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GF SECURITIES CO., LTD.

廣發証券股份有限公司

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

(Stock Code: 1776)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2019**

The board of directors of GF Securities Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2019. This announcement, containing the full text of the 2019 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. The printed version of the Company’s 2019 interim report will be dispatched to the holders of H Shares of the Company 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 the end of September 2019.

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

Guangzhou, the PRC
August 29, 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 interim report and there is no misrepresentation, misleading statement or material omission from this interim report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of 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 interim report.

Save for the following Directors, other Directors attended the board meeting in person in respect of considering and approving this interim report:

Name of the Director who did not attend in person	Position of the Director who did not attend in person	Reason for failing to attend the meeting in person	Name of proxy
Chan Kalok	Independent non-executive director	Business reason	Yang Xiong

The 2019 interim financial report of the Company prepared in accordance with the International Accounting Standards has been reviewed by Ernst & Young. Unless otherwise stated, the financial data stated in this report is denominated in RMB.

According to the interim profit distribution proposal of the Company passed in this Board meeting, all shareholders will be distributed a cash bonus of RMB2.0 (tax inclusive) for every 10 shares based on the number of shares held as at the record date with no conversion of capital reserves into share capital.

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

The Company has prepared this interim report in both Chinese and English languages. In case any discrepancy arises in the interpretation between the Chinese and the English versions of this interim 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 4 of this report carefully and to pay particular attention to the above risk factors.

Contents

2	Definitions
5	Section 1 Company Profile
7	Section 2 Accounting Data and Financial Indicators Summary
10	Section 3 Summary of the Company's Business
14	Section 4 Discussion and Analysis of Operations
50	Section 5 Significant Events
80	Section 6 Changes in Shareholdings and Particulars about Shareholders
87	Section 7 Preference Shares
88	Section 8 Particulars about Directors, Supervisors and Senior Management
90	Section 9 Corporate Bonds
103	Section 10 Financial Report
204	Section 11 Documents Available for Inspection

Definitions

Term	Definition
Reporting Period	first half of 2019 (January 1, 2019 to June 30, 2019)
the Company, Company, parent company, GF Securities	GF Securities Co., Ltd.
the Group, Group	the Company and its subsidiaries which fall within the scope of the consolidated financial statements
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 Brokerage (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券(香港)經紀有限公司)
GF Asset Management (Hong Kong)	GF Asset Management (Hong Kong) Limited (廣發資產管理(香港)有限公司)
GF 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)

Term	Definition
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
GF Finance Lease	GF Finance Lease (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 Internet Microfinance	Guangdong GF Internet Microfinance Limited (廣東廣發互聯小額貸款股份有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
China, PRC, domestic	Mainland China
CSRC	the China Securities Regulatory Commission
Guangdong Bureau of CSRC	Guangdong Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	the Rules Governing the Listing of 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
Hong Kong SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers

Definitions

Term	Definition
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
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)
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 Funds, 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
A Share(s)	domestic shares of RMB1.00 per share of the Company, listed on the SZSE and traded in RMB
H Share(s)	foreign shares of RMB1.00 per share of the Company, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollar
WIND	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In this 2019 interim report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.

Section 1 Company Profile

I. COMPANY PROFILE

Stock Name	廣發證券	Stock Code	000776 (SZSE); 1776 (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		

II. CONTACT PERSONS AND CONTACT INFORMATION

Secretary to the Board and Securities Affairs Representative

Name	Xu Youjun
Address	59th Floor, GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong
Tel	020-87550265/87550565
Fax	020-87554163
E-mail	xuyj@gf.com.cn

III. OTHER INFORMATION

1. Company Contact Channels

Business address of the Company	GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong
Postal code of business address of the Company	510627
Date of enquiry through the designated website as disclosed in an interim announcement	March 7, 2019
Index for enquiry through the designated website as disclosed in an interim announcement	For details, please refer to the Announcement on Change in Business Address of GF Securities Co., Ltd. disclosed by the Company on the website of CNINFO (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

There was no change in the registered address of the Company and its postal code, the Company website and E-mail during the Reporting Period. Please refer to the 2018 Annual Report for details.

