 2018, the Group adopted IFRS 9 Financial Instruments (hereinafter referred to as "IFRS 9"). IFRS 9 requires that the impairment measurement for financial assets be changed from "incurred loss model" to "expected credit losses model".

The financial instruments applicable to expected credit losses model mainly include the financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, advance to customers and financial assets held under resale agreements, which amounted to RMB 168.58 billion as at 31 December 2018, representing 43.3% of total assets, and the aggregated impairment allowance for the above financial assets amounted to RMB 0.82 billion. Since impairment assessment involves significant judgement and assumptions, and in view of the significance of the amount, the impairment assessment of above financial instruments is considered a key audit matter.

Relevant disclosures are included in notes 4, 27, 29, and 34 to the consolidated financial statements.

We evaluated and tested the effectiveness of the design and implementation of key internal controls relating to the investment approval process, post approval management, credit rating, collateral monitoring and financial instruments impairment assessment, including testing of relevant data quality and information systems.

We involved our internal specialists in assessing the model used, parameters and assumptions, which include staging, possibility of default, loss given default, exposure at default, and assessed the reasonableness of key management judgements involved.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosure of the expected credit impairment losses.

KEY AUDIT MATTERS-continued

Key audit matters

Consolidation assessment of structured entities

The Group has interests in various structured entities, such as wealth management products, funds and trust plans, in conducting financial investments and asset management. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and link between power and returns.

As at 31 December 2018, the interests held by the Group in the unconsolidated structured entities amounted to RMB 15.98 billion.

The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation or non-consolidation of structured entities is considered a key audit matter.

Relevant disclosures are included in notes 4 and 26 to the consolidated financial statements.

How our audit addressed the key audit matter

We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.

We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of structured entities by reviewing relevant term sheets, as well as the fairness of transactions between the Group and structured entities.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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

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

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

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

Independent Auditor's Report**RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS –
*continued***

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

The engagement partner on the audit resulting in the independent auditor's report is Benny Bing Yin Cheung.

Ernst & Young

Certified Public Accountants

Hong Kong

26 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue			
Commission and fee income	6	8,912,400	11,564,482
Interest income	7	11,938,696	8,017,630
Net investment gains	8	181,570	8,733,919
Total revenue		21,032,666	28,316,031
Other income and gains or losses	9	1,784,330	298,303
Total revenue and other income		22,816,996	28,614,334
Depreciation and amortisation	10	(340,049)	(312,454)
Staff costs	11	(4,763,017)	(6,836,367)
Commission and fee expenses	12	(293,783)	(336,255)
Interest expenses	13	(7,866,380)	(7,064,048)
Other operating expenses	14	(3,869,156)	(2,483,884)
Impairment losses	15	(31)	(398,265)
Credit loss expense	16	(303,293)	—
Total expenses		(17,435,709)	(17,431,273)
Share of results of associates and joint ventures		623,051	460,965
Profit before income tax		6,004,338	11,644,026
Income tax expense	17	(1,372,293)	(2,560,655)
Profit for the year		4,632,045	9,083,371
Attributable to:			
Owners of the Company		4,300,126	8,595,399
Non-controlling interests		331,919	487,972
		4,632,045	9,083,371
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	18	0.56	1.13

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	4,632,045	9,083,371
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Revaluation losses on equity instruments at fair value through other comprehensive income	(1,723,563)	—
Income tax related to the above	429,682	—
Total items that will not be reclassified to profit or loss in subsequent periods	<u>(1,293,881)</u>	—
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>256,392</u>	<u>(377,108)</u>
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the year	367,805	—
Reclassification to profit or loss on disposal	(112,420)	—
Reclassification to profit or loss on impairment	137,151	—
Income tax related to the above	<u>(143,057)</u>	—
Net gain on debt instruments at fair value through other comprehensive income	<u>249,479</u>	—
Share of other comprehensive income of associates and joint ventures:		
Share of fair value (losses)/gains on financial assets of associates and joint ventures	(160,380)	89,932
Share of exchange differences arising on translation of associates	<u>3,160</u>	<u>(5,674)</u>
Net (losses)/gains on other comprehensive income of associates and joint ventures	<u>(157,220)</u>	<u>84,258</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Available-for-sale financial assets:		
Net fair value changes during the period	—	2,734,862
Reclassification adjustment to profit or loss on disposal	—	(1,752,679)
Reclassification adjustment to profit or loss on impairment	—	190,423
Income tax related to the above	—	(350,099)
Net gains on available-for-sale financial assets	—	822,507
Total items that may be reclassified to profit or loss in subsequent periods	348,651	529,657
Other comprehensive income for the year, net of tax	(945,230)	529,657
Total comprehensive income for the year	<u>3,686,815</u>	<u>9,613,028</u>
Attributable to:		
Owners of the Company	3,345,252	8,990,611
Non-controlling interests	341,563	622,417
	<u>3,686,815</u>	<u>9,613,028</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position*As at 31 December 2018*

	Notes	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current assets			
Property and equipment	19	2,429,813	2,128,222
Prepaid lease payments	20	288,831	298,459
Investment properties	21	20,067	21,803
Goodwill	22	2,274	2,168
Other intangible assets	23	261,806	284,999
Investments in associates	24	4,078,063	3,444,727
Investments in joint ventures	25	1,342,056	931,962
Debt instruments at amortised cost	27(1)	2,386,518	—
Equity instruments at fair value through other comprehensive income	27(3)	10,794,010	—
Available-for-sale financial assets	27(4)	—	18,139,298
Loan and receivable investments	27(5)	—	55,728
Financial assets at fair value through profit or loss	28	6,436,608	1,279,652
Advances to customers	29	170,717	354,494
Other accounts receivable, other receivables and prepayments	31	—	44,307
Financial leasing receivables	32	2,900,616	2,818,433
Financial assets held under resale agreements	34	6,555,966	8,846,105
Deferred tax assets	40	1,085,526	428,496
Total non-current assets		38,752,871	39,078,853

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Current assets			
Prepaid lease payments	20	9,628	9,628
Debt instruments at amortised cost	27(1)	4,513,621	—
Debt instruments at fair value through other comprehensive income	27(2)	79,513,048	—
Available-for-sale financial assets	27(4)	—	74,455,101
Loan and receivable investments	27(5)	—	2,423,409
Financial assets at fair value through profit or loss	28	81,677,388	61,919,063
Advances to customers	29	45,184,589	61,395,697
Accounts receivable	30	4,271,893	3,492,553
Contract assets		28,684	—
Other accounts receivable, other receivables and prepayments	31	765,404	3,300,455
Financial leasing receivables	32	1,940,896	1,276,258
Amounts due from joint ventures		7,744	—
Amounts due from associates	33	25,499	17,124
Financial assets held under resale agreements	34	30,257,103	24,821,297
Derivative financial assets	35	17,536,655	5,450,742
Deposits with exchanges and non-bank financial institutions	36	6,284,998	4,700,753
Clearing settlement funds	37	17,899,887	17,652,948
Bank balances	38	60,436,038	56,910,758
Total current assets		<u>350,353,075</u>	<u>317,825,786</u>
Total assets		<u><u>389,105,946</u></u>	<u><u>356,904,639</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position*As at 31 December 2018*

	Notes	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Current liabilities			
Borrowings	41	5,504,515	7,349,536
Short-term financing payables	42	24,049,740	25,101,447
Financial liabilities held for trading	43	107,976	1,994,574
Due to banks and other financial institutions	44	11,667,619	4,953,656
Accounts payable to brokerage clients	45	58,445,148	65,026,117
Accounts payable to underwriting clients		—	54,000
Accrued staff costs	46	2,847,689	4,452,909
Other accounts payable, other payables and accruals	47	4,783,060	5,142,642
Contract liabilities		39,636	—
Amounts due to joint ventures		335,853	122,396
Amounts due to associates		5,407	1,703
Provisions	48	33,360	33,360
Current tax liabilities		515,204	806,079
Other liabilities	49	8,639,515	11,638,550
Derivative financial liabilities	35	19,879,028	5,439,113
Financial assets sold under repurchase agreements	50	85,993,800	55,475,158
Bonds payable	51	24,374,247	10,524,843
Long-term loans	52	3,495,332	747,375
Total current liabilities		<u>250,717,129</u>	<u>198,863,458</u>
Net current assets		<u>99,635,946</u>	<u>118,962,328</u>
Total assets less current liabilities		<u>138,388,817</u>	<u>158,041,181</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current liabilities			
Financial liabilities held for trading	43	459,530	456,168
Financial assets sold under repurchase agreements	50	—	41,250
Accrued staff costs	46	2,245,763	2,597,404
Other accounts payable, other payables and accruals	47	124,615	80,050
Deferred tax liabilities	40	138,467	88,441
Bonds payable	51	44,322,807	62,147,878
Long-term loans	52	1,977,314	3,778,117
Other liabilities	49	491,147	226,291
Total non-current liabilities		49,759,643	69,415,599
Net assets		88,629,174	88,625,582
Capital and reserves			
Share capital	53	7,621,088	7,621,088
Capital reserve		31,864,816	31,864,816
Investment revaluation reserve	54	387,203	2,200,562
Translation reserve		294,816	43,978
General reserves	55	18,814,878	17,355,904
Retained profits	56	26,035,215	25,767,855
Equity attributable to owners of the Company		85,018,016	84,854,203
Non-controlling interests		3,611,158	3,771,379
Total equity		88,629,174	88,625,582

Approved and authorised for issue by the Board of Directors on 26 March 2019.

Sun Shuming
Chairman

Lin Zhihai
Executive Director and President

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 53)		(Note 54)		(Note 55)				
At 1 January 2018	7,621,088	31,864,816	2,200,562	43,978	17,355,904	25,767,855	84,854,203	3,771,379	88,625,582
Impact of adopting IFRS 9	—	—	(607,647)	—	—	476,643	(133,004)	(25,942)	(158,946)
Restated opening balance under IFRS 9	7,621,088	31,864,816	1,592,915	43,978	17,355,904	26,242,498	84,721,199	3,745,437	88,466,636
Profit for the year	—	—	—	—	—	4,300,126	4,300,126	331,919	4,632,045
Other comprehensive income for the period	—	—	(1,205,712)	250,838	—	—	(954,874)	9,644	(945,230)
Total comprehensive income for the year	—	—	(1,205,712)	250,838	—	4,300,126	3,345,252	341,563	3,686,815
Capital injection from non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	126,255	126,255
Capital reduction by non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	(471,722)	(471,722)
Appropriation to general reserves	—	—	—	—	1,458,974	(1,458,974)	—	—	—
Dividends recognised as distribution (Note 57)	—	—	—	—	—	(3,048,435)	(3,048,435)	(130,375)	(3,178,810)
At 31 December 2018	7,621,088	31,864,816	387,203	294,816	18,814,878	26,035,215	85,018,016	3,611,158	88,629,174
At 1 January 2017	7,621,088	31,864,053	1,430,709	418,619	15,207,816	21,987,925	78,530,210	2,823,126	81,353,336
Profit for the year	—	—	—	—	—	8,595,399	8,595,399	487,972	9,083,371
Other comprehensive income for the period	—	—	769,853	(374,641)	—	—	395,212	134,445	529,657
Total comprehensive income for the year	—	—	769,853	(374,641)	—	8,595,399	8,990,611	622,417	9,613,028
Capital injection by non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	455,900	455,900
Capital reduction by non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	(37,432)	(37,432)
Appropriation to general reserves	—	—	—	—	2,148,088	(2,148,088)	—	—	—
Dividends recognised as distribution (Note 57)	—	—	—	—	—	(2,667,381)	(2,667,381)	(74,011)	(2,741,392)
Others	—	763	—	—	—	—	763	(18,621)	(17,858)
At 31 December 2017	7,621,088	31,864,816	2,200,562	43,978	17,355,904	25,767,855	84,854,203	3,771,379	88,625,582

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before income tax	6,004,338	11,644,026
Adjustments for:		
Interest expenses	7,866,380	7,064,048
Share of results of associates and joint ventures	(623,051)	(460,965)
Depreciation and amortisation	340,049	312,454
Impairment losses	303,324	398,265
Gain on disposal of property and equipment and other intangible assets	(1,502)	(2,213)
Gain on disposal of associates and joint ventures	(97,063)	(220,785)
Foreign exchange losses/(gains), net	20,988	(2,366)
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	(112,420)	—
Net realised gains from disposal of available-for-sale financial assets	—	(2,124,208)
Dividend income and interest income from financial instruments at fair value through other comprehensive income	(3,813,013)	—
Dividend income and interest income from available-for-sale financial assets	—	(3,268,410)
Interest income from debt instruments at amortised cost	(666,090)	—
Interest income and net realised gains from loan and receivable investments	—	(180,991)
Losses on other investments	—	84
Unrealised fair value changes in financial assets at fair value through profit or loss	2,118,623	34,015
Unrealised fair value changes in financial liabilities at fair value through profit or loss	86,493	80,662
Unrealised fair value changes in derivatives	410,108	(170,942)
Operating cash flows before movements in working capital	<u>11,837,164</u>	<u>13,102,674</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows*For the year ended 31 December 2018*

	2018	2017
	RMB'000	RMB'000
Operating cash flows before movements in working capital	11,837,164	13,102,674
Decrease/(Increase) in advances to customers	16,321,045	(2,727,079)
Decrease/(Increase) in interest receivable	1,852,983	(250,458)
Increase in financial assets held under resale agreements	(3,255,589)	(11,733,612)
Increase in financial assets at fair value through profit or loss	(11,109,532)	(1,500,609)
Decrease in financial liabilities at fair value through profit or loss	(1,820,694)	(2,246,294)
Decrease/(Increase) in deposits with exchanges and non-bank financial institutions	(1,584,245)	431,932
Increase in pledged restricted bank deposits	(1,678,505)	(13,602)
Increase in other current assets	(13,404,693)	(7,325,761)
Decrease/(Increase) in clearing settlement funds - clients	(1,413,692)	3,558,006
Decrease in cash held on behalf of customers	8,876,146	18,894,856
Decrease in accounts payable to brokerage clients	(6,585,955)	(20,700,408)
Decrease in accrued staff costs	(1,956,862)	(91,736)
Increase in other accounts payable, other payables and accruals and other liabilities	12,643,194	371,206
Increase in financial assets sold under repurchase agreements	30,361,543	4,967,142
Increase/(Decrease) in amounts due to banks and other financial institutions	6,659,415	(5,652,739)
Cash from/(used in) operations	45,741,723	(10,916,482)
Income taxes paid	(1,932,420)	(2,532,272)
Interest paid	(2,951,152)	(2,968,074)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	40,858,151	(16,416,828)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows*For the year ended 31 December 2018*

	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES		
Dividends and interest received from investments	4,319,552	3,721,920
Purchases of property and equipment and other intangible assets	(646,558)	(538,474)
Proceeds from disposal of property and equipment and other intangible assets	2,410	3,135
Capital injection to associates	(359,002)	(395,858)
Proceeds from disposals of partial interests in associates	74,245	286,567
Capital injection to joint ventures	(532,509)	(26,020)
Proceeds from disposals of partial interests in joint ventures	32,336	77,808
Cash inflows arising from the consolidation of asset management schemes and funds	—	132,402
Cash outflows arising from the deconsolidation of asset management schemes and funds	—	(45,841)
Purchase of or proceeds from disposal of financial assets at fair value through other comprehensive income, net	(25,078,534)	—
Purchase of or proceeds from disposal of available-for-sale financial assets, net	—	1,986,432
Purchase of or proceeds from disposal of debt instruments at amortised cost, net	6,869,696	—
Purchases of loan and receivable investments	—	(1,824,586)
Proceeds from disposal of loan and receivable investments	—	1,632,370
Proceeds from other investment activities	5,662	—
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(15,312,702)	5,009,855

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows*For the year ended 31 December 2018*

	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES		
Dividends paid to shareholders and non-controlling interests	(3,177,062)	(2,742,948)
Repayment of borrowings interest	(280,940)	(147,867)
Repayment of short-term financing payables and bonds interest	(4,109,406)	(4,027,868)
Repayment of long-term loans interest	(227,732)	(137,347)
Capital injection from non-controlling shareholders	126,255	455,900
Capital reduction by non-controlling shareholders	(471,825)	(33,516)
Proceeds from short-term financing payables and bonds issued	42,835,422	71,816,519
Repayment of short-term financing payables and bonds	(49,699,970)	(63,796,998)
Proceeds from borrowings	1,213,000	3,055,907
Repayment of borrowings	(3,313,158)	(180,000)
Proceeds from long-term loans	1,912,440	2,383,000
Repayment of long-term loans	(1,082,387)	(446,118)
Proceeds from other financing activities	220,313	125,167
Repayment of other financing activities	—	(15,824)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(16,055,050)	6,308,007
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,490,399	(5,098,966)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	11,729,410	16,917,502
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	65,770	(89,126)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	21,285,579	11,729,410

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***1. GENERAL INFORMATION OF THE GROUP**

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 9 April 1991. With the approval of the Guangdong Administration for Industry and Commerce, GF Securities Co., Ltd. (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 21 May 1993. On 25 January 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 26 December 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 26 August 1999, the Company was spun off from Guangdong Development Bank as required by the sectoral regulation of the financial industries under PRC law. On 25 July 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 12 February 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 10 April 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 Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong, People's Republic of China ("PRC").

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance.

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

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

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

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***2.2 BASIS OF CONSOLIDATION**

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

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

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.2 BASIS OF CONSOLIDATION – continued

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Group served as the manager of asset management schemes and funds. These asset management schemes and funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 "Consolidated Financial Statements", they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such asset management schemes and funds for cash. These are presented as "Third-party interests in consolidated asset management schemes and funds" within other liabilities in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

In the current year, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IAS 40	Transfers of Investment Property
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except as described below, the application of the new and revised IFRSs has had no significant impact on the Group’s consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement” for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented as at 31 December 2018 and for the year then ended. Differences arising from the adoption of IFRS 9 have been recognised directly in retained profits and investment revaluation reserve as of 1 January 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

IFRS 9 Financial Instruments – *continued*

Classification and measurement

Except for certain accounts receivable, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (“FVTPL”), amortised cost, or fair value through other comprehensive income (“FVTOCI”). The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the “SPPI criterion”).

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

The new classification and measurement of the Group’s financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Other financial assets at amortised cost mainly includes the Group’s advances to customers, other receivables, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, bank balances, accounts receivable, amounts due from joint ventures, amounts due from associates and financial leasing receivables.
- Debt instruments at FVTOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group’s quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell.
- Equity instruments at FVTOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVTOCI are not subject to an impairment assessment under IFRS 9.
- Financial assets at FVTPL comprise derivative instruments and equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail to meet the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Upon transition, the available-for-sale investment revaluation reserve relating to equity and debt securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings.

The assessment of the Group’s business models was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued****IFRS 9 Financial Instruments – continued***Impairment*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For accounts receivable, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision rate matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (advances to customers, financial assets held under resale agreements, debt instruments at FVTOCI, etc.), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under impairment requirement of IFRS 9 into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

IFRS 9 Financial Instruments – *continued*

Impairment – continued

- Stage 1: When debt financial assets are first recognised, the Group recognises an allowance based on 12-month ECLs. Stage 1 debt financial assets also include facilities where the credit risk has improved and the financial assets have been reclassified from Stage 2.
- Stage 2: When debt financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.
- Stage 3: Debt financial assets considered credit-impaired. The Group records an allowance for LTECLs.
- POCI: Purchased or originated credit impaired (“POCI”) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate (“EIR”). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the debt instrument has not been previously derecognised and is still in the portfolio. When estimating PD, the Group takes historical default data, internal and external rating, and forward looking adjustment and so on.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest scheduled by contract.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received for selling the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9

(1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	Ref	IAS 39		Remeasurement		IFRS 9		
		Category	Amount RMB'000	Re- classification RMB'000	ECL ⁶ RMB'000	Other RMB'000	Amount RMB'000	Category
Financial assets								
Advances to customers		L&R ¹	61,750,191	—	(77,346)	—	61,672,845	AC ²
Loan and receivable investments		L&R	2,479,137	(2,479,137)	—	—	—	AC
To: Financial assets at FVTPL	A			(58,513)				
To: Debt instruments at amortised cost				(2,420,624)				
Other accounts receivable, other receivables and prepayments		L&R	3,247,283	(59,280)	(5,308)	—	3,182,695	AC
To: Debt instruments at amortised cost				(59,280)				
Financial assets held under resale agreements		L&R	33,667,402	—	(40,552)	—	33,626,850	AC
Deposits with exchanges and non-bank financial institutions		L&R	4,700,753	—	—	—	4,700,753	AC
Clearing settlement funds		L&R	17,652,948	—	—	—	17,652,948	AC
Pledged/restricted bank deposits		L&R	164,550	—	—	—	164,550	AC
Bank balances		L&R	56,746,208	—	—	—	56,746,208	AC
Accounts receivable		L&R	3,492,553	—	(8,484)	—	3,484,069	AC
Amounts due from associates		L&R	17,124	—	—	—	17,124	AC
Financial leasing receivables		L&R	4,094,691	—	(1,834)	—	4,092,857	AC
Debt instruments at amortised cost			N/A	14,158,689	(49,525)	28,352	14,137,516	AC
From: Available-for-sale financial assets	E			11,678,785	(29,996)	28,352		
From: Loan and receivable investments				2,420,624	(18,981)			
From: Other accounts receivable, other receivables and prepayments				59,280	(548)			
		L&R	188,012,840	11,620,272	(183,049)	28,352	199,478,415	AC
Available-for-sale financial assets			92,594,399	(92,594,399)	—	—	—	
To: FVTPL	B			(15,903,143)				
To: Debt instruments at FVTOCI	C			(52,496,193)				
To: Equity instruments at FVTOCI	D			(12,516,278)				
To: Debt instruments at amortised cost	E			(11,678,785)				
		AFS³	92,594,399	(92,594,399)	—	—	—	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 – continued

(1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows: – continued

	Ref	Category	IAS 39		Remeasurement		IFRS 9	
			Amount RMB'000	Re- classification RMB'000	ECL ⁶ RMB'000	Other RMB'000	Amount RMB'000	Category
Debt instruments at FVTOCI			N/A	52,496,193	(95,083)	95,083	52,496,193	FVTOCI ⁵
From: Available-for-sale financial assets	C			52,496,193	(95,083)	95,083		
			N/A	52,496,193	(95,083)	95,083	52,496,193	FVTOCI
Equity instruments at FVTOCI			N/A	12,516,278	—	—	12,516,278	FVTOCI
From: Available-for-sale financial assets	D			12,516,278				
			N/A	12,516,278	—	—	12,516,278	FVTOCI
Financial assets held for trading		FVTPL ⁴	61,739,183	—	—	(11,254)	61,727,929	FVTPL
Financial assets at FVTPL (designated)		FVTPL	1,459,532	(1,459,532)	—	—	—	FVTPL
To: Financial assets at FVTPL				(1,459,532)				
Financial assets at FVTPL			N/A	17,423,753	—	(26,030)	17,397,723	FVTPL
From: Loan and receivable investments	A			58,513				
From: Available-for-sale financial assets	B			15,903,143		(26,030)		
From: Financial assets at FVTPL (designated)				1,459,532				
From: Derivative financial assets				2,565				
Derivative financial assets		FVTPL	5,450,742	(2,565)	—	—	5,448,177	FVTPL
To: FVTPL				(2,565)				
Investment in an associate at FVTPL		FVTPL	40,208	—	—	—	40,208	FVTPL
		FVTPL	68,689,665	15,961,656	—	(37,284)	84,614,037	FVTPL
Non-financial assets			7,607,735	—	52,687	(23,292)	7,637,130	
Total assets			356,904,639	—	(225,445)	62,859	356,742,053	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 – continued