Section 1 Company Profile

2. Information Disclosure and Place of Inspection

Place where the interim reports of the Company are available for inspection	59th Floor, GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong
Date of enquiry through the designated website as disclosed in an interim announcement	March 7, 2019
Index for enquiry through the designated website as disclosed in an interim announcement	For details, please refer to the Announcement on Change in Business Address of GF Securities Co., Ltd. disclosed by the Company on the website of CNINFO (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

There was no change in the name of newspapers designated by the Company for information disclosure, the websites designated by the CSRC and the Hong Kong Stock Exchange for publication of interim reports during the Reporting Period. Please refer to the 2018 Annual Report for details.

3. Other Relevant Information

Class Rating from Regulatory Authorities:

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

The Company was rated as Class A Grade AA Securities Company in 2017;

The Company was rated as Class A Grade AA Securities Company in 2018;

The Company was rated as Class B Grade BBB Securities Company in 2019.

Section 2 Accounting Data and Financial Indicators Summary

I. KEY ACCOUNTING DATA (CONSOLIDATED STATEMENTS)

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

Unit: RMB million

Item	January to June 2019	January to June 2018	Change
Total revenue and other income	15,655	11,420	37.08%
Profit before income tax	5,648	3,737	51.15%
Net profit attributable to owners of the Company	4,140	2,858	44.84%
Net cash (used in)/from operating activities	(5,743)	26,258	–
Basic earnings per share (RMB/share)	0.54	0.38	42.11%
Return on weighted average net assets (%)	4.73	3.33	Increased by 1.40 percentage points

Item	June 30, 2019	December 31, 2018	Change
Total assets	399,407	389,106	2.65%
Total liabilities	306,054	300,477	1.86%
Equity attributable to owners of the Company	89,912	85,018	5.76%
Total share capital (shares in million)	7,621	7,621	–
Equity per share attributable to owners of the Company (RMB/share)	11.80	11.16	5.73%
Gearing ratio (%) (Note 1)	70.58	73.20	Decreased by 2.62 percentage points

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 from January to June 2019 and January to June 2018 and the net assets as at June 30, 2019 and December 31, 2018 as disclosed in the consolidated financial statements of the Company prepared in accordance with the International Accounting Standards are consistent with those in accordance with China's Accounting Standards.

Section 2 Accounting Data and Financial Indicators Summary

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

Unit: RMB

Item	June 30, 2019	December 31, 2018	Change
Core net capital	56,153,362,124.13	53,592,866,172.70	4.78%
Supplementary net capital	7,770,000,000.00	4,970,000,000.00	56.34%
Net capital	63,923,362,124.13	58,562,866,172.70	9.15%
Net assets	79,335,001,027.41	75,861,369,149.18	4.58%
Total risk capital reserves	24,853,925,808.64	26,290,432,486.64	-5.46%
Total on- and off-balance sheet assets	287,708,036,417.86	279,822,177,425.17	2.82%
Risk coverage ratio	257.20%	222.75%	Increased by 34.45 percentage points
Capital leverage ratio	19.86%	19.51%	Increased by 0.35 percentage point
Liquidity coverage ratio	463.15%	404.53%	Increased by 58.62 percentage points
Net stable funding ratio	169.43%	139.77%	Increased by 29.66 percentage points
Net capital/net assets	80.57%	77.20%	Increased by 3.37 percentage points
Net capital/liabilities	31.92%	30.36%	Increased by 1.56 percentage points
Net assets/liabilities	39.61%	39.33%	Increased by 0.28 percentage point
Proprietary equity securities and its derivatives/net capital	25.11%	29.35%	Decreased by 4.24 percentage points
Proprietary non-equity securities and its derivatives/net capital	233.81%	240.67%	Decreased by 6.86 percentage points

Section 2 Accounting Data and Financial Indicators Summary

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. REVIEW OF THE AUDIT COMMITTEE

The Audit Committee under the Board has reviewed and confirmed the report on review of interim financial information of the Company for the six months ended June 30, 2019 disclosed in accordance with the International Accounting Standards, and has no objection against matters including the accounting policies and practices adopted by the Company.

Section 3 Summary of the Company's Business

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

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 the respective main operating indicator has ranked among forefront in 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	Asset management
Debt finance	Margin financing and securities lending	Fixed income sales and trading	Public fund management
Financial advisory	Repurchase transactions Financial leasing	OTC sales and trading Alternative investment Investment research Asset custody	Private fund management

Investment Banking: the Group earns its commissions, sponsor fees and consulting fees through underwriting stocks and bonds and providing sponsoring 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 margin financing and securities lending, repurchase transactions, financial leasing and cash management of settlement funds 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, alternative investment and market making services for equities, fixed income products 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 fees through providing services for asset 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 a high quality integrated financial services platform.

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

II. 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 20 years, Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all publicly listed companies) have been ranked the top three shareholders of the Company (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non-registered shareholders of H Shares). As of June 30, 2019, the shareholding percentages of Jilin Aodong and its parties acting in concert, Liaoning Cheng Da and its parties acting in concert and Zhongshan Public Utilities and its parties acting in concert were 17.45%, 16.42% 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 the 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 stable management team and a core business team with low turnover rate of talents. The management team members have an average of more than 25 years of managerial experience in securities and finance related sectors and have served an average term of more than 18 years. Over the past 3 years, the voluntary turnover rates of the middle and high-level management team and the employees are not exceeding 2% and 3% respectively, thus greatly boosting client confidence, the continuity and stability of the operation of various business lines.

3. Stable operation philosophy and continuously 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 also one of four major brokerages which have not received investment and restructuring due to operating losses among the first batch of brokers established from the end of the 80's to the early 90's. The Company upholds the philosophy of “stable operation”, firmly conforms to the compliance base line and continues 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 continuously complied with the regulatory indicators, and the safety margin of leverage regulatory indicators is relatively huge, with a strong ability to resist risks.

Section 3 Summary of the Company's Business

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 have top rankings 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 January - June 2019**

Items	January-June 2019/End of June	2018/ Year End	2017/ Year End	2016/ Year End
Total assets	4	4	5	5
Net assets	5	5	4	5
Net capital	6	6	4	4
Operating revenue	4	5	4	4
Net profit	5	6	5	4

Note 1: Source: WIND information, the Securities Association of China, 2019;

Note 2: The indicative data of net capital represents the data for parent company. The indicators of January to June 2019 are based on unaudited statistical data for parent company. The indicators of 2018, 2017 and 2016 are based on audited statistical data in the consolidated statements..

While seeking economic benefits and market position, the Company has both reputation and brand being enhanced persistently. From 2015 to 2018, the Company ranked forefront among securities firms in China in "Hurun Brand List" (胡潤品牌榜) for 4 consecutive years. The Company actively fulfilled the social responsibility, focusing on the two areas of helping the poor and providing student loans 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 top rankings in the industry for years in terms of main operating indicators. At present, the Company 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 the first half of 2019, the Group endeavored to build a quick trading system for the brokerage business by constructing a full chain quick passage from day trading to day-end clearing, built Touyitong (投易通) trading platform as a trading service port for professional investors to provide them with algorithm transaction support and smart information warning for their positions, continuously improved the self-developed block-chain based ABS credible cloud system for monitoring the status of basic assets in the CMBS commercial property special plan, thus eliminated the blind area of asset monitoring for asset managers, implemented the strategic idea of data center and intelligent center and made continuous effort to perfect the big data and artificial intelligence open platform (GF-SMART), developed the technical application of intelligent warning, intelligent recommendation, intelligent calling and knowledge map, constantly pushed on the cloud evolution of the Company's own basic infrastructure, integrated the idea of micro-service and DevOps at the platform level to form hybrid cloud-based infrastructure with GF Securities characteristics and laid a solid foundation for our business development. As of the end of the Reporting Period, the Company has in aggregate applied for 23 invention patents, 3 utility model patents and 8 software copyrights; among them, the Company has obtained 1 utility model patent and 8 software copyrights.