(1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows: – continued

	Ref	IAS 39		Remeasurement		IFRS 9		
		Category	Amount RMB'000	Re- classification RMB'000	ECL ⁶ RMB'000	Other RMB'000	Amount RMB'000	Category
Financial liabilities								
Borrowings		AC	7,349,536	—	—	—	7,349,536	AC
Short-term financing payables		AC	25,101,447	—	—	—	25,101,447	AC
Due to banks and other financial institutions		AC	4,953,656	—	—	—	4,953,656	AC
Accounts payable to brokerage clients		AC	65,026,117	—	—	—	65,026,117	AC
Other accounts payable, other payables and accruals		AC	4,679,800	—	—	—	4,679,800	AC
Other liabilities		AC	9,461,584	—	—	—	9,461,584	AC
Amounts due to associate		AC	1,703	—	—	—	1,703	AC
Amounts due to joint ventures		AC	122,396	—	—	—	122,396	AC
Financial assets sold under repurchase agreements		AC	55,516,408	—	—	—	55,516,408	AC
Bonds payable		AC	72,672,721	—	—	—	72,672,721	AC
Long-term loans		AC	4,525,492	—	—	—	4,525,492	AC
Accounts payable to underwriting clients		AC	54,000	—	—	—	54,000	AC
		AC	249,464,860	—	—	—	249,464,860	AC
Derivative financial liabilities		FVTPL	5,439,113	—	—	—	5,439,113	FVTPL
Financial liabilities held for trading		FVTPL	2,450,742	—	—	—	2,450,742	FVTPL
Other liabilities		FVTPL	2,403,257	—	—	(6,083)	2,397,174	FVTPL
		FVTPL	10,293,112	—	—	(6,083)	10,287,029	FVTPL
Non-financial liabilities			8,521,085	—	—	2,443	8,523,528	
Total liabilities			268,279,057	—	—	(3,640)	268,275,417	

¹ L&R: Loans and receivables

² AC: Amortised cost

³ AFS: Available-for-sale financial assets

⁴ FVTPL: Fair value through profit or loss

⁵ FVTOCI: Fair value through other comprehensive income

⁶ ECL: Expected credit loss

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued****Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 – continued**

- (1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows: – *continued*
- A. As of 1 January 2018, the Group has classified a portion of its loan and receivable investments as financial assets measured at FVTPL as the payments did not meet the SPPI criterion. The Group did not voluntarily designate any loans or receivable investments previously measured at amortised cost as financial assets measured at FVTPL.
 - B. As of 1 January 2018, the Group has classified a portion of its AFS as financial assets measured at FVTPL as the payments did not meet the SPPI criterion.
 - C. As of 1 January 2018, the Group has assessed its debt instruments which had previously been classified as AFS. The Group concluded that, apart from a small portion, as described in Section B above, these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Group has classified these investments as debt instruments measured at FVTOCI.
 - D. The Group has elected the option to irrevocably designate some of its previous AFS equity instruments as equity instruments at FVTOCI.
 - E. As of 1 January 2018, the Group has classified a portion of its previous AFS portfolio as debt instruments at amortised cost. These instruments met the SPPI criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 – *continued*

(2) The impact of transition to IFRS 9 on reserves and retained profits

	RMB'000
Investment revaluation reserve	
Closing balance under IAS 39 (31 December 2017)	2,200,562
Reclassification of debt instruments from available-for-sale to amortised cost	28,352
Reclassification of debt and equity investments from available-for-sale to FVTPL	(908,503)
Recognition of expected credit losses under IFRS 9	95,083
Deferred tax in relation to the above	177,421
	<u>1,592,915</u>
Opening balance under IFRS 9 (1 January 2018)	
Retained profits	
Closing balance under IAS 39 (31 December 2017)	25,767,855
Reclassification of debt and equity investments from available-for-sale to FVTPL	908,503
Recognition of expected credit losses under IFRS 9	(274,446)
Others	(9,160)
Deferred tax in relation to the above	(150,254)
	<u>26,242,498</u>
Opening balance under IFRS 9 (1 January 2018)	26,242,498
Non-controlling interests	<u>(25,942)</u>
Total change in equity due to the adoption of IFRS 9	<u>(158,946)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 – *continued*

- (3) A reconciliation between the aggregate opening impairment allowances under IAS 39 and the ECL allowances under IFRS 9

Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9:

Impairment allowance for	Impairment allowance under IAS 39 at 31 December 2017 RMB'000	Re-classification RMB'000	Re-measurement RMB'000	ECLs under IFRS 9 at 1 January 2018 RMB'000
Advances to customers	68,803	—	77,346	146,149
Other accounts receivable, other receivables and prepayments	6,738	(298)	5,308	11,748
Financial assets held under resale agreements	104,016	—	40,552	144,568
Accounts receivable	70,271	—	8,484	78,755
Financial leasing receivables	21,548	—	1,834	23,382
Financial investments	50,154	298	19,529	69,981
	<u>321,530</u>	<u>—</u>	<u>153,053</u>	<u>474,583</u>

Available-for-sale debt investment securities under IAS 39/debt instruments at amortised cost under IFRS 9:

Impairment allowance for	Impairment allowance under IAS 39 at 31 December 2017 RMB'000	Re-classification RMB'000	Re-measurement RMB'000	ECLs under IFRS 9 at 1 January 2018 RMB'000
Financial investments	83,571	—	29,996	113,567

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 – *continued*

- (3) A reconciliation between the aggregate opening impairment allowances under IAS 39 and the ECL allowances under IFRS 9 – *continued*

Available-for-sale debt investment securities under IAS 39/debt financial assets at FVTOCI under IFRS 9:

Impairment allowance for	Impairment allowance under IAS 39 at 31 December 2017 RMB'000	Re-classification RMB'000	Re-measurement RMB'000	ECLs under IFRS 9 at 1 January 2018 RMB'000
Financial investments	—	—	95,083	95,083

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It introduces a new five-step model to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 provides specific guidance on capitalization of contract cost and license arrangement. It also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The application of IFRS 15 has had no significant impact on the Group's consolidated financial statements other than additional quantitative and qualitative disclosure.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ²
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1 and IAS 8	Definition of Material ²
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 ¹

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

² Effective for annual periods beginning on or after 1 January 2020

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

⁴ No mandatory effective date yet determined but available for adoption

Except as described below, the application of the new and revised IFRSs will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS –
*continued*****IFRS 16 Leases**

IFRS 16, issued in January 2016, replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases — Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group will adopt IFRS 16 on 1 January 2019 using the modified retrospective method. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As at 31 December 2018, the total operating lease commitments of the Group refer to note 60. The Group has performed a detailed assessment, and the directors of the Company do not expect the adoption of IFRS 16 would result in a significant impact on the Group's equity but it is expected that the total assets and total liabilities will increase.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies are set out below.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within a group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Investments in associates and joint ventures – continued**

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Investments in associates and joint ventures – continued**

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

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition (applicable from 1 January 2018)*Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Revenue recognition (applicable from 1 January 2018) – continued***Revenue from contracts with customers – continued*

(a) Securities brokerage and investment consulting business

Income from the securities brokerage is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognised when the related services are rendered.

Income from the investment consulting business is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

(b) Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognised when the obligation of underwriting or sponsoring is completed.

(c) Asset management business

Income from regular management fees is recognised periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognised when the performance fee is determinable based on actual performance measurement, as and when contingent criteria associated are met.

(d) Other business

Income from other business is recognised when control of goods or services is transferred to the customers.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Revenue recognition (applicable before 1 January 2018)**

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

- (i) Commission income for the broking business is measured as income on a trade date basis, and service fees arising from the broking business are recognised when services are rendered;
- (ii) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (iii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;
- (iv) Consultancy and financial advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered;
- (v) Asset and fund management fee income is recognised when management services are provided; and
- (vi) Dividend income from investments is recognised when the shareholders' right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Contract costs (applicable from 1 January 2018)**

Other than the costs which are capitalised as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	nil	30 - 35 years
Electronic and communication equipment	nil	5 years
Motor vehicles	nil	4 - 6 years
Office equipment	nil	5 - 11 years
Improvements	nil	5 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading seats) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

The estimated useful lives of each class of intangible assets with finite useful lives are as follows:

Classes	Useful lives
Computer software	5 years
Others	5 years

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Intangible assets – continued***Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Impairment of tangible and intangible assets other than goodwill and financial assets – continued**

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) is allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under a finance lease.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Employee benefits**

In the reporting period in which an employee has rendered services, the Group recognises the employee benefit expenses for those services in profit or loss.

Short-term social welfare

Short-term social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on a certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Defined contribution plans

Payments to defined contribution plans which include the mandatory the social pension insurance plan and unemployment insurance plan managed by the mainland government, the Mandatory Provident Fund Scheme to the employees in Hong Kong and the annuity scheme for qualified employees, are recognised as expenses when employees have rendered service entitling them to the contributions.

Early retirement benefits

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognised when the employees voluntarily retired before the normal retirement date, as approved by management. The early retirement benefits represented the liability at the end of the reporting period with the changes recognised in profit or loss.

Other long-term benefits

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Taxation – continued**

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018)***Financial assets*

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial assets – continued*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 “Financial Instruments: Presentation” and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial assets – continued*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Impairment of financial assets – continued*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Simplified approach

For accounts receivables, contract assets and other receivables and prepayments that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivables, contract assets and other receivables and prepayments that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial liabilities**Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term financing payables, due to banks and other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial liabilities – continued***Other financial liabilities**

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

*Derivative financial instruments***Initial recognition and subsequent measurement**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial assets held under resale agreements and financial assets sold under repurchase agreements*

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognised in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase is recognised as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognises the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of the purchased securities exceeds that of the sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of the sold securities exceeds that of the purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

Margin financing services

The Group recognises margin financing services to customers as margin accounts receivable, and recognises the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to the policy of provision for impairment of financial assets measured at amortised cost.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Margin financing and securities lending services – continued***Securities lending services**

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognised as interest income according to the margin financing agreement. The securities lending services are not derecognised. The financial assets are recognised as securities lending services in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, and are subsequently measured according to financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

Financial instruments (policies under IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IAS 39 applicable before 1 January 2018)***Financial assets – continued*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is reported under the net investment gains line item. Fair value is determined in the manner described in note 67.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IAS 39 applicable before 1 January 2018) – continued***Financial assets – continued*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including advances to customers, accounts receivable, other receivables, amounts due from associates, loan and receivable investments, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, pledged/restricted bank deposits, bank balances are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy for impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the effect of discounting would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets as at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy for impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy for impairment of financial assets below).

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial assets – continued*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- a significant financial difficulty of the issuer or counterparty;
- a breach of contract, such as default or delinquency in interest and principal payments;
- it is probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as advances to customers, accounts receivable, and financial assets held under resale agreements, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial assets – continued**Impairment of financial assets – continued*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to customers, accounts receivable, other receivables and financial assets held under resale agreements, where the carrying amount is reduced through the use of an allowance account. When an advance to customers, an account receivable, other receivables and a financial asset held under resale agreements is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial liabilities and equity instruments – continued*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading or it is financial liabilities designated at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Financial liabilities and equity instruments – continued**Financial liabilities at FVTPL – continued*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise,
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the other gains and losses line item. Fair value is determined in the manner described in note 67.

Financial liabilities at amortised cost

Financial liabilities including borrowings, short-term financing payables, due to banks and other financial institutions, accounts payable to brokerage clients, accounts payable to underwriting clients, other payables, amounts due to joint venture, bonds payable, long-term loans and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments (policies under IFRS 9 applicable from 1 January 2018) – continued***Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, continue to be measured as “financial assets at fair value through profit or loss” or “available-for-sale financial assets” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are measured as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Securities lending

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from such agreements are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be measured as “financial assets at fair value through profit or loss” or “available-for-sale financial assets”.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

Business model

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. Management needs to make significant judgement when assessing its business model, including but is not limited to (a) how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; (b) the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed; and (c) how managers of the business are compensated. In determining whether cash flows are going to be realized by collecting the financial assets' contractual cash flows, management needs to consider the reasons for the sales, timing of sales, frequency and value in prior periods.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY***– continued***Critical judgement in applying accounting policies – continued***Contractual cash flow characteristics*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics. Management needs to make significant judgement on whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Such as whether contractual cash flows could be significantly different from the benchmark cash flows involves judgement when assessing a modified time value of money element, whether the fair value of prepayment features is insignificant also need judgement when assessing the financial assets with prepayment features.

Transfer of financial assets

Management needs to make significant judgement on the transfer of financial assets. Whether financial assets being transferred or not may affect the accounting methods as well as the financial position and operating results of the Group.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair values of financial assets and derivative financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model, etc. In practice, the discounted cash flow analysis model makes the maximum use of observable inputs, but management still needs to make estimations on counterparty credit risk, the volatility of the market interest rate and correlation factors and etc. If there is a change in any assumption of the above factors, the assessment of the fair value of financial instruments will be affected.

Impairment of financial instruments

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgement and estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such judgement and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economic indicators, and industrial risk.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY***– continued***Key sources of estimation uncertainty – continued***Impairment of margin accounts receivable and financial assets held under resale agreements*

Before 1 January 2018, the Group reviewed its margin accounts receivable and financial assets held under resale agreements to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group assesses the recoverable amounts firstly on an individual basis principally by reviewing the collateral received and the creditworthiness of the customers. If the Group determines that no objective evidence of impairment exists for an individually assessed credit asset, then on a collective basis in determining the impairment. The policy for collective impairment allowances for margin accounts receivable and financial assets held under resale agreements of the Group is based on the collateral securities, collateral ratio, volatilities, concentration, etc. The methodology and assumptions used for estimating the impairment of margin accounts receivable and financial assets held under resale agreements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of available-for-sale investments

Before 1 January 2018, the determination of whether available-for-sale financial assets were impaired required significant judgement. For listed available-for-sale equity securities, funds and others in equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset on initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economies or the law, as well as industry and sector performance and the financial information regarding the investee that provide evidence that the cost of the equity securities may not be recoverable. For available-for-sale debt securities, wealth management and asset management schemes invested in debt securities and loans, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. For unlisted available-for-sale equity instruments, the Group makes the judgement as to whether there is an objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of available-for-sale financial assets are set out in note 27.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY***– continued***Key sources of estimation uncertainty – continued***Income taxes*

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 40.

5. SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter referred to as the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group’s basis of organisation, whereby the businesses are organised and managed separately as individual strategic business units that offer different services and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***5. SEGMENT REPORTING – continued**

Specifically, the Group's operating segments are as follows:

- (a) Investment banking, which primarily includes underwriting commissions and sponsorship and advisory fees from equity and debt underwriting and financial advisory services;
- (b) Wealth management, which primarily includes fees and commissions earned from providing brokerage and investment advisory services to retail clients, as well as interest income earned from margin financing and securities lending activities, reverse repurchase transactions, financial leasing, cash held on behalf of clients, etc, and fees earned from selling financial products developed by the Group and other financial institutions;
- (c) Trading and institution, which primarily includes investment gains and interest income earned from investment trading of, and market-making in equity, fixed income, derivative securities and other financial products, as well as investment gains from alternative investments, and fees and commissions earned from providing investment research and prime brokerage services to institutional clients;
- (d) Investment management, which primarily includes management and advisory fees earned from providing asset management, mutual fund management, private fund management services to clients and etc;
- (e) Others, which primarily includes income from head office operations.

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

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expenses as well as the share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities. Inter-segment balances mainly resulted from branches' operating funds injected by the head office are eliminated on consolidation. The segment results exclude income tax expense and share of results of associates and joint ventures, while the segment assets and liabilities include prepaid taxes, current tax liabilities as well as interests in associates and joint ventures, respectively.

The Group's operating segments are consistent with the Group's consolidated financial statements for the year ended 31 December 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. SEGMENT REPORTING – continued

The operating and reportable segment information provided to the chief operating decision maker for the years ended 31 December 2018 and 2017 is as follows:

	Investment banking RMB'000	Wealth management RMB'000	Trading and institution RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
For the year ended								
31 December 2018								
Segment revenue and results								
Segment revenue	1,219,678	10,449,789	5,283,589	3,771,261	308,349	21,032,666	—	21,032,666
Segment other income and gains or losses	7,885	1,276,232	(20,063)	112,697	407,579	1,784,330	—	1,784,330
Segment revenue and other income	1,227,563	11,726,021	5,263,526	3,883,958	715,928	22,816,996	—	22,816,996
Segment expenses	(456,573)	(7,709,440)	(5,208,418)	(2,631,621)	(1,429,657)	(17,435,709)	—	(17,435,709)
Segment results	770,990	4,016,581	55,108	1,252,337	(713,729)	5,381,287	—	5,381,287
Share of results of associates and joint ventures	—	572	(2,577)	605,341	19,715	623,051	—	623,051
Profit/(loss) before income tax	770,990	4,017,153	52,531	1,857,678	(694,014)	6,004,338	—	6,004,338
As at 31 December 2018								
Segment assets and liabilities								
Segment assets	650,191	72,066,694	128,478,486	55,452,370	132,783,679	389,431,420	(1,411,000)	388,020,420
Deferred tax assets								1,085,526
Group's total assets								389,105,946
Segment liabilities	147,276	59,490,028	62,106,108	36,429,021	142,165,872	300,338,305	—	300,338,305
Deferred tax liabilities								138,467
Group's total liabilities								300,476,772
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	8,279	168,373	18,404	43,104	101,889	340,049	—	340,049
Impairment losses	—	(19)	—	—	50	31	—	31
Credit loss expense	(1,122)	127,402	151,703	6,611	18,699	303,293	—	303,293
Capital expenditure	4,380	120,367	19,371	46,496	416,785	607,399	—	607,399

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For the year ended 31 December 2018

5. SEGMENT REPORTING – continued

	Investment banking RMB'000	Wealth management RMB'000	Trading and institution RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
For the year ended								
31 December 2017								
Segment revenue and results								
Segment revenue	2,755,506	11,207,916	7,024,289	6,691,134	637,186	28,316,031	—	28,316,031
Segment other income and gains or losses	10,716	97,950	(6,661)	102,044	94,254	298,303	—	298,303
Segment revenue and other income	2,766,222	11,305,866	7,017,628	6,793,178	731,440	28,614,334	—	28,614,334
Segment expenses	(1,153,127)	(6,429,825)	(4,769,674)	(3,107,223)	(1,971,424)	(17,431,273)	—	(17,431,273)
Segment results	1,613,095	4,876,041	2,247,954	3,685,955	(1,239,984)	11,183,061	—	11,183,061
Share of results of associates and joint ventures	—	(1,036)	(39)	444,093	17,947	460,965	—	460,965
Profit/(loss) before income tax	1,613,095	4,875,005	2,247,915	4,130,048	(1,222,037)	11,644,026	—	11,644,026
As at 31 December 2017								
Segment assets and liabilities								
Segment assets	1,812,568	80,725,545	99,934,519	45,663,173	129,751,338	357,887,143	(1,411,000)	356,476,143
Deferred tax assets								428,496
Group's total assets								356,904,639
Segment liabilities	419,155	68,609,149	44,881,472	23,211,794	131,069,046	268,190,616	—	268,190,616
Deferred tax liabilities								88,441
Group's total liabilities								268,279,057
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	2,204	123,066	14,546	37,993	134,645	312,454	—	312,454
Impairment losses	3,406	45,450	128,055	221,283	71	398,265	—	398,265
Capital expenditure	2,099	135,720	21,366	39,149	499,219	697,553	—	697,553

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operations in the PRC. The Group's inter-segment revenue is not material and is not included in the report to the CODM.

No single customer contributes over 10% to the Group's revenue for the years ended 31 December 2018 and 2017.

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6. COMMISSION AND FEE INCOME

	2018 RMB'000	2017 RMB'000
Securities brokerage business commission and fee income	3,344,375	4,252,901
Asset management and fund management fee income	3,742,910	3,982,627
Underwriting and sponsorship fees	956,118	2,170,361
Consultancy and financial advisory fee income	347,112	703,269
Futures brokerage business commission and fee income	336,022	336,928
Others	185,863	118,396
	<u>8,912,400</u>	<u>11,564,482</u>

7. INTEREST INCOME

	2018 RMB'000	2017 RMB'000
Margin financing and securities lending	4,086,163	4,326,602
Debt instruments at fair value through other comprehensive income	2,919,217	—
Deposits with exchanges and financial institutions	2,059,219	2,142,407
Financial assets held under resale agreements	1,756,919	1,248,120
Debt instruments at amortised cost	666,090	—
Financial leasing	374,212	222,076
Others	76,876	78,425
	<u>11,938,696</u>	<u>8,017,630</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

8. NET INVESTMENT GAINS

	2018 RMB'000	2017 RMB'000
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	112,420	—
Net realised gains from disposal of available-for-sale financial assets	—	2,124,208
Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss	(1,425,531)	420,879
Dividend income and interest income from financial instruments at fair value through profit or loss	3,156,084	2,857,570
Dividend income and interest income from available-for-sale financial assets	—	3,268,410
Dividend income from equity instruments at fair value through other comprehensive income	893,796	—
Interest income and net realised gains from disposal of loan and receivable investments	—	180,991
Net realised gains/(losses) from derivatives	28,957	(119,755)
Unrealised fair value changes of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(2,118,623)	(34,015)
– Financial liabilities at fair value through profit or loss	(86,493)	(80,662)
– Derivatives	(379,040)	116,377
Others	—	(84)
	181,570	8,733,919

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

9. OTHER INCOME AND GAINS OR LOSSES

	2018 RMB'000	2017 RMB'000
Trading business	1,186,513	1,985
Third-party interests in consolidated asset management schemes and funds ⁽ⁱ⁾	(219,433)	(449,383)
Government grants ⁽ⁱⁱ⁾	678,720	377,214
Commission from tax withholding and remitting	27,380	63,652
Gain on disposal of an associate	96,786	217,288
Others	14,364	87,547
	<u>1,784,330</u>	<u>298,303</u>

(i) In 2018 and 2017, amounts of RMB383.73 million and RMB483.80 million were attributable to priority tranche holders of structured entities.

(ii) The government grants were received unconditionally by the Group from the local government to support operations in the designated locations.

10. DEPRECIATION AND AMORTISATION

	2018 RMB'000	2017 RMB'000
Depreciation of property and equipment	230,364	214,474
Depreciation of investment properties	1,736	1,736
Amortisation of prepaid lease payments	9,628	9,628
Amortisation of other intangible assets	98,321	86,616
	<u>340,049</u>	<u>312,454</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

11. STAFF COSTS

	2018	2017
	RMB'000	RMB'000
Salaries, bonuses and allowances and other long-term benefits	3,597,749	5,725,508
Short-term social welfare	297,431	268,906
Defined contribution plans	492,803	462,890
Others	375,034	379,063
	<u>4,763,017</u>	<u>6,836,367</u>

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans.

In addition to the above social welfare plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. These annuity schemes are defined contribution plans.

The Group also operates the Mandatory Provident Fund Scheme, also a defined contribution plan, for all qualified employees in Hong Kong. The Group contributes a certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The contributions to the defined contribution plans are expensed as incurred. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

12. COMMISSION AND FEE EXPENSES

	2018	2017
	RMB'000	RMB'000
Securities and futures dealing and broking expenses	227,424	254,273
Underwriting and sponsorship fee expenses	20,966	49,866
Other service expenses	45,393	32,116
	<u>293,783</u>	<u>336,255</u>

Note: Distribution expenses for the fund and asset management business amounting to RMB696.24 million (year ended 31 December 2017: RMB590.44 million) are classified under other operating expenses as described in note 14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

13. INTEREST EXPENSES

	2018 RMB'000	2017 RMB'000
Borrowings	321,366	181,071
Due to banks and other financial institutions	531,618	509,368
Accounts payable to brokerage clients	185,628	227,467
Financial assets sold under repurchase agreements	2,168,528	1,907,098
Gold leasing	72,200	142,792
Structured notes	518,823	436,161
Corporate bonds	2,713,894	1,852,241
Subordinated bonds	1,030,648	1,554,327
Long-term loans	237,992	121,302
Others	85,683	132,221
	<u>7,866,380</u>	<u>7,064,048</u>

14. OTHER OPERATING EXPENSES

	2018 RMB'000	2017 RMB'000
Trading business	1,185,527	—
Taxes and surcharges	105,884	125,781
General and administrative expenses	716,886	665,705
Operating lease rentals in respect of rented premises	422,222	398,031
Distribution expenses for fund and asset management business	696,237	590,438
Post and telecommunications expenses	200,205	188,355
Securities and futures investor protection funds	79,965	109,485
Advertisement and business development expenses	129,696	109,388
Auditors' remuneration	5,099	7,868
Sundry expenses	327,435	288,833
	<u>3,869,156</u>	<u>2,483,884</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

15. IMPAIRMENT LOSSES

	2018 RMB'000	2017 RMB'000
Other intangible assets (Note 23)	50	50
Other accounts receivable, other receivables and prepayments (Note 31)	(19)	6,255
Available-for-sale financial assets (Note 27)	—	323,780
Loan and receivable investments (Note 27)	—	25,558
Advances to customers (Note 29)	—	(21,817)
Accounts receivable (Note 30)	—	27,440
Financial leasing receivables (Note 32)	—	9,587
Financial assets held under resale agreements (Note 34)	—	27,412
	<u>31</u>	<u>398,265</u>

16. CREDIT LOSS EXPENSE

	2018 RMB'000	2017 RMB'000
Debt instruments at fair value through other comprehensive income (Note 27)	137,151	—
Financial assets held under resale agreements (Note 34)	69,372	—
Debt instruments at amortised cost (Note 27)	36,345	—
Accounts receivable (Note 30)	30,779	—
Financial leasing receivables (Note 32)	31,411	—
Advances to customers (Note 29)	(3,506)	—
Others	1,741	—
	<u>303,293</u>	<u>—</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

17. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC Enterprise Income Tax	1,662,999	2,529,739
Hong Kong Profits Tax	26,426	68,771
Subtotal	1,689,425	2,598,510
Deferred income tax (Note 40)	(317,132)	(37,855)
	1,372,293	2,560,655

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 main subsidiaries in the PRC is 25%.

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.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	6,004,338	11,644,026
Tax at the statutory tax rate of 25%	1,501,085	2,911,007
Tax effect of share of profits of associates and joint ventures	(89,246)	(113,227)
Tax effect of costs, expenses and losses not deductible for tax purpose	142,975	81,637
Tax effect of income not taxable for tax purposes	(381,070)	(318,209)
Tax effect of tax losses not recognised	131,231	56,561
Utilisation of tax losses previously not recognised	(3,252)	(6,652)
Effect of different tax rates of subsidiaries	67,768	(43,327)
Others	2,802	(7,135)
Income tax expense for the year	1,372,293	2,560,655

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

18. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	2018 RMB'000	2017 RMB'000
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	<u>4,300,126</u>	<u>8,595,399</u>
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand) (Note)	<u>7,621,088</u>	<u>7,621,088</u>
Earnings per share:		
Earnings per share (RMB)		
– Basic	<u>0.56</u>	<u>1.13</u>
– Diluted	<u>0.56</u>	<u>1.13</u>

There were no potential dilutive ordinary shares outstanding for 2018 and 2017.

Note: The time-weighting factor of the 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 Consolidated Financial Statements

For the year ended 31 December 2018

19. 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
Cost							
As at 1 January 2018	802,945	905,533	122,558	167,645	610,730	1,072,743	3,682,154
Additions	—	101,387	14,466	13,348	53,353	356,648	539,202
Disposals/written-off	(159)	(96,140)	(10,606)	(15,103)	(52,679)	—	(174,687)
Effect of foreign currency exchange differences	—	2,213	123	239	889	—	3,464
As at 31 December 2018	802,786	912,993	126,541	166,129	612,293	1,429,391	4,050,133
Accumulated depreciation and impairment							
As at 1 January 2018	340,702	541,635	73,024	116,992	481,579	—	1,553,932
Charge for the year	28,588	120,317	14,332	17,943	49,184	—	230,364
Eliminated on disposals/written-off	(91)	(89,373)	(10,593)	(14,171)	(52,550)	—	(166,778)
Effect of foreign currency exchange differences	—	1,556	96	226	924	—	2,802
As at 31 December 2018	369,199	574,135	76,859	120,990	479,137	—	1,620,320
Carrying values							
As at 31 December 2018	433,587	338,858	49,682	45,139	133,156	1,429,391	2,429,813

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19. 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
Cost							
As at 1 January 2017	802,741	802,670	120,582	166,844	569,341	726,999	3,189,177
Additions	204	161,612	17,554	15,033	44,651	345,744	584,798
Disposals/written-off	—	(56,287)	(15,398)	(13,732)	(1,746)	—	(87,163)
Effect of foreign currency exchange differences	—	(2,462)	(180)	(500)	(1,516)	—	(4,658)
As at 31 December 2017	<u>802,945</u>	<u>905,533</u>	<u>122,558</u>	<u>167,645</u>	<u>610,730</u>	<u>1,072,743</u>	<u>3,682,154</u>
Accumulated depreciation and impairment							
As at 1 January 2017	312,116	495,338	75,202	112,336	432,747	—	1,427,739
Charge for the year	28,586	104,067	13,008	18,503	50,310	—	214,474
Eliminated on disposals/written-off	—	(56,167)	(15,039)	(13,554)	(223)	—	(84,983)
Effect of foreign currency exchange differences	—	(1,603)	(147)	(293)	(1,255)	—	(3,298)
As at 31 December 2017	<u>340,702</u>	<u>541,635</u>	<u>73,024</u>	<u>116,992</u>	<u>481,579</u>	<u>—</u>	<u>1,553,932</u>
Carrying values							
As at 31 December 2017	<u>462,243</u>	<u>363,898</u>	<u>49,534</u>	<u>50,653</u>	<u>129,151</u>	<u>1,072,743</u>	<u>2,128,222</u>

The carrying amount of the 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 a finance lease and accounted for as property and equipment.

The Group is still in the process of applying for the title certificates for its leasehold land and buildings with a carrying value of RMB14.94 million as at 31 December 2018 (31 December 2017: RMB16.46 million). The directors of the Company consider that this will not have a significant impact on the consolidated financial statements for the year ended 31 December 2018.

Notes to the Consolidated Financial Statements

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20. PREPAID LEASE PAYMENTS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Analysed for reporting purposes as:		
Current assets	9,628	9,628
Non-current assets	288,831	298,459
	<u>298,459</u>	<u>308,087</u>

21. INVESTMENT PROPERTIES

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
COST		
At the beginning of the year and end of the year	<u>52,087</u>	<u>52,087</u>
ACCUMULATED DEPRECIATION		
At the beginning of the year	30,284	28,548
Provided for the year	<u>1,736</u>	<u>1,736</u>
At the end of the year	<u>32,020</u>	<u>30,284</u>
CARRYING VALUES		
At the end of the year	<u>20,067</u>	<u>21,803</u>

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22. GOODWILL

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
COST		
Unit A - securities brokerage branches	76,574	76,574
Unit B - GF Financial Markets (UK) Limited	2,040	2,040
At the beginning and the end of the year	<u>78,614</u>	<u>78,614</u>
ACCUMULATED IMPAIRMENT LOSSES		
Unit A - securities brokerage branches	76,574	76,574
Unit B - GF Financial Markets (UK) Limited	—	—
At the beginning and the end of the year	<u>76,574</u>	<u>76,574</u>
CARRYING VALUES		
Unit A - securities brokerage branches	—	—
Unit B - GF Financial Markets (UK) Limited	2,040	2,040
Unit B - effect of foreign currency exchange differences	234	128
At the end of the year	<u><u>2,274</u></u>	<u><u>2,168</u></u>

Unit A is the securities brokerage CGU acquired, the acquisition cost exceeds the fair value of the net identifiable assets. The commercial registration of these securities brokerage branches in the prior year were changed. As the CGU no longer generated future cash flows, Unit A was fully impaired in the prior year.

Unit B is the CGU of GF Financial Markets (UK) Limited by GF Futures (Hong Kong) Co., Limited, a wholly owned subsidiary of the Company. As at 31 December 2018, the management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

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23. OTHER INTANGIBLE ASSETS

	Trading seats RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
COST				
As at 1 January 2017	76,523	498,925	1,368	576,816
Additions	—	113,479	—	113,479
Disposals/write-off	—	(2,288)	—	(2,288)
Effect of foreign currency exchange differences	(52)	(6)	—	(58)
As at 31 December 2017	76,471	610,110	1,368	687,949
Additions	—	68,984	—	68,984
Other transfer-in	—	10,767	—	10,767
Disposals/write-off	—	(8,619)	—	(8,619)
Effect of foreign currency exchange differences	35	(4)	—	31
As at 31 December 2018	76,506	681,238	1,368	759,112
ACCUMULATED AMORTISATION AND IMPAIRMENT				
As at 1 January 2017	73,965	243,807	768	318,540
Charge for the year	—	86,616	—	86,616
Eliminated on disposals/write-off	—	(2,252)	—	(2,252)
Effect of foreign currency exchange differences	—	(4)	—	(4)
Impairment loss recognised in the year	50	—	—	50
As at 31 December 2017	74,015	328,167	768	402,950
Charge for the year	—	98,321	—	98,321
Other transfer-in	—	4,182	—	4,182
Eliminated on disposals/written-off	—	(8,295)	—	(8,295)
Effect of foreign currency exchange differences	—	98	—	98
Impairment loss recognised in the year	50	—	—	50
As at 31 December 2018	74,065	422,473	768	497,306
CARRYING VALUES				
As at 31 December 2018	2,441	258,765	600	261,806
As at 31 December 2017	2,456	281,943	600	284,999

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24. INVESTMENTS IN ASSOCIATES

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Cost of unlisted investments in associates	1,833,591	1,581,505
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,073,357	1,823,014
	3,906,948	3,404,519
Unlisted investment in an associate at fair value through profit or loss (Note)	171,115	40,208
	4,078,063	3,444,727

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB171.12 million (31 December 2017: RMB 40.21 million) held through GF Xinde Capital Management Limited, a venture capital organization and an indirectly wholly owned subsidiary, at fair value through profit or loss as management measures the performance of this associate on a fair value basis as at 31 December 2018. Note 67 sets out the valuation determination, including valuation techniques, key inputs and fair value information for the associate measured at fair value through profit or loss.

Details of the Group's significant associate at the end of the period are as follows:

Name of associate	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 31.12.2018	As at 31.12.2017	
易方達基金管理有限公司 E Fund Management Co., Limited. ("E Fund")	PRC 17 April 2001	25.00%	25.00%	Fund raising, fund selling, asset management, and other CSRC approved business

Summarised financial information of the material associate

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents the amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

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24. INVESTMENTS IN ASSOCIATES – *continued*Summarised financial information of the material associate – *continued***E Fund**

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Total assets	11,698,424	21,243,269
Total liabilities	3,730,894	14,088,596
Net assets	7,967,530	7,154,673
	2018 RMB'000	2017 RMB'000
Total revenue	5,245,749	4,409,659
Profit for the year	1,364,580	1,401,833
Other comprehensive income/(expense)	(191,723)	97,102
Total comprehensive income	1,172,857	1,498,935
Dividends received from the associate during the year	90,000	210,000

The reconciliation of the above summarised financial information to the carrying amounts of the interests in E Fund recognised in the consolidated financial statements:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Net assets attributable to equity holders of the associate	7,951,087	7,138,525
Proportion of the Group's ownership interest	25%	25%
Proportion of equity interest held by the Group	1,987,772	1,784,631
Other adjustments	(315)	(1,981)
Carrying amount of the Group's interests	1,987,457	1,782,650

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24. INVESTMENTS IN ASSOCIATES – *continued*

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of profit	185,316	96,521
The Group's share of other comprehensive income	42,223	(5,075)
The Group's share of total comprehensive income	<u>227,539</u>	<u>91,446</u>
Aggregate carrying amount of the Group's interests in these associates	<u>2,090,606</u>	<u>1,662,077</u>

25. INVESTMENTS IN JOINT VENTURES

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Cost of unlisted investments in joint ventures	1,345,657	834,052
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>(3,601)</u>	<u>97,910</u>
	<u>1,342,056</u>	<u>931,962</u>

Aggregate information of joint ventures that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of profit	97,320	16,899
The Group's share of other comprehensive income	<u>(154,761)</u>	<u>65,593</u>
The Group's share of total comprehensive income	<u>(57,441)</u>	<u>82,492</u>

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26. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including asset management schemes and funds), therefore had power over them during the year. In the opinion of the directors of the Company, the variable returns the Group is exposed to over these asset management schemes and funds are not significant. The Group therefore did not consolidate these structured entities.

The total net assets of unconsolidated structured entities in which the Group acted as investment manager and held financial interests amounted to RMB363,387.24 million as at 31 December 2018 (31 December 2017: RMB367,160.69 million).

During the year, the amount of management fee income from the unconsolidated structured entities managed by the Group in which the Group had no interests was RMB2,280.56 million (2017: RMB3,030.68 million).

The table below shows the carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests as at 31 December 2018 and 2017.

As at 31 December 2018

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	<u>15,976,508</u>	<u>15,976,508</u>

As at 31 December 2017

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	4,832,827	4,832,827
Available-for-sale financial assets	<u>7,907,476</u>	<u>7,907,476</u>
Total	<u><u>12,740,303</u></u>	<u><u>12,740,303</u></u>

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposures to loss in relation to the Group's interests in asset management schemes and wealth management products approximate to their respective carrying amounts as disclosed in notes 27 and 28.

Notes to the Consolidated Financial Statements

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27. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(1) Debt instruments at amortised cost

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Debt securities	1,647,452	—
Entrusted loan	25,356	—
Secured loan receivables ⁽ⁱ⁾	312,420	—
Unsecured loan receivables	3,832	—
Asset management schemes launched by securities companies	535,224	—
	<u>137,766</u>	<u>—</u>
Less: impairment of debt instruments at amortised cost	137,766	—
	<u>2,386,518</u>	<u>—</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	1,016,599	—
Unlisted	1,369,919	—
	<u>2,386,518</u>	<u>—</u>
Current		
Debt securities	3,337,955	—
Entrusted loan	35,992	—
Secured loan receivables ⁽ⁱ⁾	452,566	—
Unsecured loan receivables	62,381	—
Asset management schemes launched by securities companies	709,420	—
	<u>84,693</u>	<u>—</u>
Less: impairment of debt instruments at amortised cost	84,693	—
	<u>4,513,621</u>	<u>—</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	2,968,502	—
Unlisted	1,545,119	—
	<u>4,513,621</u>	<u>—</u>
Total	<u>6,900,139</u>	<u>—</u>

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27. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*(1) Debt instruments at amortised cost – *continued*:

Movement of ECLs during the year is as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of year	—	—
Effect of adoption of IFRS 9	183,548	—
At beginning of year (restated)	183,548	—
Impairment losses recognised	36,345	—
Effect of foreign currency exchange differences	2,566	—
At end of year	222,459	—

Debt securities are analysed by external rating as follows:

	As at 31.12.2018 RMB'000
External rating grade	
AAA+	2,114,154
AA+ ~A-	1,085,105
Not rating	1,779,322
Total	4,978,581

There were no significant transfers between stages in this year.

As at 31 December 2018, the provision of Stage 1, Stage 2 and Stage 3 were RMB19.64 million, RMB0.42 million and RMB202.40 million.

- (i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the “Listed outside Hong Kong” category.
- (ii) As at 31 December 2018, the balance of the non-current secured loan receivables is 8.9%, and the current secured loan receivables bear interest at 6.5% to 26% per annum and are repayable within one year.

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27. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

(2) Debt instruments at fair value through other comprehensive income

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Current		
Debt securities	<u>79,513,048</u>	<u>—</u>
Analysed as:		
Listed in Hong Kong	1,831,391	—
Listed outside Hong Kong ⁽ⁱ⁾	35,594,179	—
Unlisted	<u>42,087,478</u>	<u>—</u>
	<u>79,513,048</u>	<u>—</u>

- (i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the “Listed outside Hong Kong” category.

Movement of ECLs during the year is as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of year	—	—
Effect of adoption of IFRS 9	<u>95,083</u>	<u>—</u>
At beginning of year (restated)	95,083	—
Impairment losses recognised	137,151	—
Effect of foreign currency exchange differences	<u>1,592</u>	<u>—</u>
At end of year	<u>233,826</u>	<u>—</u>

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27. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*(2) Debt instruments at fair value through other comprehensive income – *continued*

Debt securities are analysed by external rating as follows:

	As at 31.12.2018 RMB'000
External rating grade	
AAA+	51,554,135
AA+ ~A-	10,209,195
BBB+~B-	2,900,640
Not rating	14,849,078
Total	<u>79,513,048</u>

There were no significant transfers between stages in this year.

As at 31 December 2018, the provision of Stage 1, Stage 2 and Stage 3 were RMB121.05 million, RMB86.24 million and RMB26.54 million.

Fair values of the Group's debt instruments at FVTOCI are determined in the manner described in note 67.

(3) Equity instruments at fair value through other comprehensive income

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
China Securities Finance Co., Ltd. ⁽ⁱ⁾	10,070,729	—
Jilin Aodong Pharmaceutical Group Co., Ltd.	624,999	—
E-Capital Transfer	80,000	—
Others	18,282	—
	<u>10,794,010</u>	<u>—</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱⁱ⁾	624,999	—
Unlisted	10,169,011	—
	<u>10,794,010</u>	<u>—</u>

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***27. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – continued****(3) Equity instruments at fair value through other comprehensive income – continued**

The above equity instruments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2018, the Group received dividends in the amounts of RMB880.80 million and RMB12.99 million from China Securities Finance Co., Ltd. and Jilin Aodong Pharmaceutical Group Co., Ltd., respectively.

As at 31 December 2018, the Group entered into securities lending arrangements with clients that resulted in the transfer of equity instruments at fair value through other comprehensive income with a total fair value of RMB0.14 million (31 December 2017: transfer of available-for-sale financial assets with a total fair value of RMB3.24 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair values of the Group's equity instruments at FVTOCI are determined in the manner described in note 67.

- (i) Included in the balance is an investment in a special account managed by China Securities Finance Corporation Limited ("CSFCL"). The Company is entitled to the profit or loss derived from the special account in proportion to the funding portion contributed. The Company determined the fair value of the investment according to an evaluation report provided by CSFCL, and the principal is RMB10,310.30 million.
- (ii) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

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27. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

(4) Available-for-sale financial assets

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Measured at fair value:		
Equity securities	—	668,839
Funds	—	70,679
Asset management schemes launched by securities companies ⁽ⁱ⁾	—	2,737,813
Others ⁽ⁱⁱ⁾	—	11,439,925
Measured at cost less impairment:		
Equity securities ⁽ⁱⁱⁱ⁾	—	3,222,042
	—	18,139,298
Analysed as:		
Listed outside Hong Kong (iv)	—	668,839
Unlisted	—	17,470,459
	—	18,139,298
Current		
Measured at fair value:		
Debt securities	—	61,228,670
Equity securities	—	4,241,025
Funds	—	4,912,957
Asset management schemes launched by securities companies ⁽ⁱ⁾	—	3,546,718
Wealth management products launched by banks	—	48,800
Others	—	476,931
	—	74,455,101
Analysed as:		
Listed in Hong Kong	—	43,769
Listed outside Hong Kong ^(iv)	—	32,024,283
Unlisted	—	42,387,049
	—	74,455,101
Total	—	92,594,399

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27. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*(4) Available-for-sale financial assets – *continued*

Movements of impairment allowance during the period are as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of year	—	348,441
Impairment losses for the year	—	323,780
Amounts written off as uncollectible	—	(186,575)
Effect of foreign currency exchange differences	—	361
At end of year	<u>—</u>	<u>486,007</u>

As at 31 December 2017, the impairment allowance for non-current available-for-sale financial assets was RMB373.90 million, of which an amount of RMB286.82 million was an allowance for available-for-sale financial assets measured at cost less impairment.

As at 31 December 2017, the impairment allowance for current available-for-sale financial assets was RMB112.11 million.

As at 31 December 2017, the listed equity securities of the Group included approximately RMB1,770.87 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 them within the specified period.

Fair values of the Group's available-for-sale financial assets are determined in the manner described in note 67.

- (i) The Group has committed to hold some of its investments in asset management schemes launched and managed by the Group till the end of the investment period, the amount of which was RMB1,216.42 million as at 31 December 2017.
- (ii) Included in the balance is an investment in a special account managed by China Securities Finance Corporation Limited ("CSFCL"). The Company is entitled to the profit or loss derived from the special account in proportion to the funding portion contributed. The Company determined the fair value of the investment according to an evaluation report provided by CSFCL, and the principal is RMB10,310.30 million while the fair value is RMB11,439.92 million as at 31 December 2017.
- (iii) The unlisted equity investments held by the Group are issued by private companies in, among others, the manufacturing, energy technology, medical and electronic communication sectors. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity investments were measured at cost less impairment as at 31 December 2017.
- (iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

Notes to the Consolidated Financial Statements

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27. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

(5) Loan and receivable investments

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Secured loan receivables ⁽ⁱ⁾	—	55,728
Current		
Asset management schemes ⁽ⁱⁱ⁾	—	311,833
Secured loan receivables ⁽ⁱ⁾	—	2,161,730
	—	2,473,563
Less: impairment on loan and receivable investments	—	50,154
	—	2,423,409
Total	—	2,479,137

- (i) As at 31 December 2017, the non-current secured loan receivables bear interest at 12% per annum and are repayable within two years, and the current secured loan receivables bear interest at 3.5% to 13% per annum and are repayable within one year.
- (ii) As at 31 December 2017, the current asset management schemes bore interest at 10% per annum and would be repaid within one year.