Section 4 Discussion and Analysis of Operations

I. OVERVIEW

Since 2019, with comprehensive reforms in the capital market, the pace to open up to the rest of the world has accelerated, and SSE has set up the SSE STAR Market and piloted the registration-based IPO system. Under the guidance of the Board of Directors, the operation management led all staff to work hard, “remaining true to our original aspiration and keep our mission firmly in mind” in giving full play to the advantages of the market-oriented mechanism, accelerating the transformation of traditional businesses and actively cultivating medium-to-high end customer base. During the Reporting Period, overall operating performance of the Company remained in the industry’s leading position.

II. ANALYSIS ON PRINCIPAL BUSINESS

(I) Overview

In the first half of 2019, with the Sino-US trade frictions continuing and the growth of world economy slowing down, foreign and domestic economic situations were still complicated and severe, and the economy was facing new downward pressure. In the first half of this year, domestic economy continued to be in a reasonable range, carrying on the overall stable and steadily progressing development trend. The GDP grew by 6.3% over the previous year (source: National Bureau of Statistics, 2019).

Based on the statistics published by the Securities Association of China (the unaudited financial statements), the total assets, net assets, net capital, customers’ transaction settlement fund amount (including margin trading fund) and the total principal sum of funds under management of 131 securities firms in the industry were RMB7.10 trillion, RMB1.96 trillion, RMB1.62 trillion, RMB1.37 trillion and RMB13.59 trillion as of June 30, 2019, representing an increase of 13.42%, an increase of 3.70%, an increase of 3.18%, an increase of 46.07% and a decrease of 3.69% as compared to the end of 2018, respectively. In the first half of 2019, 119 of 131 securities firms in the industry were profitable with operating revenue of RMB178.941 billion, representing a year-on-year increase of 41.37%. Specifically, net income from the securities trading agency service business (including seat leasing) was RMB44.400 billion, representing a year-on-year increase of 22.06%; net income from the securities underwriting and sponsorship business was RMB14.802 billion, representing a year-on-year increase of 26.66%; net income from the financial advisory services business was RMB4.962 billion, representing a year-on-year increase of 9.88%; net income from the investment advisory service business was RMB1.694 billion, representing a year-on-year increase of 16.51%; net income from the asset management business was RMB12.733 billion, representing a year-on-year decrease of 8.32%; income from the securities investment (including changes in fair value) business was RMB62.060 billion, representing a year-on-year increase of 110.02%; net interest income was RMB22.932 billion, representing a year-on-year increase of 103.08%; net profit for the period was RMB66.662 billion, representing a year-on-year increase of 102.86% (Source: the Securities Association of China, 2019).

As of June 30, 2019, total assets of the Group amounted to RMB399,407 million, representing an increase of 2.65% as compared to the end of 2018 and equity attributable to owners of the Company was RMB89,912 million, representing an increase of 5.76% as compared to the end of 2018. During the Reporting Period, total revenue and other income of the Group was RMB15,655 million, representing a year-on-year increase of 37.08%; the total expenses were RMB10,258 million, representing a year-on-year increase of 27.97%; the net profit attributable to owners of the Company was RMB4,140 million, representing a year-on-year increase of 44.84%

(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.

1. *Investment banking business segment*

The Group's investment banking segment mainly comprises of equity financing business, debt financing business and financial advisory services.