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28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Financial assets held for trading and financial assets measured at FVTPL ⁽ⁱ⁾ :		
Listed equity securities	96,340	—
Unlisted equity instruments	5,087,588	—
Funds	216,063	—
Collective trust	1,459	—
Convertible debt instruments	30,000	—
Asset management schemes launched by securities companies ⁽ⁱⁱ⁾	1,005,158	—
	<u>6,436,608</u>	<u>—</u>
Analysed as:		
Listed outside Hong Kong ^(iv)	96,340	—
Unlisted ^(v)	6,340,268	—
	<u>6,436,608</u>	<u>—</u>
Financial asset designated at fair value through profit or loss:		
Convertible debt instruments	—	326,959
Redeemable convertible preference shares	—	193,822
Equity investments	—	758,871
	<u>—</u>	<u>1,279,652</u>
	<u>—</u>	<u>1,279,652</u>
Analysed as:		
Unlisted ^(v)	—	1,279,652
	<u>—</u>	<u>1,279,652</u>
Total Non-current	<u>6,436,608</u>	<u>1,279,652</u>

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28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Current		
Financial assets held for trading and financial assets measured at FVTPL ⁽ⁱ⁾ :		
Debt securities	38,131,324	39,879,976
Listed equity securities	6,344,353	4,878,587
Funds	22,382,302	10,011,710
Convertible debt instruments	258,722	—
Asset management schemes launched by securities companies ^{(ii), (iii)}	9,904,935	3,162,926
Collective trust	261,964	—
Wealth management products launched by banks ⁽ⁱⁱⁱ⁾	950,347	805,261
Other investments ⁽ⁱⁱⁱ⁾	2,898,719	3,000,723
Redeemable convertible preference shares	544,722	—
	81,677,388	61,739,183
Analysed as:		
Listed in Hong Kong	1,013,025	1,018,527
Listed outside Hong Kong ^(iv)	22,549,524	21,275,950
Unlisted ^(v)	58,114,839	39,444,706
	81,677,388	61,739,183
Financial assets designated at fair value through profit or loss:		
Convertible debt instruments	—	120,000
Exchangeable debt instruments	—	59,880
	—	179,880
Analysed as:		
Unlisted ^(v)	—	179,880
Total current	81,677,388	61,919,063
Total	88,113,996	63,198,715

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – continued**

As at 31 December 2018, the listed equity securities of the Group included approximately RMB408.14 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 them within the specified period.

As at 31 December 2018, the Group entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss (including equity securities and exchange traded funds) with a total fair value of RMB445.91 million (31 December 2017: RMB554.48 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair value of the Group's financial assets at fair value through profit or loss is determined in the manner described in note 67.

- (i) During the year, the Group classified the following financial assets at fair value through profit or loss: debt instruments that do not qualify for measurement at either amortised cost or FVTOCI; equity instruments that are held for trading, and equity instruments for which the Group has not elected to recognise fair value gains and losses through OCI.
- (ii) The Group has committed to hold some of its investments in asset management schemes launched and managed by the Group for specified periods or till the end of the investment period, the amount of which was RMB2,244.51 million as at 31 December 2018.
- (iii) The investments represent investments in asset management schemes and other wealth management products launched and managed by the Group and other financial institutions. The Group's interests in these asset management schemes managed by the Group are not individually significant.
- (iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.
- (v) Unlisted securities mainly comprise unlisted funds, debt securities traded on the Interbank Bond Market, unlisted equity instruments, convertible debt instruments, exchangeable debt instruments, redeemable convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.

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29. ADVANCES TO CUSTOMERS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Restricted equity incentive financing	171,298	354,494
Less: Impairment of advances to customers	581	—
	<u>170,717</u>	<u>354,494</u>
Current		
Loans to margin clients	45,051,309	61,130,067
Restricted equity incentive financing	282,237	334,433
Less: Impairment of advances to customers	148,957	68,803
	<u>45,184,589</u>	<u>61,395,697</u>
Total	<u>45,355,306</u>	<u>61,750,191</u>

Movements of ECLs/allowance for impairment during the period are as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of year	68,803	90,629
Effect of adoption of IFRS 9	77,346	—
At beginning of year (restated)	146,149	90,629
Impairment losses for the year	(3,506)	(21,817)
Effect of foreign currency exchange differences	6,895	(9)
At end of year	<u>149,538</u>	<u>68,803</u>

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***29. ADVANCES TO CUSTOMERS – continued**

In this year, the principal of Stage 1 was transferred to Stage 2 and Stage 3 of RMB659.82 million, and the corresponding impairment allowance was RMB0.11 million. The principal from Stage 2 to Stage 1 was RMB204.12 million, with a corresponding impairment allowance of RMB13.25 million. The rest stage transferring was not significant.

As at 31 December 2018, the provision of Stage 1, Stage 2 and Stage 3 were RMB53.07 million, RMB17.19 million and RMB79.27 million.

The credit facility limits to margin clients and restricted equity incentive financing clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients and restricted equity incentive financing clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 45 are interest bearing. The Group maintains a list of approved stocks at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the difference.

Advances to customers as at 31 December 2018 were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with an undiscounted market value of approximately RMB140,752.04 million (31 December 2017: RMB207,193.56 million).

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of the business. As a result, no ageing analysis is disclosed.

There were 38 impaired debts for the year ended 31 December 2018 (2017: 10), and after the force sale, the amount of uncollected principal and accrued interest was approximately RMB66.91 million (31 December 2017: RMB37.87 million) which had been reclassified as accounts receivable and were fully impaired.

The concentration of credit risk is limited due to the size and uncorrelated nature of the customer base.

As at 31 December 2018, the overall advances to customers have been assessed for impairment on a forward-looking approach in accordance with the policies as set out in note 2.

As at 31 December 2017, the overall advances to customers have been assessed for impairment allowances on a collective assessment basis, which are based on the evaluation of probability of default, loss given default, exposure at default of accounts and management's judgement, including the current creditworthiness and the past collection statistics of individual accounts or a portfolio of accounts in view of the overall growing loan balance and economic condition.

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30. ACCOUNTS RECEIVABLE

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Accounts receivable from/related to:		
Current		
Commission and fee	966,370	1,208,758
Brokers	2,672,693	1,153,743
Deposit for investment funds redemption	—	321,200
Cash clients	245,679	177,629
Clearing house	10,518	134,460
Others	486,328	567,034
	4,381,588	3,562,824
Less: allowance for ECLs/allowance for doubtful debts	109,695	70,271
	4,271,893	3,492,553

The following is an ageing analysis of accounts receivable net of allowance for ECLs/allowance for doubtful debts:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Current		
Within 1 year	4,096,967	3,392,394
Between 1 and 2 years	128,512	69,215
Between 2 and 3 years	18,153	3,993
More than 3 years	28,261	26,951
	4,271,893	3,492,553

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30. ACCOUNTS RECEIVABLE – *continued*

Movements of ECLs/allowance for doubtful debts during the period are as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of year	70,271	46,237
Effect of adoption of IFRS 9	8,484	—
At beginning of year (restated)	78,755	46,237
Impairment losses for the year	30,779	27,440
Amounts written off as uncollectible	—	(3,406)
Effect of foreign currency exchange differences	161	—
At end of year	109,695	70,271

The normal settlement terms of accounts receivable from clients, brokers and clearing house are within two days after the trade date. Trading limits are set for clients. Normal settlement terms of accounts receivable from asset management fees are within one month, and trading seats commission are settled on a quarterly basis.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management and mostly were impaired as at 31 December 2018 and 2017.

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31. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Entrusted loan	—	44,529
	—	44,529
Less: allowance for ECLs/allowance for doubtful debts	—	222
	—	44,307
Current		
Interest receivable	—	2,934,832
Other receivables	418,932	242,326
Dividends receivables	313	12,145
Entrusted loan	—	15,048
Others	352,917	102,620
	772,162	3,306,971
Less: allowance for ECLs/allowance for doubtful debts	6,758	6,516
	765,404	3,300,455
Total	765,404	3,344,762

Movements of ECLs/allowance for doubtful debts during the period are as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of year	6,738	57,669
Effect of adoption of IFRS 9	(298)	—
At beginning of year (restated)	6,440	57,669
Impairment losses for the year	635	6,255
Amounts written off as uncollectible	(353)	(57,125)
Effect of foreign currency exchange differences	36	(61)
At end of year	6,758	6,738

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32. FINANCIAL LEASING RECEIVABLES

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Analysis as:		
Current assets	1,940,896	1,276,258
Non-current assets	2,900,616	2,818,433
	<u>4,841,512</u>	<u>4,094,691</u>

Minimum lease payments to be received and the corresponding present value are as follows:

	As at 31.12.2018		As at 31.12.2017	
	Minimum lease payments RMB'000	Present value RMB'000	Minimum lease payments RMB'000	Present value RMB'000
Within 1 year	2,180,750	1,964,254	1,459,339	1,282,974
1 to 5 years	3,189,148	2,932,051	3,115,428	2,833,265
Total	5,369,898	4,896,305	4,574,767	4,116,239
Less: unrealized finance income	473,593	N/A	458,528	N/A
Balance of financial leasing receivables	4,896,305	4,896,305	4,116,239	4,116,239
Less: allowance for ECLs/allowance for impairment	54,793	54,793	21,548	21,548
Financial leasing receivables, net	<u>4,841,512</u>	<u>4,841,512</u>	<u>4,094,691</u>	<u>4,094,691</u>

As at 31 December 2018, the effective interest rate ranged from 5% to 13% (31 December 2017: 5% to 9%) per annum.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***32. FINANCIAL LEASING RECEIVABLES – continued**

Movements of ECLs/allowance for impairment during the period are as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of year	21,548	11,961
Effect of adoption of IFRS 9	1,834	—
At beginning of year (restated)	23,382	11,961
Impairment losses for the year	31,411	9,587
At end of year	54,793	21,548

There were no significant transfers between stages in this year.

As at 31 December 2018, the provision of Stage 1 and Stage 2 were RMB53.74 million and RMB1.05 million.

33. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2018, amounts due from associates are unsecured, repayable on demand, and non-interest bearing. The Group expected that the amounts due from associates can be recovered within one year from the end of the year.

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For the year ended 31 December 2018

34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Analysed by collateral type:		
Stock ⁽ⁱ⁾	5,459,178	8,879,519
Bond ⁽ⁱⁱ⁾	1,132,244	—
	<u>35,456</u>	<u>33,414</u>
Less: impairment of financial assets held under resale agreements	<u>6,555,966</u>	<u>8,846,105</u>
Analysed by market:		
Stock exchanges	5,423,722	8,846,105
Over the counter	1,132,244	—
	<u>6,555,966</u>	<u>8,846,105</u>
Current		
Analysed by collateral type:		
Stock ⁽ⁱ⁾	17,598,151	18,776,434
Bond ⁽ⁱⁱ⁾	12,837,825	6,115,465
	<u>178,873</u>	<u>70,602</u>
Less: impairment of financial assets held under resale agreements	<u>30,257,103</u>	<u>24,821,297</u>
Analysed by market:		
Stock exchanges	18,493,017	19,680,792
Interbank bond market	11,621,233	5,140,505
Over the counter	142,853	—
	<u>30,257,103</u>	<u>24,821,297</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. The fair value of the stock collateral amounted to RMB57,067.78 million as at 31 December 2018 (31 December 2017: RMB73,738.10 million).

(ii) Mainly for inter-bank pledged resale agreement and inter-bank outright resale agreement, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB15,399.66 million as at 31 December 2018 (31 December 2017: RMB6,331.81 million).

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34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – *continued*

Movements of ECLs/allowance for impairment during the period are as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of year	104,016	76,604
Effect of adoption of IFRS 9	40,552	—
At beginning of year (restated)	144,568	76,604
Impairment losses for the year	69,372	27,412
Effect of foreign currency exchange differences	389	—
At end of year	214,329	104,016

In this year, the principal of Stage 1 was transferred to Stage 2 of RMB791.35 million, and the corresponding impairment allowance was RMB2.06 million. The principal from Stage 2 to Stage 3 was RMB200.38 million, with a corresponding impairment allowance of RMB15.89 million. The rest stage transferring was not significant.

As at 31 December 2018, the provision of Stage 1, Stage 2 and Stage 3 were RMB122.17 million, RMB47.77 million and RMB44.39 million.

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35. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31.12.2018		As at 31.12.2017	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Interest rate derivatives				
– Interest rate swaps ⁽ⁱ⁾	732,083	8,266	225,513	229,225
– Interest rate options ⁽ⁱⁱ⁾	—	—	3,689	30,723
– Standard bond forward ⁽ⁱⁱⁱ⁾	—	—	—	—
Currency derivatives				
– Currency swaps ^(iv)	—	1,886	—	—
– Currency forward ^(v)	6,951,384	7,303,396	780	775
– Currency options ^(vi)	9,398,485	11,065,236	5,192,191	5,113,361
Equity derivatives				
– Stock index futures ^(vii)	2,789	336	126	493
– Over-the-counter options ^(viii)	35,629	42,531	7,227	50,736
– Structured notes ^(ix)	—	5,059	—	2,378
– Exchange-traded options ^(x)	20,509	16,810	10,661	9,954
Credit derivatives				
– Credit default swaps ^(xi)	786	727,150	—	1,434
Others				
– Treasury bond futures ^(xii)	—	4,241	7,902	—
– Commodity futures ^(xii)	—	—	—	—
– Variance swaps ^(xiii)	393,059	574,568	—	—
– Others	1,931	129,549	2,653	34
Total	17,536,655	19,879,028	5,450,742	5,439,113

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35. DERIVATIVE FINANCIAL INSTRUMENTS – continued

- (i) Interest rate swaps: the notional principal amount of the Group's interest rate swap contracts as at 31 December 2018 was RMB270,766.03 million (31 December 2017: RMB80,625.50 million).
- (ii) Interest rate options: the notional principal amount of the Group's interest rate option contracts was nil as at 31 December 2018 (31 December 2017: RMB74,677.52 million).
- (iii) Standard bond forward: the notional principal amount of the Group's standard bond forward contracts was RMB19.28 million as at 31 December 2018 (31 December 2017: Nil).
- (iv) Currency swaps: the notional principal amount of the Group's currency swaps was RMB 1,029.33 million as at 31 December 2018 (31 December 2017: Nil).
- (v) Currency forward: the notional principal amount of the Group's currency forward was RMB185,603.71 million as at 31 December 2018 (31 December 2017: RMB895.46 million).
- (vi) Currency options: the notional principal amount of the Group's currency options was RMB874,557.54 million as at 31 December 2018 (31 December 2017: RMB630,813.12 million).
- (vii) 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 31 December 2018 and 31 December 2017. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the period end date. Balances as at 31 December 2018 were the unrealized profits and losses from stock index futures in U.S, HK, Japan, Korea and Singapore. The notional principal amount of the Group's foreign stock index futures contracts was RMB460.27 million as at 31 December 2018 (31 December 2017: RMB144.20 million).

Details of the Group's PRC stock index futures are set out below:

	As at 31 December			
	2018		2017	
	Notional principal amounts RMB'000	Fair value RMB'000	Notional principal amounts RMB'000	Fair value RMB'000
PRC SIF	832,689	40,735	750,287	11,321
PRC SIH	249,879	(295)	92,958	568
PRC SIC	451,741	19,917	345,970	(3,403)
Less: settlement		60,356		8,486
Net position of PRC stock index future contracts		—		—

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35. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

- (viii) Over-the-counter options: the notional principal amount of the Group's over-the-counter options contracts was RMB16,257.04 million as at 31 December 2018 (31 December 2017: RMB14,104.34 million).
- (ix) The amount represents the fair value of embedded derivatives of structured notes, details of which are set out in notes 42 and 51.
- (x) Exchange-traded options: the notional principal amount of the Group's exchange-traded options contracts was RMB1,150.56 million as at 31 December 2018 (31 December 2017: RMB1,090.87 million).
- (xi) Credit default swaps: the notional principal amount of the Group's credit default swaps was RMB1,233.50 million as at 31 December 2018 (31 December 2017: RMB1,306.88 million).
- (xii) Treasury bond futures and commodity futures in the PRC: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's onshore 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 31 December 2018 and 31 December 2017. Accordingly, the net onshore position of the treasury bond future contracts and commodity future contracts were nil at the year-end dates. Balances as at 31 December 2018 were the unrealized losses from treasury bond futures in Hong Kong.

Details of the Group's treasury bond futures and commodity futures are set out below:

	As at 31 December			
	2018		2017	
	Notional principal amounts RMB'000	Fair value RMB'000	Notional principal amounts RMB'000	Fair value RMB'000
Treasury bond futures	7,014,521	4,933	6,582,731	(7,111)
Commodity futures	1,203,844	950	1,832,842	(59)
Less: settlement		10,124		(15,072)
Net position of treasury bond future contracts and commodity future contracts		(4,241)		7,902

- (xiii) Variance swaps: the notional principal amount of the Group's variance swaps was RMB62,810.90 million as at 31 December 2018 (31 December 2017: Nil).

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36. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Deposits with stock exchanges:		
Shanghai Stock Exchange	358,256	299,480
Shenzhen Stock Exchange	110,524	94,336
Hong Kong Stock Exchange	19,049	22,313
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	247,850	49,393
Shanghai Futures Exchange	919,387	1,255,636
Zhengzhou Commodity Exchange	404,671	307,447
Dalian Commodity Exchange	498,975	728,371
China Financial Futures Exchange	1,069,793	1,178,446
Intercontinental Exchange, Inc.	406,899	119,465
China Securities Finance Corporation Limited	295,638	40,857
Shanghai Clearing House	121,429	97,983
Guarantee fund paid to China Financial Futures Exchange	20,116	20,114
China Beijing Equity Exchange	2,284	3,893
LME Clear Limited	747,662	138,666
Brokers	1,031,166	342,469
Shanghai International Energy Exchange Co., Ltd	30,549	—
Others	750	1,884
Total	<u>6,284,998</u>	<u>4,700,753</u>

37. CLEARING SETTLEMENT FUNDS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Clearing settlement funds held with clearing houses for:		
House accounts	2,165,444	3,339,656
Clients	15,734,443	14,313,292
	<u>17,899,887</u>	<u>17,652,948</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 Consolidated Financial Statements

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38. BANK BALANCES

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Bank balances:		
House accounts	20,920,824	8,389,754
Cash held on behalf of customers ⁽ⁱ⁾	39,515,214	48,521,004
	<u>60,436,038</u>	<u>56,910,758</u>

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

As at 31 December 2018, the Group's bank balances of RMB1,834.54 million were restricted.

- (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 45).

39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Bank balances - house	19,121,189	8,389,754
Clearing settlement funds - house	2,164,390	3,339,656
	<u>21,285,579</u>	<u>11,729,410</u>

Cash and cash equivalents include bank deposits with original maturity of more than three months held by the Group. As at 31 December 2018, 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 RMB2,000.00 million (31 December 2017: RMB1,497.00 million).

Notes to the Consolidated Financial Statements

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40. DEFERRED TAXATION

For presentation purposes, 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:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Deferred tax assets	1,085,526	428,496
Deferred tax liabilities	<u>(138,467)</u>	<u>(88,441)</u>
	<u>947,059</u>	<u>340,055</u>

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

	Financial instruments at fair value through profit or loss/ derivatives RMB'000	Financial instruments at fair value through other comprehensive income 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 1 January 2017	(190,745)	—	1,091,382	(370,442)	107,276	(20,117)	34,705	652,059
Charge/(credit) to profit or loss (Note 17)	97,982	—	(172,191)	30,279	59,077	984	21,724	37,855
Charge/(credit) to other comprehensive income	236	—	—	(350,099)	—	—	4	(349,859)
At 31 December 2017	<u>(92,527)</u>	<u>—</u>	<u>919,191</u>	<u>(690,262)</u>	<u>166,353</u>	<u>(19,133)</u>	<u>56,433</u>	<u>340,055</u>
Audited								
At 31 December 2017	(92,527)	—	919,191	(690,262)	166,353	(19,133)	56,433	340,055
Impact on adopting IFRS 9	(151,916)	(456,558)	—	690,262	(54,836)	—	—	26,952
At 1 January 2018	(244,443)	(456,558)	919,191	—	111,517	(19,133)	56,433	367,007
Charge/(credit) to profit or loss (Note 17)	520,079	27,158	(283,566)	—	38,612	984	13,865	317,132
Charge/(credit) to other comprehensive income	(5,092)	286,065	—	—	—	—	(18,053)	262,920
At 31 December 2018	<u>270,544</u>	<u>(143,335)</u>	<u>635,625</u>	<u>—</u>	<u>150,129</u>	<u>(18,149)</u>	<u>52,245</u>	<u>947,059</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

As at 31 December 2018, the Group has unused tax losses of approximately RMB1,341.69 million (31 December 2017: RMB619.10 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. Most of these tax losses may be carried forward indefinitely.

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41. BORROWINGS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Secured short-term bank loans ⁽ⁱ⁾	679,001	2,098,537
Unsecured short-term bank loans ⁽ⁱⁱ⁾	4,825,514	5,250,999
Total	<u>5,504,515</u>	<u>7,349,536</u>

- (i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 31 December 2018, the total market value of securities pledged amounted to RMB3,592.38 million (31 December 2017: RMB4,276.24 million) and the credit facilities utilised amounted to RMB289.80 million (31 December 2017: RMB1,853.54 million) which bear interest rates of HIBOR+0.95% or cost of fund rate of lending bank+1.10% (31 December 2017: HIBOR+1.15% to HIBOR+1.25% or cost of fund rate of lending bank+1.25%) per annum.

The Group obtained several short-term loans amounting to RMB388.42 million (31 December 2017: RMB245.00 million) secured by rights and interests in financial leasing receivables. The loans bear fixed interest rates ranging from 6.00% to 7.00% (31 December 2017: 6.00% to 6.41%).

- (ii) As at 31 December 2018, the Group's unsecured short-term bank loans bear fixed interest rates ranging from 5.66% to 6.96% (31 December 2017: 4.79% to 5.66%), or variable interest rates ranging from HIBOR+1.30% to HIBOR+1.65% or LIBOR+1.30% (31 December 2017: HIBOR+1.30% to HIBOR+2.09% or LIBOR+0.65% to LIBOR+1.60% or cost of fund rate of lending bank+1.40%).

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HKD RMB'000	USD RMB'000
As at 31 December 2018	87,662	4,619,308
As at 31 December 2017	4,392,665	2,311,870

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42. SHORT-TERM FINANCING PAYABLES

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Unsecured and unguaranteed:		
Short-term bond payables (Note 1)	19,552,041	17,600,000
Structured notes (Note 2)	4,497,699	7,501,447
Total	24,049,740	25,101,447

Note 1: Short-term bond payables

The details of short-term bond payables as at 31 December 2018 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
GF1801	3,000,000	12/03/2018	12/03/2019	5.30%
GF1802	3,000,000	21/05/2018	21/05/2019	4.85%
GF1803	5,000,000	29/05/2018	24/04/2019	4.83%
GF1804	2,000,000	12/06/2018	08/05/2019	4.95%
GF1805	6,000,000	10/07/2018	05/07/2019	4.70%

Note 2: Structured notes

The amount included principals received from investors for subscription of structured notes issued by the Company and accrued interests. The structured notes bear fixed rate interest or variable rate linked to certain stock index. The principals and 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 for in the condensed consolidated financial statements after being bifurcated from their respective host contracts.

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43. FINANCIAL LIABILITIES HELD FOR TRADING

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Equity return swaps	<u>459,530</u>	<u>456,168</u>
Analysed as:		
Unlisted	<u>459,530</u>	<u>456,168</u>
Current		
Bonds	—	1,659,502
Stocks	107,976	183,235
Funds	—	151,837
	<u>107,976</u>	<u>1,994,574</u>
Analysed as:		
Listed in Hong Kong	76,451	136,774
Listed outside Hong Kong	31,525	198,298
Unlisted	—	1,659,502
	<u>107,976</u>	<u>1,994,574</u>
Total	<u>567,506</u>	<u>2,450,742</u>

Fair values of the Group's financial liabilities held for trading are determined in the manner described in note 67.

44. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Due to banks and other financial institutions	<u>11,667,619</u>	<u>4,953,656</u>

As at 31 December 2018, the effective interest rates on due to banks ranged from 2.89% to 5.80% (31 December 2017: 3.08% to 7.30%) per annum. Included in the balance was an amount of RMB113.07 million (31 December 2017: RMB3,653.66 million) which was secured by the Group's securities amounting to RMB232.74 million as at 31 December 2018 (31 December 2017: RMB7,708.48 million).

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45. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group respectively, and are interest-bearing at the prevailing market interest rate.

As at 31 December 2018, accounts payable to brokerage clients of approximately RMB5,149.96 million (31 December 2017: RMB5,554.65 million) were related to margin deposits and cash collateral received from clients for margin financing and securities lending arrangements.

46. ACCRUED STAFF COSTS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Other long-term benefits	<u>2,245,763</u>	<u>2,597,404</u>
Current		
Salaries, bonus and allowances	2,797,430	4,384,765
Short-term social welfare	934	1,037
Defined contribution plans ⁽ⁱ⁾	3,630	2,257
Others	<u>45,695</u>	<u>64,850</u>
	<u>2,847,689</u>	<u>4,452,909</u>
Total	<u><u>5,093,452</u></u>	<u><u>7,050,313</u></u>

- (i) The defined contribution plans refer to the social pension insurance plan and the unemployment insurance plan required by the government, and the annuity schemes launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the Group sets up the annuity schemes and Mandatory Provident Fund Scheme for qualified employees in the PRC and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis. Except for the amounts contributed, the Group will assume no further payment obligations. The amounts accrued have been paid in subsequent periods.

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47. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Deposits of financial leasing business	<u>124,615</u>	<u>80,050</u>
Current		
Interest payable	15,585	1,937,695
Payables for open-ended fund clearing and other clearing	2,065,064	947,043
Payable to R&F ⁽ⁱ⁾	692,518	692,518
Other taxes	400,858	382,514
Commission payable and related accrued expenses for the sale of funds	418,621	341,550
Accrued expenses	134,889	174,263
Futures risk reserve	128,935	117,391
Block trade deposits	100,000	100,000
Funds risk reserve	136,508	98,319
Payables for equipment purchases	54,871	70,219
Payables for securities investor protection fund and futures investor protection fund	37,152	57,432
Project quality deposits ⁽ⁱⁱ⁾	40,000	40,000
Deposits of equity return swaps	170,220	13,821
Others ⁽ⁱⁱⁱ⁾	<u>387,839</u>	<u>169,877</u>
	<u>4,783,060</u>	<u>5,142,642</u>
Total	<u><u>4,907,675</u></u>	<u><u>5,222,692</u></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.
- (ii) The balances represent the project quality deposits from R&F which is the construction agent of the GF Securities Tower, to ensure the construction quality of the GF Securities Tower.
- (iii) Others represent primarily other accounts payable and accrued operating expenses which are non-interest bearing and are repayable within one year.

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48. PROVISIONS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At beginning of the year	33,360	33,360
Utilisation of provision	—	—
At end of the year	<u>33,360</u>	<u>33,360</u>

49. OTHER LIABILITIES

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Third-party interests in consolidated asset management schemes	<u>491,147</u>	<u>226,291</u>
Current		
Third-party interests in consolidated asset management schemes and funds	<u>8,639,515</u>	<u>11,638,550</u>
Total	<u>9,130,662</u>	<u>11,864,841</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.

As at 31 December 2018 and 2017, the balances of payables to priority tranche holders of structured entities were RMB7,764.31 million and RMB9,461.58 million, respectively.

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50. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Analysed by collateral type:		
Rights and interests in financial leasing receivables	—	41,250
Analysed by market:		
Over the counter	—	41,250
Current		
Analysed by collateral type:		
Bonds (i)	84,470,267	51,850,051
Rights and interests in financial leasing receivables	41,368	58,500
Gold leasing (ii)	1,121,149	3,415,840
Others	361,016	150,767
	85,993,800	55,475,158
Analysed by market:		
Stock exchanges	36,832,312	28,015,069
Interbank bond market	46,109,597	23,985,749
Shanghai gold exchange	1,221,982	3,415,840
Over the counter	1,829,909	58,500
	85,993,800	55,475,158
Total	85,993,800	55,516,408

- (i) As at 31 December 2018, included in the balance was an amount of RMB20,911.13 million (31 December 2017: RMB13,249.61 million) which is secured by bonds borrowed from the interbank bond market, which are not recognised in the consolidated financial statements as it is the banks rather than the Group that are subject to all the risks and returns of the bonds, and the fair value of such bonds was RMB22,384.38 million (31 December 2017: RMB14,719.53 million).
- (ii) As at 31 December 2018, the fair value of gold transferred which is from leasing and is not recognised in the consolidated financial statements, was RMB1,138.40 million (31 December 2017: RMB3,336.06 million).

Repurchase agreements are transactions in which the Group sell a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in note 58.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

51. BONDS PAYABLE

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Unsecured and unguaranteed:		
Non-current		
Corporate bonds (Note 1)	33,887,271	33,485,127
Subordinated bonds (Note 1)	8,100,000	28,500,000
Structured notes (Note 2)	2,335,536	162,751
	44,322,807	62,147,878
Current		
Corporate bonds (Note 1)	6,883,144	2,999,503
Subordinated bonds (Note 1)	15,267,968	5,000,000
Structured notes (Note 2)	2,223,135	2,525,340
	24,374,247	10,524,843
Total	68,697,054	72,672,721

Note 1: Details of the bonds as of 31 December 2018 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
Corporate bonds				
13GF03	8,983,700	17/06/2013	17/06/2023	5.10%
16GF08	3,000,000	18/11/2016	18/11/2019	3.45%
17GF01	5,995,000	11/05/2017	11/05/2020	4.60%
17GF02	5,997,695	26/07/2017	26/07/2020	4.50%
17GF03	3,500,000	15/08/2017	15/08/2020	4.84%
17GF04	3,000,000	28/08/2017	28/08/2020	4.95%
17GF05	3,000,000	25/09/2017	25/09/2019	5.00%
18GF01	4,498,271	27/04/2018	27/04/2021	4.60%
18GF02	1,899,270	24/08/2018	24/08/2021	4.30%
Subordinated bonds				
16GF03	5,000,000	21/06/2016	21/06/2019	3.70%
16GF06	4,000,000	29/08/2016	29/08/2019	3.30%
16GF07	4,000,000	14/09/2016	14/09/2019	3.50%
17GFC1	3,500,000	20/10/2017	20/10/2020	5.09%
17GFC2	2,000,000	30/10/2017	30/10/2019	5.10%
18GFC1	4,600,000	09/11/2018	09/11/2021	4.40%

Note 2: Structured notes

The amounts included principals received from investors for subscription of structured notes issued by the Company and accrued interests. As at 31 December 2018, the undue structured notes bear fixed interest rates ranging from 4.00% to 5.10% per annum (31 December 2017: 4.65% to 5.35%). Structured notes maturing within one year as at 31 December 2018 amounted to RMB2,223.14 million (31 December 2017: RMB2,525.34 million) are classified under current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

52. LONG-TERM LOANS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current		
Unsecured long-term loans ⁽ⁱ⁾	435,686	2,275,160
Secured long-term loans ⁽ⁱⁱ⁾	1,541,628	1,502,957
	<u>1,977,314</u>	<u>3,778,117</u>
Current		
Unsecured long-term loans ⁽ⁱ⁾	2,356,248	116,000
Secured long-term loans ⁽ⁱⁱ⁾	1,139,084	631,375
	<u>3,495,332</u>	<u>747,375</u>
Total	<u>5,472,646</u>	<u>4,525,492</u>

- (i) As at 31 December 2018, the syndicated loan amounting to RMB2,103.89 million (31 December 2017: RMB2,006.16 million) carries interest at variable interest rate of HIBOR+2.09% (31 December 2017: HIBOR+2.09%) per annum, and the interest is repayable monthly and the principal is repayable within one year. The remaining unsecured loans amounted to RMB688.05 million (31 December 2017: RMB385.00 million). The loans bear fixed interest rates from 4.75% to 7.25% (31 December 2017: 4.75% to 4.85%) per annum, with principals amounting to RMB248.31 million (31 December 2017: RMB116.00 million) due within one year, principals amounting to RMB204.56 million (31 December 2017: RMB131.00 million) due within two years, and the remaining due within five years.
- (ii) As at 31 December 2018, the secured long-term loans amounting to RMB2,680.71 million (31 December 2017: RMB2,134.33 million) which are secured by rights and interests in financial leasing receivables. The loans bear fixed interest rates ranging from 4.75% to 7.36% (31 December 2017: 4.75% to 6.65%) per annum, with principals amounting to RMB1,123.76 million (31 December 2017: RMB631.38 million) due within one year, principals amounting to RMB1,157.26 million (31 December 2017: RMB544.79 million) due within two years, and the remaining due within five years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

53. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31.12.2018	As at 31.12.2017
Number of registered, issued and fully paid ordinary shares of RMB1 each (in thousands):		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>
Share capital (in RMB'000)		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

54. INVESTMENT REVALUATION RESERVE

The movements of investment revaluation reserve of the Group are set out below:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At the end of last year	2,200,562	1,430,709
Impact of IFRS 9	(607,647)	—
At beginning of the year	1,592,915	1,430,709
Equity instruments at fair value through other comprehensive income		
Revaluation losses on equity instruments at fair value through other comprehensive income	(1,723,563)	—
Income tax impact	429,682	—
Debt instruments at fair value through other comprehensive income		
Net fair value changes during the year	367,805	—
Reclassification to profit or loss	(112,420)	—
Changes in allowance for expected credit losses	137,151	—
Income tax impact	(143,057)	—
Share of fair value (losses)/gains on financial assets of associates and joint ventures	(161,310)	89,932
Available-for-sale financial assets		
Net fair value changes during the year	—	2,473,083
Reclassification adjustment to profit or loss on disposal	—	(1,622,816)
Reclassification adjustment to profit or loss on impairment	—	166,005
Income tax impact	—	(336,351)
At end of the year	<u>387,203</u>	<u>2,200,562</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

55. GENERAL RESERVES

General reserves comprise the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalization. If the statutory reserve is capitalised into share capital, the remaining reserve is required to be no less than 25% of the Company's registered capital before capitalization.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk; and in accordance with Interim Measures for the Supervision and Administration of Risk Reserve of the Public Offering of Securities Investment Fund, the Company, as a custodian of securities investment fund, is required to appropriate no less than 2.50% of fund custodian revenue as reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve, the reserve for general risk and the transaction risk reserve.

The movements of general reserves of the Group are set out below:

As at 31 December 2018

	Opening	Addition	Closing
	RMB'000	RMB'000	RMB'000
Statutory reserve	5,191,169	391,223	5,582,392
Discretionary reserve	169,428	—	169,428
Reserve for general risk	6,312,708	584,832	6,897,540
Transaction risk reserve	5,682,599	482,919	6,165,518
	17,355,904	1,458,974	18,814,878

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

55. GENERAL RESERVES – continued

As at 31 December 2017

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	4,584,610	606,559	5,191,169
Discretionary reserve	169,428	—	169,428
Reserve for general risk	5,492,796	819,912	6,312,708
Transaction risk reserve	4,960,982	721,617	5,682,599
	<u>15,207,816</u>	<u>2,148,088</u>	<u>17,355,904</u>

56. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At the end of last year	25,767,855	21,987,925
Impact of IFRS 9	474,643	—
At beginning of the year	26,242,498	21,987,925
Profit for the year	4,300,126	8,595,399
Appropriation to general reserve	(1,458,974)	(2,148,088)
Dividends recognised as distribution	(3,048,435)	(2,667,381)
At end of the year	<u>26,035,215</u>	<u>25,767,855</u>

57. DIVIDENDS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Dividends recognised as distribution	<u>3,048,435</u>	<u>2,667,381</u>

Pursuant to the resolution of the shareholders' meeting held on 29 June 2018, the Company distributed cash dividends of RMB4.0 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB 3.05 billion in total for the year ended 31 December 2017.

Pursuant to the resolution of the shareholders' meeting held on 10 May 2017, the Company distributed cash dividends of RMB3.5 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB 2.67 billion in total for the year ended 31 December 2016.

Notes to the Consolidated Financial Statements

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58. TRANSFER OF FINANCIAL ASSETS

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells securities, rights and interests in financial leasing receivables (collectively as “the transferred assets”) and simultaneously agrees to repurchase them (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of the transferred assets. The transferred assets are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of the transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights of the cash flows of the transferred assets, it does not have the ability to use the transferred assets during the term of the arrangements.

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2018

Financial assets at fair value through profit or loss	Debt instruments				Financial leasing receivables	Total
	Financial assets at amortised cost	at fair value through comprehensive income	Financial assets held under resale arrangements	Financial assets held under resale arrangements		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	11,974,739	3,706,877	51,322,079	2,033,255	59,466	69,096,416
Carrying amount of associated liabilities	10,615,781	3,644,011	48,029,974	1,529,556	41,368	63,860,690
Net position	1,358,958	62,866	3,292,105	503,699	18,098	5,235,726

As at 31 December 2017

Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial assets held under resale arrangements	Financial leasing receivables	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	10,151,765	31,294,338	152,556	41,771,410
Carrying amount of associated liabilities	8,655,320	29,943,467	152,424	38,850,961
Net position	1,496,445	1,350,871	132	2,920,449

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

58. TRANSFER OF FINANCIAL ASSETS – *continued*

Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss with carrying amount totalling RMB445.91 million as at 31 December 2018 (31 December 2017: RMB554.48 million), equity instruments at fair value through other comprehensive income with carrying amount totalling RMB0.14 million as at 31 December 2018 (31 December 2017: available-for-sale financial assets with carrying amount RMB3.24 million), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore have not derecognised these securities in the consolidated financial statements.

Securities borrowing from banks

As at 31 December 2018 and 2017, the type and fair values of securities borrowed from banks through inter-bank securities market trading platform are as follows:

Type of securities	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Government bonds	15,854,607	14,871,865
Financial bonds	527,071	2,113,927
Local government bonds	7,056,683	2,396,085
	23,438,361	19,381,877

As at 31 December 2018 and 2017, the above securities were due to return to banks before 23 January 2019 and 27 February 2018, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

58. TRANSFER OF FINANCIAL ASSETS – continued

Securities lending arrangements – continued

In order to borrow the securities mentioned above from banks, the Group has pledged its assets to banks, the type and fair values of assets pledged to banks as at 31 December 2018 and 2017 are as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Type of assets		
Debt instruments at fair value through other comprehensive income	11,615,617	—
Financial assets at fair value through profit or loss	3,561,104	4,600,839
Financial assets at amortised cost	379,257	—
Financial assets held under resale agreements	799,655	193,355
Available-for-sale financial assets	—	10,505,523
	<u>16,355,633</u>	<u>15,299,717</u>

59. CAPITAL COMMITMENTS

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	<u>606,975</u>	<u>714,808</u>

60. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 December 2018 and 31 December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Within one year	271,657	244,051
In the second to fifth years, inclusive	356,657	324,454
Over five years	39,293	32,296
Total	<u>667,607</u>	<u>600,801</u>

During the year, the Group did not have material lease commitments as lessor.

Notes to the Consolidated Financial Statements

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61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, Companies Ordinance, is as follows:

For the year ended 31 December 2018

Name	Directors'	Salaries	Employer's	Bonuses	Total ⁽ⁱ⁾
	fees	and	contribution		
	RMB'000	allowances	to pension	RMB'000	RMB'000
		RMB'000	schemes		
			RMB'000		
A) EXECUTIVE DIRECTORS:					
Sun Shuming	—	1,685	66	16,832	18,583
Lin Zihai	—	1,851	88	15,106	17,045
Qin Li	—	1,517	92	13,559	15,168
Sun Xiaoyan	—	1,431	92	12,582	14,105
Subtotal	—	6,484	338	58,079	64,901

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Directors'	Salaries	Employer's	Bonuses	Total ⁽ⁱ⁾
	fees	and	contribution		
	RMB'000	allowances	to pension	RMB'000	RMB'000
		RMB'000	schemes		
			RMB'000		
B) NON-EXECUTIVE DIRECTORS:					
Shang Shuzhi	180	—	—	—	180
Li Xiulin	180	—	—	—	180
Liu Xuetao	180	—	—	—	180
Subtotal	540	—	—	—	540

The non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued

For the year ended 31 December 2018 – continued

Name	Directors' fees RMB'000	Salaries and allowances RMB'000	Employer's	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
			contribution to pension schemes RMB'000		
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Yang Xiong	270	—	—	—	270
Tang Xin	270	—	—	—	270
Chan Kalok	270	—	—	—	270
Li Yanxi ^(v)	270	—	—	—	270
Fan Lifu ⁽ⁱⁱ⁾	23	—	—	—	23
Liu Jiwei ^(vii)	—	—	—	—	—
Subtotal	<u>1,103</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,103</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisors' fees RMB'000	Salaries and allowances RMB'000	Employer's	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
			contribution to pension schemes RMB'000		
D) SUPERVISORS:					
Zhang Shaohua	—	1,091	80	5,412	6,583
Cheng Huaiyuan	—	739	75	2,694	3,508
Zhan Lingzhi ^(iv)	—	—	—	—	—
Tan Yue	150	—	—	—	150
Gu Naikang	150	—	—	—	150
Lan Hailin ⁽ⁱⁱⁱ⁾	13	—	—	—	13
Wu Zhaoming ^(viii)	—	—	—	—	—
Subtotal	<u>313</u>	<u>1,830</u>	<u>155</u>	<u>8,106</u>	<u>10,404</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2017

Name	Directors' fees RMB'000	Salaries and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
A) EXECUTIVE DIRECTORS:					
Sun Shuming	—	2,125	69	36,329	38,523
Lin Zhihai	—	3,555	91	36,915	40,561
Qin Li	—	1,846	95	26,467	28,408
Sun Xiaoyan	—	1,697	95	25,993	27,785
Subtotal	—	9,223	350	125,704	135,277

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Directors' fees RMB'000	Salaries and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
B) NON-EXECUTIVE DIRECTORS:					
Shang Shuzhi	180	—	—	—	180
Li Xiulin	180	—	—	—	180
Liu Xuetao	105	—	—	—	105
Chen Aixue ^(vi)	60	—	—	—	60
Subtotal	525	—	—	—	525

The non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued

For the year ended 31 December 2017 – continued

Name	Directors' fees RMB'000	Salaries and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Yang Xiong	270	—	—	—	270
Tang Xin	270	—	—	—	270
Chan Kalok	270	—	—	—	270
Li Yanxi ^(v)	158	—	—	—	158
Liu Jiwei ^(vii)	135	—	—	—	135
Subtotal	<u>1,103</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,103</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisors' fees RMB'000	Salaries and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
D) SUPERVISORS:					
Zhang Shaohua	—	1,443	69	10,500	12,012
Cheng Huaiyuan	—	737	78	3,789	4,604
Zhan Lingzhi	150	—	—	—	150
Tan Yue	150	—	—	—	150
Gu Naikang	150	—	—	—	150
Wu Zhaoming ^(viii)	—	1,440	96	14,820	16,356
Subtotal	<u>450</u>	<u>3,620</u>	<u>243</u>	<u>29,109</u>	<u>33,422</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued

During the year ended 31 December 2018, Zhan Lingzhi, the supervisor of the Company agreed to waive remuneration before tax of RMB100 thousand (During the year ended 31 December 2017: no directors or supervisors of the Company waived any emoluments).

During the years ended 31 December 2018 and 31 December 2017, no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

- (i) The Company did not operate any share option scheme during the years ended 31 December 2018 and 31 December 2017.
- (ii) Fan Lifu was appointed as independent non-executive director in November 2018.
- (iii) Lan Hailin was appointed as supervisor in December 2018.
- (iv) Zhan Lingzhi resigned as supervisor in August 2018, agreed to waive remuneration for the years ended 31 December 2018.
- (v) Li Yanxi resigned as independent non-executive director in November 2018.
- (vi) Chen Aixue resigned as non-executive director in March 2017.
- (vii) Liu Jiwei resigned as independent non-executive director in May 2017.
- (viii) Wu Zhaoming resigned as supervisor in September 2017.

62. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2017: four directors), details of whose remuneration are set out in note 61 above. Details of the remuneration for the year of the remaining one (2017: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Basic salaries and allowances	558	1,694
Bonuses	30,960	23,142
Employer's contribution to pension schemes	92	95
	31,610	24,931

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2018 and 31 December 2017.

There is one employee who is not director nor supervisor of the Company, among which, one (2017: one) employee's remuneration is more than HKD25.00 million and no (2017: nil) employee is below HKD25.00 million.

Notes to the Consolidated Financial Statements

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63. RELATED PARTY TRANSACTIONS

(1) Shareholders

Holding equity interests in shareholders and their subsidiaries

	As at 31.12.2018		As at 31.12.2017	
	Number of shares /bonds '000	Carrying amount RMB'000	Number of shares /bonds '000	Carrying amount RMB'000
Available-for-sale financial assets - stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	—	—	43,312	974,531
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	—	—	86	1,447
Available-for-sale financial assets - bonds				
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	—	—	1,000	97,914
Financial assets as FVTPL - stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	118	1,702	118	2,655
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	59	613	59	1,037
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	4,106	52,512	3,641	61,284
Financial assets as FVTPL - bonds				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	1,028	98,748	—	—
Financial assets as FVTOCI - stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	43,312	624,999	—	—

* English names are translated for identification purposes only.