(1) Equity financing business

The total number of equity financing projects (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance included assets acquired by issuing shares)) in A-share market in the first half of 2019 and the total amount were 257 and RMB554.413 billion respectively, representing a year-on-year decrease of 11.99% and a decrease of 15.73% respectively. Specifically, the number and financing size of IPOs in the first half of 2019 were 66 and RMB60.330 billion, respectively, representing an increase of 4.76% in the number and a decrease of 34.63% in the financing size, while the number and financing size of refinancing in the first half of 2019 were 191 and RMB494.084 billion, respectively, representing a decrease of 16.59% in number and a decrease of 12.65% in financing size (Source: Wind, 2019).

Section 4 Discussion and Analysis of Operations

In 2019, under the macro environment of comprehensive reform such as the launch of SSE STAR Market and the pilot registration-based IPO system for the issuance of shares, the Company deeply understood the State's capital market strategy, kept up with changes in policies and increased the long-term investment in the equity financing business to pursue continuous development. During the Reporting Period, the Company continued to take advantage of its strength in its balanced and versatile investment banking business to expand the coverage of leading enterprises in major industries, and also formed a dedicated group at the Group level for the SSE STAR Market business to coordinate and actively expand the reserve of technology innovative enterprises that meet the requirement of the SSE STAR Market. In the meantime, the Company continued to enhance comprehensive risk management to implement risk control and drive the continuous sound development of the investment banking business. During the Reporting Period, the Company completed 14 equity financing projects for which the Company acted as a lead underwriter, ranking 3rd in the industry; the equity financing lead underwritten amount was RMB12.234 billion, ranking 6th in the industry. Among these projects, the Company acted as a lead underwriter for 3 IPOs, ranking 5th in the industry and the lead underwritten amount was RMB1.043 billion (Source: WIND, statistics of the Company, 2019).

Details of the Company's equity underwriting and sponsoring business in the first half of 2019 are shown in the table below:

Items	January to June 2019		January to June 2018	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial Public Offerings (IPOs)	10.43	3	20.98	4
Refinancing offerings	111.91	11	31.50	5
Total	122.34	14	52.48	9

Source: Statistics of the Company, 2019.

(2) Debt financing business

In the first half of 2019, with the currency policy continuing to ease and the base rate in the market being low, there was an overall recovery in the credit bond market with the size issued recording a year-on-year increase. In the first half of the 2019, the offering size of corporate bonds throughout the market was RMB1,050.557 billion, representing a year-on-year increase of 78.16%; the offering size of enterprise bonds was RMB158.469 billion, representing a year-on-year increase of 76.82% (Source: WIND, 2019).

During the Reporting Period, the Company continued to make firm progress in its strategic transformation, focus its strength on developing premium customers, and gradually optimize the structure of its clients and business. The Company continued to enhance comprehensive risk management, strengthen risk control efforts, and promote the sustainable and steady development of debt financing business. During the Reporting Period, the Company acted as the lead underwriter for 78 tranches of bond offerings, with a total lead underwritten amount of RMB78.429 billion, representing a year-on-year increase of 178.29%.

Details of bond deals underwritten by the Company in the first half of 2019 are shown in the table below:

Items	January to June 2019		January to June 2018	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	118.29	13	14.00	2
Corporate bonds	193.90	35	197.62	36
Debt financing instruments of non-financial enterprises	80.60	16	58.90	18
Financial bonds	391.50	14	11.30	6
Exchangeable bonds	0.00	0	0.00	0
Total	784.29	78	281.82	62

Source: Statistics of the Company, 2019.

Section 4 Discussion and Analysis of Operations

(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 Company acted as a financial advisor for 1 material asset restructuring project (including the projects approved by the CSRC M&A and Restructuring Committee and non-administrative material asset restructuring projects), and the transaction amount completed was RMB417 million (Source: Statistics of the Company, 2019). The Company's M&A and restructuring financial advisory services were graded as "A" by the Securities Association of China for 4 consecutive years.