Note: Liaoning Cheng Da Biotechnology Co., Ltd. is a subsidiary of Liaoning Cheng Da Co., Ltd.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

63. RELATED PARTY TRANSACTIONS – continued

(1) Shareholders – continued

Cash dividends arising from equity interests in shareholders and their subsidiaries

	2018 RMB'000	2017 RMB'000
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.*	13,029	10,022
遼寧成大生物股份有限公司		
– Liaoning Cheng Da Biotechnology Co., Ltd.*	1,828	3,690
遼寧成大股份有限公司		
– Liaoning Cheng Da Co., Ltd.*	<u>11</u>	<u>—</u>

Transactions with a shareholder

	2018 RMB'000	2017 RMB'000
Commission and fee income		
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co., Ltd.*	<u>3,277</u>	<u>—</u>

Balances with a shareholder

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Other receivables		
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.*	<u>192</u>	<u>—</u>

* English names are translated for identification purposes only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

63. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties

Transactions with associates/joint ventures

	2018 RMB'000	2017 RMB'000
Commission and fee income		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	32,270	31,814
廣發信德匯金(龍岩)股權投資合夥企業(有限合夥)		
– GF XindeHuijin (Longyan) Equity Investment Partnership L.P.*	18,085	1,406
珠海廣發信德環保產業投資基金合夥企業(有限合夥)		
– Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.*	10,894	11,212
珠海廣發信德科技文化產業股權投資基金(有限合夥)		
– Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.*	10,566	9,282
廣發信德(珠海)醫療產業投資中心(有限合夥)		
– GF Xinde (Zhuhai) Medical Industrial Investment Center L.P.*	8,395	8,395
廣州信德創業營股權投資合夥企業(有限合夥)		
– Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.*	7,551	3,532
廣州廣發信德一期健康產業投資企業(有限合夥)		
– Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	5,698	3,047
廣州信德厚峽股權投資合夥企業(有限合夥)		
Guangzhou Xinde Houxia Equity Investment Partnership L.P.*	4,201	—
珠海廣發信德高成長現代服務業股權投資企業(有限合夥)		
– Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P.*	3,898	3,002
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥)		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	2,736	2,736
珠海廣發信德智能創新升級股權投資基金(有限合夥)		
Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.*	2,190	—
廣州南鑫珠海港股權投資合夥企業(有限合夥)		
– Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.*	1,273	—
廣東股權交易中心股份有限公司		
– Guangdong Equity Exchange Co., Ltd.*	96	325

* English names are translated for identification purposes only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

63. RELATED PARTY TRANSACTIONS – *continued*(2) Other related parties – *continued**Transactions with associates/joint ventures – continued*

	2018 RMB'000	2017 RMB'000
Commission and fee income – <i>continued</i>		
珠海廣發信德盈遠二期投資基金(有限合夥)		
– Zhuhai GF Xinde Yingyuan Phase II Investment Fund L.P.*	217	—
中證信用增進股份有限公司		
– China Securities Credit Investment Co., Ltd.*	—	1,717
珠海中兵廣發投資基金管理有限公司		
– Zhuhai Norinco GF Investment Fund Management Co. Ltd.*	—	474
珠海廣發信德工場文化傳媒產業股權投資基金(有限合夥)		
– Zhuhai GF Xinde Factory Culture Media Industry Equity Investment Fund L.P.*	—	294
	<u>—</u>	<u>—</u>
Interest income		
– GHS Investment Management (Cayman) Company Limited	471	—
	<u>471</u>	<u>—</u>
Other income and gains or losses		
– Horizon Partners Fund, L.P.	837	—
	<u>837</u>	<u>—</u>
Interest expenses		
– Global Health Science Fund I, L.P.	2,365	2,044
– GLOBAL HEALTH SCIENCE FUND II, L.P.	2,053	—
– Horizon Partners Fund, L.P.	217	—
	<u>217</u>	<u>—</u>
Other operating expenses		
珠海盈米財富管理有限公司		
– Zhuhai Yingmi Fortune Management Co., Ltd.*	6,896	465
廣發鈞策海外投資基金管理(上海)有限公司		
– GF-Persistent Overseas Investment Fund Management (Shanghai) Co., Ltd.*	3,085	2,827
	<u>3,085</u>	<u>2,827</u>

* English names are translated for identification purposes only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

63. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Commission receivable from exchange trading units and distributing financial products		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	6,246	8,659
Receivables from custodian fee		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	442	—
Receivables from asset and fund management fee income		
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥)		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	1,450	—
珠海廣發信德智能創新升級股權投資基金(有限合夥)		
– Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.*	2,321	—
廣州信德創業營股權投資合夥企業(有限合夥)		
– Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.*	945	3,744
珠海廣發信德盈遠二期投資基金(有限合夥)		
– Zhuhai GF Xinde Yingyuan Phase II Investment Fund L.P.*	230	—
廣發信德匯金(龍岩)股權投資合夥企業(有限合夥)		
– GF Xinde Huijin (Longyan) Equity Investment Partnership L.P.*	140	1,491
廣州廣發信德一期健康產業投資企業(有限合夥)		
– Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	—	3,230
Amount due from a joint venture - other receivables		
– GHS Investment Management (Cayman) Company Limited	7,744	—
Amount due from an associate - other receivables		
– Horizon Partners Fund, L.P.	13,725	—

* English names are translated for identification purposes only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

63. RELATED PARTY TRANSACTIONS – *continued*(2) Other related parties – *continued**Balances with associates/joint ventures – continued*

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Amounts due to joint ventures - notes payable and interest		
– Global Health Science Fund II, L.P.	264,727	—
– Global Health Science Fund I, L.P.	<u>71,126</u>	<u>122,396</u>
Amounts due to associates - notes payable and interest and other payables		
– Horizon Partners Fund L.P.	3,653	—
珠海盈米財富管理有限公司		
– Zhuhai Yingmi Fortune Management Co., Ltd.*	<u>1,754</u>	<u>253</u>
Amount due to an associate - fund management fee income		
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥)		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	<u>—</u>	<u>1,450</u>

* English names are translated for identification purposes only.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***63. RELATED PARTY TRANSACTIONS – continued****(3) Key management personnel**

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

	2018	2017
	RMB'000	RMB'000
Short-term benefits		
– Salaries, allowance and bonuses	33,030	261,982
Post-employment benefits		
– Employer's contribution to pension schemes/annuity schemes	839	837
Total	33,869	262,819

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on a net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued***Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements**

As at 31 December 2018						
Type of financial assets	Gross amounts of financial assets recognised	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position			Net amount
	off in the consolidated statement of financial position	in the consolidated statement of financial position	Financial instruments	collateral received	Net amount	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances to customers	3,818,979	(503,298)	3,315,681	—	(3,315,681)	—
Accounts receivable from clearing houses, brokers and cash clients	3,627,647	(691,356)	2,936,291	(390,210)	—	2,546,081
Total	7,446,626	(1,194,654)	6,251,972	(390,210)	(3,315,681)	2,546,081

As at 31 December 2018						
Type of financial liabilities	Gross amounts of financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position			Net amount
	off in the consolidated statement of financial position	in the consolidated statement of financial position	Financial instruments	Collateral pledged	Net amount	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable to brokerage clients	4,047,264	(503,298)	3,543,966	(231,934)	—	3,312,032
Payables for open-ended fund clearing and other clearing	1,003,316	(691,356)	311,960	(158,276)	—	153,684
Total	5,050,580	(1,194,654)	3,855,926	(390,210)	—	3,465,716

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – continued

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements – continued

Type of financial assets	As at 31 December 2017					
	Gross amounts of financial assets recognised in the consolidated statement of financial position	Gross amounts of financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	RMB'000	RMB'000	RMB'000	Financial instruments	Collateral received	RMB'000
Advances to customers	5,161,035	(916,228)	4,244,807	—	(4,244,807)	—
Accounts receivable from clearing houses, brokers and cash clients	2,482,117	(1,064,656)	1,417,461	(56,838)	—	1,360,623
Total	7,643,152	(1,980,884)	5,662,268	(56,838)	(4,244,807)	1,360,623

Type of financial liabilities	As at 31 December 2017					
	Gross amounts of financial liabilities recognised in the consolidated statement of financial position	Gross amounts of financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	RMB'000	RMB'000	RMB'000	Financial instruments	Collateral pledged	RMB'000
Accounts payable to brokerage clients	4,050,168	(916,228)	3,133,940	—	—	3,133,940
Payables for open-ended fund clearing and other clearing	1,169,498	(1,064,656)	104,842	(56,838)	—	48,004
Total	5,219,666	(1,980,884)	3,238,782	(56,838)	—	3,181,944

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

The tables below reconcile the “Net amount of financial assets and financial liabilities presented in the consolidated statement of financial position” as set out above, to the line items presented in the consolidated statement of financial position:

Advances to customers

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Net amount of advances to customers as stated above	3,315,681	4,244,807
Amount not in the scope of offsetting disclosures	42,039,626	57,505,384
Total amount of advances to customers as stated in note 29	45,355,307	61,750,191

Accounts receivable

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Net amount of accounts receivable as stated above	2,936,291	1,417,461
Amount not in the scope of offsetting disclosures	1,335,602	2,075,092
Total amount of accounts receivable as stated in note 30	4,271,893	3,492,553

Accounts payable to brokerage clients

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Net amount of accounts payable to brokerage clients as stated above	3,543,966	3,133,940
Amount not in the scope of offsetting disclosures	54,901,182	61,892,177
Total amount of accounts payable to brokerage clients as stated in note 45	58,445,148	65,026,117

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Other accounts payable, other payables and accruals

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Net amount of payable to open-ended fund clearing and other clearing as stated above	311,960	104,842
Amount not in the scope of offsetting disclosures	1,753,104	842,202
Total amount of payable to open-ended fund clearing and other clearing as stated in note 47	<u>2,065,064</u>	<u>947,044</u>

65. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Financial assets		
Financial assets at amortised cost	183,357,754	—
Financial assets at fair value through other comprehensive income	90,307,058	—
Loans and receivables	—	185,533,703
Available-for-sale financial assets	—	92,594,399
Financial assets at fair value through profit or loss	88,113,996	63,198,715
Investment in an associate at fair value through profit or loss	171,115	40,208
Derivative financial assets	17,536,655	5,450,742
	<u>379,486,578</u>	<u>346,817,767</u>
Financial liabilities		
Derivative financial liabilities	19,879,028	5,439,113
Financial liabilities at amortised cost	272,292,431	249,464,860
Financial liabilities at fair value through profit or loss	567,506	2,450,742
Other liabilities	1,366,357	2,403,257
	<u>294,105,322</u>	<u>259,757,972</u>

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT****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 Group's operating results to the lowest level, so as to ensure that the risks borne by the Company 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 reliably and in a timely 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's is exposed 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.

(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 relevant professional committees (risk control committee, internal review group in respect of the investment banking business and asset allocation committee), various control and supporting departments, and business departments". First-line risk management organizations have been set up in all major business departments of the Company. Organizations and staff of all levels perform their authorized risk management duties with clear segregation of duties and emphasis on mutual collaboration. The business department, risk management department, compliance and legal affairs department and internal auditing department are the Group's main risk management departments in respect of risk management. These departments cooperate with each other and each focuses on specific aspects, perform risk assessment before the projects implement, on-going control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business of the Company.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – continued****Risk management policies and organisation structure – continued****(2) Structure of the risk-management organization – continued**

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, model risk and reputation risk; assessing, monitoring, reporting on and advising on the management of the Company's venture capital; handling daily routine of the Risk Control Committee of the Company as a standing body of the Risk Management Committee; performing corresponding duties and responsibilities of risk management as a standing body of the internal review committee and internal review group of the Company's investment banking business. The compliance and legal department is the Group's function department for compliance and legal risk management, primarily responsible for formulating the Group's management policies in respect of compliance and legal risk, conducting independent evaluation and monitoring of compliance and legal risks, coordinating with other departments to manage operational risk and performing compliance inspection and management on operational administration activities and code of conduct of the employees of the Group. The auditing department is the third defensive line of risk control. It is responsible for the check, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedure, and operating management performance.

66.2 Credit risk

Credit risk is the probability that the market value of debts may change due to the fact that the debtor or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group is exposed to mainly relates to the following assets: (i) fixed income financial assets; (ii) financing businesses such as margin financing and financial assets held under resale agreements (mainly refer to securities transactions with repurchase agreements and stock-pledged repos).

Fixed income financial assets include bank balances, clearing settlement funds, loan investment and bonds. Credit risk mainly includes the risk caused by its counterparties and securities issuer's default risk. The maximum credit risk exposure equals to the carrying amounts of these instruments.

In terms of the financing business, the credit risk exposure of margin financing and securities lending, securities transactions with repurchase agreements, stock-pledged repos and financial leasing is derived from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. At the year end of 2018 and 2017, the average ratio of guarantee maintained by the Group for all the clients who have liabilities in margin financing and securities lending of the Group was 230.45% and 265.46% respectively; At the year ends 2018 and 2017, the average coverage ratio of contract performance for clients of security transactions with repurchase agreement was 164.10% and 207.17%, respectively, and the average coverage ratio of contract performance securities for clients of the stock-pledged repos was 228.20% and 248.55%, respectively. The guarantees provided are sufficient and the credit risk of the financing business is managed at an acceptable level.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – *continued*****66.2 Credit risk – *continued***

The credit risk of the bond investments is mainly mitigated by means of credit rating management, transaction limits, position limits, exposure limits on issuers, etc.

In terms of managing counterparty credit risks of derivative transactions, the Group applies measures such as using Delivery Versus Payment (DVP) settlement, collaterals, guarantees, netting agreements, credit derivatives and etc. to mitigate or even eliminate counterparty risks, and adopts the credit rating management, establishment of client admission criteria, credit limit control, authorization setting for a single transaction, investment limit control and other measures to manage related counterparty credit risks.

The credit risk of the 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.

During the year, the Group's impairment assessment was based on an expected credit loss model. The Group applies the simplified approach to measure ECLs on accounts receivable, other accounts receivable, other receivables and prepayments and the general approach to measure ECLs on advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, bank balances, amounts due from associates and financial leasing receivables accounted for at amortised cost, debt instruments accounted for at FVTOCI as well as loan commitments. Under the simplified approach, the Group measures the loss allowance at an amount equal to the lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-months ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

The Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information when determining whether the risk of default has increased significantly since initial recognition.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – continued****66.2 Credit risk – continued***Criteria for judging significant increases in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forwardlooking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Quantitative criteria

- By each balance sheet date, debtor's defaulting days have been over certain days
- Mark-to-market ratios are unable to meet certain criteria

Qualitative criteria

- Significant adverse change in debtor's operation or financial status
- Be listed on the watch-list

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – continued****66.2 Credit risk – continued***Definition of credit-impaired financial asset*

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – continued****66.2 Credit risk – continued***Parameters of ECL measurement – continued*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating Model of Guangfa Securities Co., Ltd, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. LGD is the percentage of the loss of EAD when default occurs, calculated base on the next 12 months or throughout the entire remaining lifetime.
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applied experts' judgement in this process, according to the result of experts' judgement, the Group predicts these economic indicators and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – *continued*66.2 Credit risk – *continued**Forward-looking information – continued*

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Advances to customers	45,355,306	61,750,191
Accounts receivable	4,271,893	3,492,553
Other accounts receivable and other receivables	521,670	3,247,283
Financial leasing receivables	4,841,512	4,094,691
Amounts due from joint ventures	7,744	—
Amounts due from associates	25,499	17,124
Loan and receivable investments	—	2,479,137
Available-for-sale financial assets ⁽ⁱ⁾	—	67,094,036
Including: monetary funds	—	1,371,631
Including: securities lent to customers	—	3,241
Financial assets held under resale agreements	36,813,069	33,667,402
Financial assets at fair value through profit or loss ⁽ⁱ⁾	73,677,904	48,073,858
Including: monetary funds	19,833,047	7,132,568
Including: securities lent to customers	445,909	554,476
Equity instruments at fair value through other comprehensive income ⁽ⁱⁱ⁾	143	—
Including: securities lent to customers	143	—
Debt instruments at fair value through other comprehensive income	79,513,048	—
Debt instruments at amortised cost	6,900,139	—
Derivative financial assets	17,536,655	6,757,621
Deposits with exchanges and non-bank financial institutions	6,284,998	4,700,753
Clearing settlement funds	17,899,887	17,652,948
Bank balances	60,436,038	56,910,758
	354,085,505	309,938,355

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – continued****66.2 Credit risk – continued***Forward-looking information – continued*

- (i) Financial assets at fair value through profit or loss and available-for-sale financial assets contain only debt securities, monetary funds managed by third parties, debt financing products and securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.
- (ii) Equity instruments at fair value through other comprehensive income contain only securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.

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.

66.3 Market risk

Market risks faced by the Group refer to the risk that the fair value of the financial instruments held by the Group or future cash flows will fluctuate as a result of changes in market prices, including interest rate risk, exchange rate 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 or 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 Company’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 actions to reduce risk exposure or performs risk hedging when the risk exposure is high; relevant monitoring personnel of the Risk Management Department continuously and directly communicate risk information with teams of business departments to discuss risk status and extreme loss scenarios. Meanwhile, market risk conditions and their changes of the Company as a whole and each business department are timely reported to the Company’s management through regular risk reporting.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – continued****66.3 Market risk – continued**

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. The Group's VaR is measured using the historical simulation method with a confidence interval of 95%. The Group is clearly aware that VaR involves certain limitations because it is a risk indicator. Possible losses in extreme cases 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 balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions and debenture investments. Fixed-income investments of the Group are mainly central bank bills, government bonds, medium-term notes, high-quality short-term papers, corporate bonds, treasury bond futures and interest rate swaps. In order to manage interest rate risks, the Group uses VaR, stress test and sensitivity analysis to monitor indicators such as the duration, convexity and DV01 (dollar value of one basis point) of the fixed income investment portfolio on a daily basis.

The tables below summarise the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – continued

66.3 Market risk – continued

Interest rate risk – continued

	As at 31 December 2018						Total RMB'000
	less than 1 months RMB'000	more than 1 months but less than 3 months RMB'000	more than 3 months but less than 1 year RMB'000	more than 1 year but less than 5 years RMB'000	more than 5 years RMB'000	Non- Interest Bearing RMB'000	
Financial assets							
Advances to customers	8,999,912	9,565,890	25,869,484	170,717	—	749,303	45,355,306
Investment in an associate at fair value through profit or loss	—	—	—	—	—	171,115	171,115
Amount due from joint ventures	—	—	—	—	—	7,744	7,744
Amount due from associates	—	—	—	—	—	25,499	25,499
Accounts receivable	444,510	—	—	—	—	3,827,383	4,271,893
Debt instrument at fair value through other comprehensive income	784,666	7,142,256	27,281,502	40,089,301	2,774,860	1,440,463	79,513,048
Financial leasing receivables	137,493	347,340	1,389,314	2,900,616	—	66,749	4,841,512
Debt instruments at amortised cost	261,890	1,017,925	3,151,762	2,161,789	—	306,773	6,900,139
Equity instrument at fair value through other comprehensive income	—	—	—	—	—	10,794,010	10,794,010
Other accounts receivable, other receivables and prepayments	14,202	108,488	83,919	—	—	315,061	521,670
Financial assets held under resale agreements	14,425,750	2,058,543	13,635,856	6,555,966	—	136,954	36,813,069
Financial assets at fair value through profit or loss	9,101,493	15,809,094	22,458,491	17,879,455	3,725,992	19,139,471	88,113,996
Derivative financial assets	—	—	—	—	—	17,536,655	17,536,655
Deposits with exchanges and financial institution	1,302,028	—	—	—	—	4,982,970	6,284,998
Clearing settlement funds	17,877,631	—	—	—	—	22,256	17,899,887
Bank balances	52,755,176	1,718,572	5,600,691	—	—	361,599	60,436,038
Total	106,104,751	37,768,108	99,471,019	69,757,844	6,500,852	59,884,005	379,486,579

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – *continued*66.3 Market risk – *continued**Interest rate risk – continued*

	As at 31 December 2018						Total RMB'000
	less than 1 months RMB'000	more than 1 months but less than 3 months RMB'000	more than 3 months but less than 1 year RMB'000	more than 1 year but less than 5 years RMB'000	more than 5 years RMB'000	Non- Interest Bearing RMB'000	
Financial liabilities							
Borrowings	4,710,446	369,575	413,843	—	—	10,651	5,504,515
Short-term financing bills payable	1,292,260	5,020,620	17,121,940	—	—	614,920	24,049,740
Due to banks and other financial institutions	9,113,072	2,500,000	—	—	—	54,547	11,667,619
Accounts payable to brokerage clients	47,792,512	—	—	—	—	10,652,636	58,445,148
Other payables and accruals	—	—	—	—	—	4,356,344	4,356,344
Amount due to associate	—	—	—	—	—	5,407	5,407
Amount due to joint ventures	—	—	—	—	—	335,853	335,853
Third party interest in consolidated asset management schemes and funds	2,598,176	5,104,560	61,570	—	—	1,366,356	9,130,662
Financial liabilities at fair value through profit or loss	—	—	—	—	—	567,506	567,506
Derivative financial liabilities	—	—	—	—	—	19,879,028	19,879,028
Financial assets sold under repurchase agreement	84,309,585	858,581	709,785	—	—	115,849	85,993,800
Bond Payables	1,480	61,890	23,123,940	44,282,601	—	1,227,143	68,697,054
Long-term loan	2,245,729	328,353	900,869	1,977,314	—	20,381	5,472,646
Total	152,063,260	14,243,579	42,331,947	46,259,915	—	39,206,621	294,105,322
Net exposure	(45,958,509)	23,524,529	57,139,072	23,497,929	6,500,852	20,677,384	85,381,257

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – continued

66.3 Market risk – continued

Interest rate risk – continued

As at 31 December 2017

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial assets							
Advances to customers	8,235,380	12,485,816	40,674,501	354,494	—	—	61,750,191
Available-for-sale financial assets	4,798,752	9,076,173	23,059,995	31,672,148	1,525,220	22,462,111	92,594,399
Loan and receivable investments	—	285,262	2,138,147	55,728	—	—	2,479,137
Other accounts receivable, other receivables and prepayments	—	—	14,973	44,307	—	3,188,003	3,247,283
Financial assets held under resale agreements	7,015,769	3,087,150	14,718,378	8,846,105	—	—	33,667,402
Financial assets at fair value through profit or loss	2,796,801	11,385,668	8,706,352	23,476,237	5,407,382	11,426,275	63,198,715
Derivative financial assets	—	—	—	—	—	5,450,742	5,450,742
Deposits with exchanges and non-bank financial institutions	553,106	—	—	—	—	4,147,647	4,700,753
Clearing settlement funds	17,634,274	—	—	—	—	18,674	17,652,948
Pledged/restricted bank deposits	164,550	—	—	—	—	—	164,550
Bank balances	50,201,162	4,866,052	1,497,000	—	—	181,994	56,746,208
Accounts receivable	—	—	—	—	—	3,492,553	3,492,553
Amounts due from associates	—	—	—	—	—	17,124	17,124
Investment in an associate at fair value through profit or loss	—	—	—	—	—	40,208	40,208
Financial leasing receivables	111,000	238,618	926,640	2,818,433	—	—	4,094,691
Subtotal	91,510,794	41,424,739	91,735,986	67,267,452	6,932,602	50,425,331	349,296,904

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – *continued*66.3 Market risk – *continued**Interest rate risk – continued*

As at 31 December 2017

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial liabilities							
Borrowings	6,709,536	105,000	535,000	—	—	—	7,349,536
Short-term financing payables	6,137,407	3,742,890	15,221,150	—	—	—	25,101,447
Due to banks and other financial institutions	4,953,656	—	—	—	—	—	4,953,656
Accounts payable to brokerage clients	57,111,218	—	—	—	—	7,914,899	65,026,117
Other accounts payable, other payables and accruals	—	—	—	—	—	4,679,800	4,679,800
Other liabilities	3,066,968	6,009,149	385,467	—	—	2,403,257	11,864,841
Amount due to an associate	—	—	—	—	—	1,703	1,703
Amount due to a joint venture	—	—	—	—	—	122,396	122,396
Derivative financial liabilities	—	—	—	—	—	5,439,113	5,439,113
Financial assets sold under repurchase agreement	51,822,020	160,625	3,492,513	41,250	—	—	55,516,408
Bonds payable	—	—	20,516,243	43,155,483	8,991,104	9,891	72,672,721
Financial liabilities at fair value through profit or loss	—	—	—	—	—	2,450,742	2,450,742
Long-term loans	71,500	132,785	543,090	3,778,117	—	—	4,525,492
Securities underwriting brokerage deposits	54,000	—	—	—	—	—	54,000
Subtotal	<u>129,926,305</u>	<u>10,150,449</u>	<u>40,693,463</u>	<u>46,974,850</u>	<u>8,991,104</u>	<u>23,021,801</u>	<u>259,757,972</u>
Net interest-bearing position	<u>(38,415,511)</u>	<u>31,274,290</u>	<u>51,042,523</u>	<u>20,292,602</u>	<u>(2,058,502)</u>	<u>27,403,530</u>	<u>89,538,932</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – continued

66.3 Market 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 the respective reporting period were outstanding for the whole period. When reporting to 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.

	2018 RMB'000	2017 RMB'000
Profit before income tax for the year		
Increase by 100bps	(893,614)	(697,059)
Decrease by 100bps	936,380	723,701
	2018 RMB'000	2017 RMB'000
Other comprehensive income before income tax		
Increase by 100bps	(944,646)	(545,428)
Decrease by 100bps	981,622	544,668

Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries.

At the end of the period, the Group's assets and liabilities denominated in foreign currencies were mainly held by its overseas subsidiary, GF Hong Kong (Holdings) Co., Ltd. Hence, the Group's overseas operating assets and liabilities were subject to currency risk due to exchange rate fluctuations. The Group's overseas net operating assets and the net profit derived from which only account for a small proportion of the Group's total assets and net profit, the directors are of the opinion that the overall currency risk of the Group is relatively small and manageable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – *continued*66.3 Market risk – *continued**Price risk*

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instrument prices, and commodity prices that cause financial loss during the Group's on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss, the financial assets at fair value through other comprehensive income 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 the 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.

	2018	2017
	RMB'000	RMB'000
Profit before income tax for the year		
Increase by 10%	946,655	691,451
Decrease by 10%	(961,905)	(729,112)
	2018	2017
	RMB'000	RMB'000
Other comprehensive income before income tax		
Increase by 10%	1,071,401	1,924,007
Decrease by 10%	(1,071,401)	(1,924,007)

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – continued****66.4 Liquidity risk**

Liquidity risk of the Group is the risk that stems from the lack of marketability of a financial instrument that cannot be bought or sold in a short time to prevent or minimize loss. According to the current policy, financing channels are relatively limited. During the normal course of business, the Group may face liquidity risk caused by changes in macroeconomic policy and market conditions, poor operations and credit downgrades, mismatch of assets and liabilities and low turnover rate of assets, large underwriting of investment banking business, significant proprietary trading position, or high ratio of long term investment, resulting in insufficiency of cash flows. If the Group fails 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 qualifications, leading to an adverse impact on the Group's operation and reputation.

As at 31 December 2018 and 31 December 2017, cash and bank deposits held by the Group amounting to RMB58.60 billion and RMB56.74 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounting to RMB24.57 billion and RMB22.59 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 to be 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 Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – *continued*

66.4 Liquidity risk

Undiscounted cash flows by contractual maturities

The tables below present the cash flows payable by the Group within the remaining contractual maturities as at 31 December 2018 and 31 December 2017. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the year.

As at 31 December 2018

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 year	5 years and above	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	961,958	4,148,397	422,193	—	—	5,532,548	5,504,515
Short-term financing payables	—	6,541,045	17,875,381	—	—	24,416,426	24,049,740
Due to banks and other financial institutions	113,363	11,573,538	—	—	—	11,686,901	11,667,619
Accounts payable to brokerage clients	58,273,962	171,186	—	—	—	58,445,148	58,445,148
Other financial liabilities	3,212,567	792,062	226,206	125,509	—	4,356,344	4,356,344
Amounts due to joint ventures	—	—	335,853	—	—	335,853	335,853
Amount due to an associate	—	1,754	3,653	—	—	5,407	5,407
Financial liabilities at fair value through profit or loss	107,976	—	—	459,530	—	567,506	567,506
Other liabilities (Third party)	315,988	8,030,269	332,339	491,147	—	9,169,743	9,130,662
Financial assets sold under repurchase agreement	455,256	84,864,103	723,799	—	—	86,043,158	85,993,800
Bonds payable	—	67,537	21,041,606	53,723,767	—	74,832,910	68,697,054
Long-term loans	2,103,889	517,979	1,014,816	2,107,885	—	5,744,569	5,472,646
Total	65,544,959	116,707,870	41,975,846	56,907,838	—	281,136,513	274,226,294
Derivative financial liabilities net settlement	1,094	2,841,162	6,971,398	10,065,871	—	19,879,525	19,879,028

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

66. FINANCIAL RISK MANAGEMENT – continued

66.4 Liquidity risk – continued

Undiscounted cash flows by contractual maturities – continued

As at 31 December 2017

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	—	6,829,024	545,280	—	—	7,374,304	7,349,536
Short-term financing payables	—	10,149,770	15,846,085	—	—	25,995,855	25,101,447
Due to banks and other financial institutions	3,653,656	1,301,232	—	—	—	4,954,888	4,953,656
Accounts payable to brokerage clients	65,026,117	—	—	—	—	65,026,117	65,026,117
Other financial liabilities	1,966,659	554,396	141,000	80,050	—	2,742,105	2,742,105
Financial liabilities at fair value through profit or loss	2,450,742	—	—	—	—	2,450,742	2,450,742
Other liabilities	633,415	9,563,570	1,511,415	226,291	—	11,934,691	11,864,841
Amounts due to joint ventures	122,396	—	—	—	—	122,396	122,396
Amounts due to an associate	—	1,703	—	—	—	1,703	1,703
Financial assets sold under repurchase agreement	—	52,053,315	3,571,976	41,781	—	55,667,072	55,516,408
Bonds payable	—	—	13,598,182	58,784,759	9,459,000	81,841,941	72,672,721
Long-term loans	—	251,566	679,753	3,964,922	—	4,896,241	4,525,492
Securities underwriting brokerage Deposits	54,000	—	—	—	—	54,000	54,000
	<u>73,906,985</u>	<u>80,704,576</u>	<u>35,893,691</u>	<u>63,097,803</u>	<u>9,459,000</u>	<u>263,062,055</u>	<u>252,381,164</u>
Derivative financial liabilities net settlement	<u>1,002</u>	<u>87,921</u>	<u>5,173,529</u>	<u>261,539</u>	<u>1,607</u>	<u>5,525,598</u>	<u>5,439,113</u>

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***66. FINANCIAL RISK MANAGEMENT – continued****Capital management**

The Group's objectives of capital management are:

To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

To support the Group's stability and growth;

To maintain a strong capital base to support the development of their business; and

To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100%;
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet and off-balance-sheet assets) shall be no less than 8%;
3. Liquidity coverage ratio (high quality liquidity assets divided by net cash outflow in 30 days) shall be no less than 100%;
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100%;
5. The ratio of net capital divided by net assets shall be no less than 20%;
6. The ratio of net capital divided by liabilities shall be no less than 8%;
7. The ratio of net assets divided by liabilities shall be no less than 10%;
8. The ratio of the value of proprietary equity securities and securities derivatives held divided by net capital shall not exceed 100% ("equity concentration ratio"); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% ("non-equity concentration ratio").

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemented capital and other adjustments as defined in the Administrative Measures.

Notes to the Consolidated Financial Statements

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66. FINANCIAL RISK MANAGEMENT – continued

Capital management – continued

As at 31 December 2018 and 2017, the Company maintained the above ratios as follows:

	As at 31.12.2018	As at 31.12.2017
Net capital (RMB'000)	58,562,866	63,665,152
Risk coverage ratio	222.75%	248.78%
Capital leverage ratio	19.51%	22.49%
Liquidity coverage ratio	404.53%	155.59%
Net stable funding ratio	139.77%	134.47%
The ratio of net capital divided by net assets	77.20%	83.79%
The ratio of net capital divided by liabilities	30.36%	38.95%
The ratio of net assets divided by liabilities	39.33%	46.48%
Equity concentration ratio	29.35%	35.07%
Non-equity concentration ratio	240.67%	155.11%

The above ratios are calculated based on the financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.

67. FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Fair value hierarchy

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.

There were no significant transfers between Level 1 and 2 as at 31 December 2018 and 31 December 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*(1) Fair value hierarchy – *continued*

As at 31 December 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Debt instruments at fair value through other comprehensive income:				
- Debt securities	34,119,328	56,107,730	80,000	90,307,058
- Debt securities	33,494,329	46,018,719	—	79,513,048
Equity instruments at fair value through other comprehensive income:				
- Equity instruments	624,999	11,969	80,000	716,968
- Other investments	—	10,077,042	—	10,077,042
Financial assets at fair value through profit or loss				
- Equity instruments	34,085,621	45,767,928	8,260,447	88,113,996
- Equity instruments	3,329,209	2,552,583	6,191,211	12,073,003
- Debt instruments	8,786,841	28,185,735	1,447,470	38,420,046
- Funds	21,969,571	628,794	—	22,598,365
- Other investments	—	14,400,816	621,766	15,022,582
Designated at fair value through profit or loss				
- Unlisted investment in an associate under FVTPL	—	—	—	—
Derivative financial assets	23,297	6,963,573	10,549,785	17,536,655
Total	68,228,246	108,839,231	18,890,232	195,957,709
Financial liabilities:				
Financial liabilities at fair value through profit or loss	(107,976)	—	(459,530)	(567,506)
Derivative financial liabilities	(21,738)	(7,478,332)	(12,378,958)	(19,879,028)
Other liabilities	(748,117)	(618,240)	—	(1,366,357)
Total	(877,831)	(8,096,572)	(12,838,488)	(21,812,891)

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For the year ended 31 December 2018

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*(1) Fair value hierarchy – *continued*

As at 31 December 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
- Debt instruments	28,270,103	32,958,567	—	61,228,670
- Equity instruments	2,475,079	401,389	2,033,396	4,909,864
- Funds	4,887,272	96,364	—	4,983,636
- Other investments	—	13,744,525	4,505,662	18,250,187
Financial assets at fair value through profit or loss				
– Debt instruments	18,336,589	21,543,387	506,839	40,386,815
- Equity instruments	2,905,158	1,077,494	1,848,628	5,831,280
- Funds	9,594,114	417,596	—	10,011,710
- Other investments	—	6,968,910	—	6,968,910
Designated at fair value through profit or loss				
- Unlisted investment in a associate under FVTPL	—	—	40,208	40,208
Derivative financial assets	18,689	5,429,488	2,565	5,450,742
Total	<u>66,487,004</u>	<u>82,637,720</u>	<u>8,937,298</u>	<u>158,062,022</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	(335,072)	(1,659,502)	(456,168)	(2,450,742)
Derivative financial liabilities	(10,447)	(5,426,814)	(1,852)	(5,439,113)
Other liabilities	<u>(330,990)</u>	<u>(2,072,267)</u>	—	<u>(2,403,257)</u>
Total	<u>(676,509)</u>	<u>(9,158,583)</u>	<u>(458,020)</u>	<u>(10,293,112)</u>

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For the year ended 31 December 2018

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(2) 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 are estimated using the 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 to their fair values as at 31 December 2018 and 31 December 2017.

	As at 31 December 2018			
	Carrying amount	Fair value	Difference	Fair value hierarchy
	RMB'000	RMB'000	RMB'000	
Bonds payable - corporate bonds	40,770,415	41,285,360	514,945	Level 2
Bonds payable - subordinated bonds	23,367,968	23,453,758	85,790	Level 2

	As at 31 December 2017			
	Carrying amount	Fair value	Difference	Fair value hierarchy
	RMB'000	RMB'000	RMB'000	
Bonds payable - corporate bonds	36,484,630	36,138,260	(346,370)	Level 2
Bonds payable – subordinated bonds	33,500,000	32,868,488	(631,512)	Level 2

(3) Basis for recurring fair value measurement categorized within Level 1

For the measurement for level 1, the Group adopts the closing price in active markets.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued****(4) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorized within Level 2**

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is available on China bond pricing system on the valuation date is measured using the latest valuation results published by China bond pricing system.

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is not available in active markets, equity instruments at fair value through profit or loss, asset management schemes, the fair value is determined by recent transaction prices, bid prices and valuation technique. The inputs of those valuation techniques include risk-free interest rate, quoted prices of underlying investment portfolio, liquidity discount by Index company, etc., which are all observable.

For derivatives financial instrument, the fair value is determined by different valuation techniques. For interest rate swaps and currency forward, the fair value is measured by discounting the differences between the contract prices and market prices of the underlying financial instruments. Fair value of over-the-counter options contracts, is determined by using the volatility input option pricing model of relevant underlying instruments. For commodity options, currency swaps and currency options, the fair value is using the bid prices made by market dealers.

During the period ended 31 December 2018, there were no changes of valuation techniques for level 2.

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3

For restricted shares, unlisted equity investments, other investments, trusts, financial liabilities, derivatives, etc., the Group adopts the valuation techniques and quotation from counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis discounted bid prices, market multiples, risk pricing model, and black scholes model. etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, default probability, liquidity discount, and volatility etc. Fair value change resulting from changes in the unobservable inputs was not significant. The fair value of the financial instruments in level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

During the year ended 31 December 2018, there were no changes of valuation techniques for level 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3 – *continued*

The quantitative information of fair value measurement for level 3 is as follows:

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2018 RMB'000	2017 RMB'000				
1) Financial assets						
Debt instruments	288,722	506,839	Level 3	Discounted cash flows with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of counterparty, and the value of the option	Credit risk spread	The higher the credit risk spread, the lower the fair value
Debt instruments	1,158,748	—	Level 3	Discounted cash flows 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 probability the lower the fair value
Equity instruments	1212,626	1,911,662	Level 3	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
Equity instruments	5,058,584	554,440	Level 3	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Equity instruments	—	1,457,129	Level 3	Adjusted quoted prices	N/A	N/A
Other Investments	621,766	4,505,662	Level 3	Discounted cash flows with future cash flows that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty	Credit risk spread	The higher the credit risk spread, the lower the fair value
Stock warrants	—	2,565	Level 3	Black Scholes model. Exercise price and volatility of the underlying equity	The volatility of the underlying equity instruments	The higher the volatility of the underlying instruments, the higher the fair value

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3 – *continued*

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	as at 31 December 2018 RMB'000	2017 RMB'000				
Interest rate swaps	726,870	—	Level 3	Valuation Pricing model. Volatility of the underlying investment's price	The volatility of the underlying investment's price	The higher the volatility of the underlying investment's price, the higher the fair value
Currency forward	26	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Currency options	9,398,487	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Equity swaps	30,811	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Variance swaps	393,059	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Credit default swaps	533	—	Level 3	Valuation Pricing model. Volatility of the underlying investment's price	The volatility of the underlying investment's price	The higher the volatility of the underlying investment's price, the higher the fair value
	<u>18,890,232</u>	<u>8,937,297</u>				

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For the year ended 31 December 2018

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3 – *continued*

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	as at 31 December 2018 RMB'000	2017 RMB'000				
2) Financial liabilities						
Equity return swaps	459,530	456,168	Level 3	Calculated based on the fair value of the underlying equity instruments	The fair value of the underlying equity instruments	The higher the fair value of the underlying equity instruments, the higher the fair value
Structured notes	200	1,852	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 probability, the lower the fair value
Interest rate swaps	3,945	—	Level 3	Valuation Pricing model. Volatility of the underlying investment's price	The volatility of the underlying investment's price	The higher the volatility of the underlying investment's price, the higher the fair value
Currency swaps	1,886	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Currency options	11,065,235	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Equity swaps	7,049	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Variance swaps	574,568	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Credit default swaps	726,075	—	Level 3	Valuation Pricing model. Volatility of the underlying investment's price	The volatility of the underlying investment's price	The higher the volatility of the underlying investment's price, the higher the fair value
	<u>12,838,488</u>	<u>458,020</u>				

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67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

(6) Reconciliation of Level 3 fair value measurements

For the year ended 31 December 2018

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Derivative financial assets RMB'000	Derivative financial liabilities RMB'000
At 31 December 2017	2,355,467	6,539,058	(456,168)	2,565	(1,852)
Impact of adopting IFRS 9	5,436,229	(6,459,058)	—	(2,565)	—
At 1 January 2018	7,791,696	80,000	(456,168)	—	(1,852)
Total gains/losses	(1,214,642)	—	(3,362)	424,430	(766,773)
Profit or loss	(1,214,642)	—	(3,362)	424,430	(766,773)
Purchases (issues)	1,936,620	—	—	10,125,355	(11,615,858)
Settlements/disposals	(424,678)	—	—	—	5,525
Transfers into level 3	1,611,514	—	—	—	—
Transfers out of level 3	(1,440,063)	—	—	—	—
As at 31 December 2018	<u>8,260,447</u>	<u>80,000</u>	<u>(459,530)</u>	<u>10,549,785</u>	<u>(12,378,958)</u>
Total unrealized gains/ losses for the year for assets/liabilities – included in profit or loss	<u>(940,181)</u>	<u>—</u>	<u>(3,362)</u>	<u>424,429</u>	<u>(766,400)</u>

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For the year ended 31 December 2018

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

(6) Reconciliation of Level 3 fair value measurements

For the year ended 31 December 2017

	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Derivative financial asset RMB'000	Derivative financial liabilities RMB'000
At 1 January	1,486,559	472,404	6,328,947	—	(1,946)
Total gains/losses	(10,410)	(16,236)	587,700	2,565	3,431
Profit or loss	(10,410)	(16,236)	136,148	2,565	3,431
Other comprehensive income	—	—	451,552	—	—
Purchases (issue)	496,819	—	3,541,788	—	(3,574)
Settlements/disposal	(241,811)	—	(3,624,214)	—	237
Transfers into level 3	744,350	—	282,660	—	—
Transfers out of level 3	(120,040)	—	(577,823)	—	—
As at 31 December 2017	<u>2,355,467</u>	<u>456,168</u>	<u>6,539,058</u>	<u>2,565</u>	<u>(1,852)</u>
Total gains for the year for assets/liabilities held as at end of the year – included in net investment gains	<u>8,858</u>	<u>(16,236)</u>	<u>(126,299)</u>	<u>2,565</u>	<u>148</u>

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 equity instruments which are categorised into Level 3 of the fair value hierarchy.

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68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the year are set out below:

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2018	Principal activities
			2018	2017		
廣發期貨有限公司 GF Futures Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 23 March 1993	100%	100%	RMB1,400,000,000	Commodity futures brokerage, financial futures brokerage, investment consulting and asset management
廣發商貿有限公司 GF Commodity Markets Co., Ltd.*	有限責任公司 Limited liability company	PRC 3 April 2013	100%	100%	RMB200,000,000	Trading and trading agent
廣發期貨(香港)有限公司 GF Futures (Hong Kong) Co., Limited*	有限責任公司 Limited liability company	Hong Kong 8 May 2006	100%	100%	HKD777,000,000	Futures brokerage
GF Financial Markets (UK) Limited (formerly known as "Natixis Commodity Markets Limited")	有限責任公司 Limited liability company	UK 2 February 1976	100%	100%	GBP55,969,000	Dealing in commodities and futures brokerage
廣發乾和投資有限公司 GF Qianhe Investment Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 11 May 2012	100%	100%	RMB3,103,500,000	Project investment, investment management and financial advisory
珠海乾亨投資管理有限公司 Zuhai Qianheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 26 March 2015	100%	100%	RMB650,000,000	Investment management
廣發合信產業投資管理有限公司 GF Hexin Industry Investment Management Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 27 August 2015	100%	100%	RMB100,000,000	Project investment
珠海乾鑫投資合夥企業(有限合夥) Zuhai Qianxin Investment Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited partnership	PRC 16 April 2015	66.67%	66.67%	RMB30,000,000	Project investment
珠海乾明投資合夥企業(有限合夥) Zuhai Qianming Investment Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited partnership	PRC 20 April 2015	80%	80%	RMB25,000,000	Project investment
廣發合信(山東)產業投資管理有限公司 GF Hexin (Shandong) Industry Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 15 December 2015	100%	100%	RMB10,000,000	Equity investment management

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68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2018	Principal activities
			2018	2017		
廣發融資租賃(廣東)有限公司 Guangfa Financial Leasing (Guangdong) Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 5 June 2015	100%	100%	RMB 800,000,000	Financial Leasing
廣發基金管理有限公司 GF Fund Management Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 5 August 2003	51.13%	51.13%	RMB126,880,000	Fund raising, fund sales and fund management
廣發國際資產管理有限公司 GF International Investment Management Limited	有限責任公司 Limited liability company	Hong Kong 10 December 2010	51.13%	51.13%	HKD500,000,000	Asset management
瑞元資本管理有限公司 Ruiyuan Capital Asset Management Co., Ltd.* (Note 1)	有限責任公司 Limited liability company	PRC 4 June 2013	27.30%	27.30%	RMB75,000,000	Project investment, investment management and investment advisory
珠海瑞元祥和股權投資基金合夥企業(有限合夥) Zhuhai Ruiyuan Xianghe Equity Investment Fund Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 9 April 2014	11.42%	11.42%	RMB54,000,000	Non-listed company investment
GF International Asset Management (UK) Company Limited	有限責任公司 Limited liability company	London 1 November 2014	51.13%	51.13%	GBP 7,000,100	Asset management
廣發納正(上海)資產管理有限公司 GF NaZheng (ShangHai) Asset Management Co., Ltd.* ⁽²⁾	有限責任公司 Limited liability company	PRC 24 April 2017	51.13%	51.13%	USD1,000,000	Asset management Investment management Investment advisory
廣發控股(香港)有限公司 GF Holdings (Hong Kong) Corporation Limited ⁽¹⁾	有限責任公司 Limited liability company	Hong Kong 14 June 2006	100%	100%	HKD5,600,000,000	Investment holding
廣發投資(香港)有限公司 GF Investments (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 21 September 2011	100%	100%	HKD5,000,000	Investment holding
廣發融資(香港)有限公司 GF Capital (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD130,000,000	Advisory services
廣發資產管理(香港)有限公司 GF Asset Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD325,000,000	Asset management