In the first half of 2019, due to factors such as the lack of liquidity in the market and the launch of SSE STAR Market, the number of enterprises listed on the NEEQ continued to decrease. As of the end of June 2019, the number of enterprises listed on the NEEQ was 9,921, representing a decrease of 770 compared to the beginning of 2019. 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 June 2019, the Company sponsored a total of 100 companies listed on the NEEQ as the lead brokerage, of which there were 17 innovative enterprises, ranking 13th in the industry (Source: NEEQ, Wind, 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 8 deals in lead underwriting (including for IPO, refinancing and bond offering), financial advisory and mergers and acquisitions.

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 and financial leasing business.

(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.

As at the end of June 2019, the SSE Composite Index increased by 19.45%, the SZSE Component Index increased by 26.78%, and the ChiNext Index increased by 20.87%, respectively, as compared to the end of previous year. The turnover of A Share stock funds on the market was RMB73.74 trillion, representing a year-on-year increase of 28.46% (Source: WIND, 2019). Under the circumstances of stricter regulatory requirements in the industry and continuous decrease in commission rate, securities firms faced increasing competition in respect of customer acquisition, customer suitability, product structure, service model and attracting outstanding talents. During the Reporting Period, taking wealth management, institutional brokerage, technological finance and integration as the four driving forces and taking the compliance risk control and system reform as its forceful support, the Company continued to establish a customer demand-driven wealth management product system, built a customer service system of private banks, optimized the network, seized the opportunity of innovative businesses such as the SSE STAR Market, and continuously promoted business development and transformation, leading to continuous optimization of the revenue structure and main indicators have stable top rankings in the industry.

In the first half of 2019, 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 25.33 million, representing an increase of approximately 15% as compared to the end of last year; the number of subscribers of the Company's WeChat account was over 3 million; during the Reporting Period, the sales and transfer amount of products of the Yitaojin (易淘金) E-commerce platform amounted to RMB203.4 billion.

During January to June 2019, the Company's trading volume of shares and fund products was RMB6.16 trillion (bilateral statistics), representing a year-on-year increase of 25.97%.

Section 4 Discussion and Analysis of Operations

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

Type of securities	Trading volume from		Trading volume from	
	January to June 2019 (RMB100 million)	Market share from January to June 2019 (%)	January to June 2018 (RMB100 million)	Market share from January to June 2018 (%)
Stocks	59,062.13	4.25	46,646.73	4.45
Funds	2,577.56	3.04	2,233.68	2.24
Bonds	102,403.47	4.31	120,307.51	5.14
Total	<u>164,043.16</u>	<u>4.26</u>	<u>169,187.92</u>	<u>4.85</u>

Note 1: The data is from the statistics of the Company, SSE and SZSE, 2019;

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 such kind of securities of SSE and SZSE in the same period.

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 markets 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.

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 Brokerage (Hong Kong), covering financial products such as stocks and bonds listed on the Hong Kong Stock Exchange and other foreign exchanges, using self-developed Yitaojin (易淘金) international version of trading system to focus on expansion of overseas wealth management business.

(2) Margin financing and securities lending business

In 2019, the balance of margin financing and securities lending business slid down after an upsurge. As at the end of June 2019, the balance of margin financing and securities lending in SSE and SZSE was RMB910.817 billion, representing an increase of 20.53% as compared to the end of 2018 (Source: WIND, 2019).

As at the end of June 2019, the closing balance of the Company's margin financing and securities lending business was RMB44.684 billion, representing an increase of 12.05% as compared to the end of 2018; and the market share was 4.91%.