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68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2018	Principal activities
			2018	2017		
廣發證券(香港)經紀有限公司 GF Securities (Hong Kong) Brokerage Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD2,800,000,000	Securities brokerage
廣發財富管理(香港)有限公司 GF Wealth Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 20 November 2014	100%	100%	HKD15,000,000	Financial management
廣發投資管理(香港)有限公司 GF Investment Management (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 7 October 2011	100%	100%	HKD3,800,000	Advisory services
廣發證券(加拿大)有限公司 GF Securities (Canada) Company Limited	有限責任公司 Limited liability company	Canada 10 March 2014	100%	100%	CAD16,400,000	Financial management
廣發金控(深圳)投資管理有限公司 GF Financial Holdings (Shenzhen) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 1 April 2014	100%	100%	RMB10,000,000	Investment advisory
廣發信德資本管理有限公司 Guangfa Xinde Capital Management Limited ⁽²⁾	有限責任公司 Limited liability company	British Virgin Islands 3 September 2014	100%	100%	USD0	Investment management
GF Bright Investment Limited ⁽²⁾	有限責任公司 Limited liability company	British Virgin Islands 21 August 2014	100%	100%	USD0	Equity investment
GF Energy Investment Limited	有限責任公司 Limited liability company	British Virgin Islands 6 February 2015	91.85%	91.85%	USD1	Equity investment
GF Wise Ltd. (previously known as "GF Tarena Ltd.")	有限責任公司 Limited liability company	British Virgin Islands 9 August 2012	100%	100%	USD50,000	Investment trading
廣發投資(開曼)有限公司 GF Investments (Cayman) Company Limited	有限責任公司 Limited liability company	Cayman Islands 8 September 2011	100%	100%	USD600,000	Advisory services
廣發合夥有限公司 GF Partners Ltd.	有限責任公司 Limited liability company	Cayman Islands 26 May 2011	51%	51%	USD1	Investment trading
廣發中國優勢基金(有限合伙) GF China Advantage Fund L.P. (Note 2)	有限合伙 Limited partnership	Cayman Islands 2 June 2011	57.12%	57.12%	USD20,004,400	Investment trading

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68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2018	Principal activities
			2018	2017		
廣發全球資本有限公司 GF Global Capital Limited	有限責任公司 Limited liability company	Hong Kong 26 November 2015	100%	100%	HKD1,600,000,000	Investment trading
SF Project (Cayman) Limited	有限責任公司 Limited liability company	Cayman Islands 16 December 2016	100%	100%	USD0.1	Investment holding
Canton Fortune Limited	有限責任公司 Limited liability Company	Hong Kong 3 December 2015	100%	100%	USD6,510,410	Investment holding
GF GTEC Investment Management Limited	有限責任公司 Limited liability company	Cayman Islands 13 May 2016	100%	100%	USD100	Asset management
GF Qianheng I Limited ⁽²⁾	有限責任公司 Limited liability company	British Virgin Islands 26 February 2016	100%	100%	—	Equity Investment
GF Global Partners Limited	有限責任公司 Limited liability company	Cayman Islands 31 August 2015	100%	100%	USD0.01	Investment holding
GFGI Limited	有限責任公司 Limited liability company	Cayman Islands 23 December 2016	100%	100%	USD0.01	Equity Investment
GF Global Investment Fund I, L.P. (Note 2)	有限合夥 Limited partnership	Cayman Islands 25 September 2015	50.44%	50.44%	USD40,678,400	Equity Investment
Horizon Holdings	有限責任公司 Limited liability Company	Cayman Islands 7 July 2017	36.86%	36.86%	USD1	Investment holding
廣發信德投資管理有限公司 GF Xinde Investment Management Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 3 December 2008	100%	100%	RMB2,800,000,000	Equity investment and provision of equity investment services for customers
深圳前海廣發信德中山公用並購基金管理有限公司 Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 11 July 2015	60%	60%	RMB10,000,000	Equity investment equity investment management
珠海廣發信德東基基金管理有限公司 Zuhai GF Xinde Aodong Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 21 July 2015	60%	60%	RMB20,000,000	Project investment investment management
上海廣發永源股權投資管理有限公司 Shanghai GF Yong Capital Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 20 August 2015	51%	51%	RMB5,000,000	Equity investment investment management

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2018	Principal activities
			2018	2017		
珠海廣發信德新界泵業產業投資基金(有限合夥)	有限合夥 Limited partnership	PRC 11 July 2015	40%	40%	RMB100,000,000	Equity investment
GFXD Shimage Pump Industry Fund L.P.* (Note 2)						
廣發信德智勝投資管理有限公司 GF Xinde Zhisheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 18 November 2014	100%	100%	RMB100,000,000	Equity investment and trust management
廣發信德醫療資本管理有限公司 GF Xinde Healthcare Capital Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 12 September 2013	55%	55%	RMB50,000,000	Investment management
珠海廣發信德東醫藥產業投資中心(有限合夥)	有限合夥 Limited partnership	PRC 28 October 2015	60%	60%	RMB476,000,000	Equity investment
Zhuhai GF Xinde Aodong Medical Industry Investment Centre L.P.* (Note 2)						
中山廣發信德公用環保夾層投資企業(有限合夥)	有限合夥 Limited partnership	PRC 30 September 2015	59.99%	59.99%	RMB350,000,000	Equity investment
Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P.* (Note 2)						
珠海廣發信德今緣股權投資基金(有限合夥)	有限合夥 Limited partnership	PRC 13 June 2016	60%	60%	RMB210,187,500	Equity investment
Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P.* (Note 2)						
珠海橫琴金投廣發信德厚摯股權投資合夥企業(有限合夥)	有限合夥 Limited partnership	PRC 30 September 2016	65.67%	65.67%	RMB58,250,000	Equity investment
Zhuhai Hengqin Jintou GF Xinde Houzhi Equity Investment Partnership L.P.* (Note 2)						
上海廣發永霄投資管理合夥企業(有限合夥)	有限合夥 Limited partnership	PRC 10 November 2015	99%	99%	RMB100,200,000	Investment management and asset management
Shanghai GF Yongxu Equity Investment partnership L.P.* (Note 2)						

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2018	Principal activities
			2018	2017		
上海廣發永壽醫療投資管理中心(有限合夥) Shanghai GF Yongxu Medicine Investment management Center L.P.*(Note 2)	有限合夥 Limited partnership	PRC 9 November 2015	89.59%	89.50%	RMB105,200,000	Investment management and asset management
深圳市大河信德企業管理有限公司 Shenzhen Dahe Xinde Corporate Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 29 January 2007	100%	100%	RMB453,600,000	Financial consulting and management consulting
廣發證券資產管理(廣東)有限公司 GF Securities Asset Management (Guangdong) Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 2 January 2014	100%	100%	RMB1,000,000,000	Asset management
GF Canada Holdings Company Limited (Note 3)	Limited liability company	Canada 26 February 2018	100%	N/A	CAD 3,000,000	Investment holding
GF Asset Management (Canada) Company Limited (Note 3)	Limited liability company	Canada 26 February 2018	100%	N/A	CAD 3,000,000	Asset management
Ever Glory Limited (Note 3)	Limited liability company	Cayman Islands 23 January 2018	100%	N/A	USD 1	Investment trading
Ever Alpha Fund L.P. (Note 2, 3)	Limited partnership	Cayman Islands 23 January 2018	21.32%	N/A	USD 70,350,000	Equity Investment
廣東新動能股權投資合夥企業(有限合夥) Guangdong Xindongneng Equity Investment Partnership L.P.*(Note 3)	有限合夥 Limited partnership	PRC 22 May 2018	100%	N/A	RMB 1,000,000,000	Equity Investment

* These subsidiaries do not have official English names. English names are translated for identification purposes only.

(1) These subsidiaries are directly held by the Company.

(2) The capital injections are still in the process.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. The major operation area of the principal subsidiaries is in the Mainland China.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued****General information of subsidiaries – continued**

Note 1: Ruiyuan Capital Asset Management Co., Ltd. (“Ruiyuan Capital”) is a non-wholly owned subsidiary of GF Fund Management Co., Ltd. (“GF Fund”). According to the Company Articles of Ruiyuan Capital, GF Fund has majority vote rights in the board of directors, thus the Group is able to exercise control over its operations. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 2: The Group holds certain financial interests in such limited partnership and acts as its general partner to exercise control over its operations according to the partnership agreement. The Group’s financial interests in the limited partnership exposed it to significant variable return and such partnership is regarded as consolidated structured entities of the Group. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 3: GF Holdings (Hong Kong) Corporation Limited controlled GF Canada Holdings Company Limited, a newly incorporated company during the new period, was thus consolidated in the consolidated financial statements.

GF Holdings (Hong Kong) Corporation Limited’s wholly owned subsidiary, GF Canada Holdings Company Limited, controlled GF Asset Management (Canada) Company Limited, a newly incorporated company during the new period, was thus consolidated in the consolidated financial statements.

GF Holdings (Hong Kong) Corporation Limited’s wholly owned subsidiary, Guangfa Xinde Capital Management Limited, controlled Ever Glory Limited, a newly incorporated company during the new period, was thus consolidated in the consolidated financial statements.

GF Holdings (Hong Kong) Corporation Limited’s wholly owned subsidiary, Ever Glory Limited, controlled Ever Alpha Fund L.P., during the new period, was thus consolidated in the condensed consolidated financial statements.

GF Securities Co., Ltd controlled Guangdong Xindongneng Equity Investment Partnership L.P., a newly incorporated partnership during the new period, thus consolidated in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary, GF Fund, which was acquired in 2014, and has material non-controlling interests before certain intragroup adjustments:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by		Profit allocated to		Accumulated	
		non-controlling interests		non-controlling interests		non-controlling interests	
		2018	2017	2018	2017	2018	2017
				RMB'000	RMB'000	RMB'000	RMB'000
GF Fund ⁽ⁱ⁾	PRC	48.87%	48.87%	252,988	453,128	2,832,507	2,635,205

(i) GF Fund was accounted for as an associate of the Group prior to its acquisition by the Group in 2014.

Summarised financial information in respect of GF Fund that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup adjustments.

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Total assets	7,851,085	7,599,549
Total liabilities	1,925,116	1,982,851
Equity attributable to owners of GF Fund	5,796,003	5,392,276
Non-controlling interests of subsidiaries of GF Fund	129,966	224,422

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*Details of a non-wholly owned subsidiary that has material non-controlling interests – *continued*

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Total revenue	<u>2,104,466</u>	<u>2,788,811</u>
Expenses	<u>1,676,027</u>	<u>1,736,109</u>
Profit for the year	<u>451,134</u>	<u>945,378</u>
Profit attributable to owners of GF Fund	517,675	927,211
Profit attributable to the non-controlling interests of subsidiaries of GF Fund	<u>(66,541)</u>	<u>18,167</u>
Profit for the year	<u>451,134</u>	<u>945,378</u>
Other comprehensive income attributable to owners of GF Fund	14,208	12,857
Other comprehensive income attributable to the non-controlling interests of subsidiaries of GF Fund	<u>—</u>	<u>122,424</u>
Other comprehensive income for the year	<u>14,208</u>	<u>135,281</u>
Total comprehensive income attributable to owners of GF Fund	531,883	940,068
Total comprehensive income attributable to the non-controlling interests of subsidiaries of GF Fund	<u>(66,541)</u>	<u>140,591</u>
Total comprehensive income for the year	<u>465,342</u>	<u>1,080,659</u>
Dividends paid to non-controlling interests of GF Fund	<u>62,000</u>	<u>62,000</u>
Net cash inflow from operating activities	<u>3,627</u>	<u>58,563</u>
Net cash outflow from investing activities	<u>(38,599)</u>	<u>170,237</u>
Net cash outflow from financing activities	<u>(154,317)</u>	<u>(150,988)</u>
Effect of foreign exchange rate changes	3,644	(9,092)
Net cash inflow	<u>185,646</u>	<u>68,720</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

69. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Short-term financing payable	Bonds and notes payable	Long-term loans	Interest payable	Dividends payable	
Borrowings	Note 41	Note 42	Note 51	Note 52		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2018	7,349,536	25,101,447	72,672,721	4,525,492	1,700,449	—
Financing cash flows	(2,100,158)	(1,666,627)	(5,197,921)	830,053	(4,618,078)	(3,177,062)
Foreign exchange	244,486	—	—	96,719	(145)	—
Interest expenses	—	—	—	—	4,831,094	—
Other non-cash movement	10,651	614,920	1,222,254	20,382	(1,913,320)	(1,748)
Dividend declared	—	—	—	—	—	3,178,810
At 31 December 2018	<u>5,504,515</u>	<u>24,049,740</u>	<u>68,697,054</u>	<u>5,472,646</u>	<u>—</u>	<u>—</u>
	Short-term financing payable	Bonds and notes payable	Long-term loans	Interest payable	Dividends payable	
Borrowings	Note 41	Note 42	Note 51	Note 52		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	4,863,874	16,329,741	73,524,597	2,729,250	1,773,400	—
Financing cash flows	2,875,907	8,771,706	(752,185)	1,936,882	(4,313,082)	(2,742,948)
Foreign exchange	(390,245)	—	—	(140,640)	(435)	1,556
Interest expenses	—	—	—	—	4,147,728	—
Other non-cash movement	—	—	(99,691)	—	92,838	—
Dividend declared	—	—	—	—	—	2,741,392
At 31 December 2017	<u>7,349,536</u>	<u>25,101,447</u>	<u>72,672,721</u>	<u>4,525,492</u>	<u>1,700,449</u>	<u>—</u>

The interest payable disclosed here is solely in relation to the financing activities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current assets		
Property and equipment	2,154,293	1,858,850
Prepaid lease payments	288,831	298,459
Investment properties	20,067	21,803
Other intangible assets	205,386	237,257
Investments in subsidiaries	15,543,143	14,553,143
Investments in associates	1,198,948	1,198,948
Debt instruments at amortised cost	2,175,143	—
Equity instruments at fair value through other comprehensive income	10,745,728	—
Available-for-sale financial assets	—	14,061,703
Financial assets at fair value through profit or loss	2,249,407	—
Advances to customers	170,717	354,494
Financial assets held under resale agreements	5,423,722	8,846,105
Deferred tax assets	664,582	272,115
Total non-current assets	<u>40,839,967</u>	<u>41,702,877</u>
Current assets		
Prepaid lease payments	9,628	9,628
Debt instruments at amortised cost	4,039,656	—
Debt instruments at fair value through other comprehensive income	75,482,482	—
Advances to customers	41,868,908	57,150,890
Accounts receivable	619,281	677,944
Contract assets	28,684	—
Other accounts receivables, other receivables and prepayments	174,223	2,515,281
Amounts due from subsidiaries	2,525,236	2,611,097
Amounts due from associates	6,688	8,659
Available-for-sale financial assets	—	62,033,055
Financial assets held under resale agreements	29,567,600	24,534,997
Financial assets at fair value through profit or loss	50,782,097	37,748,241
Derivative financial assets	31,724	240,715
Deposits with exchanges and non-bank financial institutions	875,249	524,746
Clearing settlement funds	14,786,158	15,834,679
Bank balances	48,534,797	45,586,357
Total current assets	<u>269,332,411</u>	<u>249,476,289</u>
Total assets	<u><u>310,172,378</u></u>	<u><u>291,179,166</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*Statement of financial position – *continued*

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Current liabilities		
Short-term financing payables	24,049,740	25,101,447
Financial liabilities at fair value through profit or loss	—	1,659,502
Due to banks and other financial institutions	11,554,256	1,300,000
Accounts payable to brokerage clients	43,143,438	53,202,271
Accounts payable to underwriting clients	—	54,000
Accrued staff costs	1,786,055	2,781,424
Other accounts payable, other payables and accruals	3,190,173	4,207,655
Contract liabilities	32,054	—
Amounts due to subsidiaries	34,698	9,093
Provisions	33,360	33,360
Current tax liabilities	316,698	345,180
Derivative financial liabilities	191,304	291,812
Financial assets sold under repurchase agreements	81,311,807	52,620,370
Bonds payable	24,374,247	10,524,843
Total current liabilities	<u>190,017,830</u>	<u>152,130,957</u>
Net current assets	<u>79,314,581</u>	<u>97,345,332</u>
Total assets less current liabilities	<u>120,154,548</u>	<u>139,048,209</u>
Non-current liabilities		
Bonds payable	44,322,807	62,147,878
Accrued staff costs	1,715,305	2,448,698
Total non-current liabilities	<u>46,038,112</u>	<u>64,596,576</u>
Net assets	<u>74,116,436</u>	<u>74,451,633</u>
Capital and reserves		
Share capital	7,621,088	7,621,088
Capital reserve	31,679,184	31,679,184
Investment revaluation reserve	640,256	1,456,935
General reserves	17,456,429	16,282,602
Retained profits	16,719,479	17,411,824
Total equity	<u>74,116,436</u>	<u>74,451,633</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Movement in the Company's reserves

Capital reserve

As at 31 December 2018

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Capital premium	31,679,003	—	31,679,003
Others	181	—	181
	<u>31,679,184</u>	<u>—</u>	<u>31,679,184</u>

As at 31 December 2017

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Capital premium	31,679,003	—	31,679,003
Others	137	44	181
	<u>31,679,140</u>	<u>44</u>	<u>31,679,184</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

Movement in the Company's reserves – continued

Capital reserve – continued

As at 31 December 2017

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Investment revaluation reserve		
At the end of last year	1,456,935	576,933
Impact of IFRS 9	41,517	—
	<u>1,498,452</u>	<u>576,933</u>
At beginning of the year	1,498,452	576,933
Equity instruments at fair value through other comprehensive income		
Revaluation losses on equity instruments at fair value through other comprehensive income	(1,718,728)	—
Income tax impact	429,682	—
Debt instruments at fair value through other comprehensive income		
Net fair value changes during the year	654,136	—
Reclassification adjustment to profit or loss on disposal	(188,304)	—
Changes in allowance for expected credit losses	108,634	—
Income tax impact	(143,616)	—
Available-for-sale financial assets		
Net fair value changes during the year	—	2,075,630
Reclassification adjustment to profit or loss on disposal	—	(901,544)
Reclassification adjustment to profit or loss on impairment	—	(747)
Income tax impact	—	(293,337)
	<u>640,256</u>	<u>1,456,935</u>
At end of the year	<u>640,256</u>	<u>1,456,935</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*Movement in the Company's reserves – *continued*

General reserve

As at 31 December 2018

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	5,175,839	391,223	5,567,062
Discretionary reserve	169,428	—	169,428
Reserve for general risk	5,568,970	391,381	5,960,351
Transaction risk reserve	5,368,365	391,223	5,759,588
	<u>16,282,602</u>	<u>1,173,827</u>	<u>17,456,429</u>

As at 31 December 2017

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	4,569,280	606,559	5,175,839
Discretionary reserve	169,428	—	169,428
Reserve for general risk	4,962,188	606,782	5,568,970
Transaction risk reserve	4,761,806	606,559	5,368,365
	<u>14,462,702</u>	<u>1,819,900</u>	<u>16,282,602</u>

Retained profits

	As at 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
At the end of last year	17,411,824	15,977,006
Impact of IFRS 9	(120,177)	—
At beginning of the year	17,291,647	15,977,006
Profit for the year	3,650,094	5,922,099
Appropriation to general reserves	(1,173,827)	(1,819,900)
Dividends recognised as distribution	(3,048,435)	(2,667,381)
At end of the year	<u>16,719,479</u>	<u>17,411,824</u>

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***71. OUTSTANDING LITIGATIONS**

As at 31 December 2018 and 31 December 2017, the Group was involved as a defendant in certain lawsuits with claim amounts of approximately RMB32.01 million and RMB23.20 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 judgement will not have a significant impact on the Group's financial position or operations.

72. CONTINGENT LIABILITIES

A controlled investment fund of the Group named GTEC Pandion Multi-Strategy Fund SP (the "Fund"), which mainly invests in FX derivatives, is established in accordance with the laws of Cayman Islands in 2016. GF Investments (Hong Kong) Company Limited invested in 99.90% shareholding of GTEC Pandion Multi-Strategy Fund SP (the "Fund") and the Fund is managed by and advised by the Group's wholly owned subsidiaries (the "Group's Subsidiaries"). During the year ended 31 December 2018, the Fund incurred an investment loss as a result of market volatility and lack of liquidity in the FX markets.

As at 31 December 2018, the Fund had received a margin call amounting to USD129 million (including an amount of USD30 million initial margin) by the prime broker.

According to the legal advice provided by Campbells (Cayman Islands' legal counsel), the liability of each member of the Fund is limited to the amount from time to time unpaid, if any, on such member's shares related to the Fund.

In connection with the above, potential litigation may arise against the Group's Subsidiaries. The Group assessed that the possible outcome is uncertain and the financial impact cannot be reliably measured. No provision was made as at 31 December 2018.

Notes to the Consolidated Financial Statements*For the year ended 31 December 2018***73. EVENTS AFTER THE END OF THE REPORTING PERIOD**

- (1) As at 21 January 2019, the Company has completed the issuance of a 3-year Subordinated bonds 19GFC1 (Security Code: 118993), amounting to RMB4.00 billion, with an annual interest rate of 4.15%.
- (2) The Company and GF Qianhe Investment Co., Ltd., a wholly-owned subsidiary of the Company, will acquire 9.458% equity interest in GF Fund Management Co., Ltd. from Kangmei Pharmaceutical Co., Ltd (“first transaction”) and 22% equity interest in GF Internet Microfinance from Puning Xinhong Industrial Investment Co., Ltd. (“second transaction”) for considerations of no more than RMB1.50 billion. The first transaction is subject to the approval of China Securities Regulatory Commission. The second transaction is subject to the approval of relevant authorities. For detailed information, please refer to the announcement of the Company, Announcement on Connected Transactions with Kangmei Pharmaceutical Co., Ltd and Puning Xinhong Industrial Investment Co., Ltd. (《關於公司與康美藥業股份有限公司和普寧市信宏實業投資有限公司關連交易的公告》) and Announcement on Connected Transactions: I. Acquisition of 9.458% Equity Interest In GF Fund From Kangmei Pharmaceutical II. Acquisition of 22% Shares In GF Internet Microfinance From Puning Xinhong (《關連交易公告:I.從康美藥業收購廣發基金9.458%股權II.從普寧信宏收購廣發互聯小貸22%股份》).
- (3) As at 1 February 2019, the Company has completed the issuance of a 3-year corporate bond 19GF01 (Security Code: 114436), amounting to RMB3.00 billion, with an annual interest rate of 3.90%.
- (4) As at 21 February 2019, the Company has completed the issuance of a 3-year corporate bond 19GF02 (Security Code: 114437), amounting to RMB4.00 billion, with an annual interest rate of 4.00%.
- (5) As at 1 March 2019, the Company has completed the issuance of a 3-year corporate bond 19GF03 (Security Code: 112857), amounting to RMB7.80 billion, with an annual interest rate of 3.70%.
- (6) As at 15 March 2019, the Company has completed the issuance of a 3-year corporate bond 19GF05 (Security Code: 114445), amounting to RMB3.20 billion, with an annual interest rate of 4.00%.

74. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on 26 March 2019.