(3) Repurchase transaction business

Since 2019, the stock pledged business of the Company has been on a steady continuous decrease under the constant strengthening of risk control access of stock pledged business and improved deal structure. As at the end of June 2019, the balance of the exchange traded stock pledged repo transaction business carried out by the Company through its owned funds was RMB15.102 billion, representing a decrease of 32.31% as compared to the end of 2018.

(4) Financial Leasing

To enhance the stickiness of the Group's customers and enhance the comprehensive financial services capability, the Company conducted financial leasing business through GF Finance Lease, a subsidiary. As of the end of June 2019, the net financial leasing receivables and the net receivables from sale and leaseback of GF Finance Lease amounted to RMB4,358 million.

Section 4 Discussion and Analysis of Operations

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.

(1) Equity and derivatives trading business

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

A Share market fluctuated significantly in 2019. Specifically, various major indexes soared by over 30% from the beginning of the year to April, and fell by over 10% later from April to June. As of June 30, the SSE Composite Index, SZSE Component Index, SSESME Composite Index and the ChiNext Index increased by 19.45%, 26.78%, 20.75% and 20.87%, respectively. The Company adheres to the idea of value investment and focuses on blue chip stocks investments, which contributes to the yield rate exceeding that of index. The Company obtained the approval of business qualification of lead market-maker for listed funds from SSE for the first time in March 2019.

(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 institutional 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 for products, such as government bonds, policy-based financial bonds, medium term notes, short-term financing bonds, enterprise bonds, company bonds, government bond futures, interest rate swaps and standard bond forward. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the interest rate risk arising from trading transactions and market-making business. In addition, the Company carried out the overseas FICC business mainly through GF Global Capital, an indirectly wholly owned subsidiary. In the first half of 2019, the Company ranked 12th among securities firms in the trading volume of bonds in China (Source: www.chinabond.com.cn, 2019).

During the Reporting Period, the Company has better controlled the duration, leverage and investment scale of the bond portfolio, seized the staged market opportunities, and achieved better investment performance.

(3) OTC sales and trading business

OTC sales and trading business of the Company includes OTC product management business, OTC derivatives business and NEEQ market-making business. OTC product management business supports the OTC issuance and transfer of financial products and structured notes sold by the Company as agency; OTC derivatives business serves the various risk management requirements of key institutional customers; NEEQ market-making business is to provide bilateral quotation service for enterprises listed on NEEQ.

As at the end of June 2019, the Company has issued 12,623 OTC products in aggregate with an aggregate amount of approximately RMB694.621 billion. The market value of the products as at the end of the Reporting Period was approximately RMB65.156 billion. Specifically, the Company issued 2,287 new OTC products with an aggregate amount of approximately RMB70.621 billion in the first half of 2019 (source: statistics of the Company, 2019).

As of the end of June 2019, the Company provided market-making services for 121 NEEQ enterprises.

Section 4 Discussion and Analysis of Operations

(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 an aggregate of 12 equity investment projects with an amount of RMB616 million. As of the end of June 2019, GF Qianhe and its subsidiaries have completed 111 equity investment projects, 5 of which have been listed by way of IPO listing and 14 of which were completed through various 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. Specifically, 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 nearly 700 listed companies in the PRC in 28 industries, and over 110 companies listed on the Hong Kong Stock Exchange. The outstanding research ability of the Company enjoys a high reputation in the industry. Currently, the Company is actively promoting the internationalization of research brand so far as permitted by and in compliance with laws and regulations.

(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 June 2019, the total asset scale of asset custody and fund service business provided by the Company was RMB209.463 billion, representing an increase of 12.21% as compared to the end of 2018, of which the scale of trust products was RMB91.644 billion, and the scale of fund service products provided was RMB117.819 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.

(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 GF Asset Management, GF Futures and GF Asset Management (Hong Kong).

GF Asset Management manages the investments of client assets of various asset categories and 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 2019. As of June 30, 2019, the scale of collective asset management schemes, targeted asset management schemes and specific asset management schemes of GF Asset Management decreased by 12.25%, decreased by 9.69% and increased by 33.01% respectively as compared with December 31, 2018, and the aggregate scale recorded a year-on-year decrease of 8.27%.

Section 4 Discussion and Analysis of Operations

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

Asset management scale and income in the first half of 2019

	Net asset management scale (RMB100 million)		Asset management fee income (RMB100 million)	
	June 30, 2019	December 31, 2018	January to June 2019	January to June 2018
Collective asset management business	1,585.95	1,807.25	6.70	5.18
Targeted asset management business	1,599.76	1,771.48	0.79	1.10
Specific asset management business	313.07	235.38	0.03	0.04
Total	3,498.78	3,814.11	7.52	6.32

Source: *Statistics of the Company, 2019; the sum of the sub-items may be deviated from the aggregated data, which is caused by rounding.*

The Group carries out futures asset management business mainly through GF Futures. 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 financial institutions with PRC background in Hong Kong granted with RQFII qualification. GF Asset Management (Hong Kong) conducts asset management and investment operation through public equity funds, private equity funds and entrusted management accounts.

(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 June 2019, the Company held 51.135% equity interest 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 domestic capital market in the form of RQFII through its wholly-owned subsidiary GF International Investment Management Limited. As at the end of June 2019, the publicly offered funds managed by GF Fund have reached RMB445,230 million, representing a decrease of 4.96% as compared to the end of 2018, and the total fund size excluding money market funds and short-term wealth management bond funds was RMB195,519 million, ranking 8th in the industry (Source: China Galaxy Securities Fund Research Center, 2019).

As at the end of June 2019, the Company held 25% equity interest in E Fund, being 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 June 2019, the size of publicly offered funds managed by E Fund was RMB677,131 million, representing an increase of 3.53% as compared to the end of 2018, and the total fund size excluding money market funds and short-term wealth management bond funds was RMB322,227 million, ranking 1st in the industry (Source: China Galaxy Securities Fund Research Center, 2019).

Section 4 Discussion and Analysis of Operations

(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 various equity investment deals, with the investment amount of billions; as at the end of June 2019, GF Xinde and the funds under its management completed about 250 equity investment projects, of which over 20 projects were listed through IPO. GF Xinde exited over 60 projects through other means such as mergers and acquisitions of listed companies. As at the end of June 2019, GF Xinde set up and managed over 30 private funds. The total size of customers' funds under management amounted to approximately RMB10 billion.

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 investments mainly in the fields of new energy, TMT and life sciences. Some investment projects have been withdrawn through mergers and acquisitions or listed on the stock exchanges such as Hong Kong and the United States.

III. ANALYSIS ON FINANCIAL STATEMENTS

1. Analysis on Consolidated Statement of Profit or Loss

Revenue composition

Unit: RMB' 000

Item	January to June 2019	January to June 2018	Amount of increase/ decrease	Percentage of increase/ decrease
Commission and fee income	5,096,123	4,614,265	481,858	10.44%
Interest income	5,481,575	6,093,721	-612,146	-10.05%
Net investment gains	4,191,487	397,299	3,794,188	955.00%
Other income and gains or losses	885,925	315,177	570,748	181.09%
Total revenue and other income	<u>15,655,110</u>	<u>11,420,462</u>	<u>4,234,648</u>	<u>37.08%</u>

During the period from January to June 2019, due to market volatility, total revenue and other income of the Group was RMB15,655 million, representing an increase of 37.08% as compared with RMB11,420 million for the corresponding period of 2018.

The increase in the total revenue and other income was mainly reflected by the net investment gains of RMB4,191 million in the period from January to June 2019, an increase of RMB3,794 million or 955.00% as compared with the corresponding period of 2018, mainly representing the increase in unrealised fair value changes of financial assets at fair value through profit or loss, as well as the increase in net realised gains from disposal of financial instruments. Commission and fee income and other income and gains or losses increased by RMB482 million and RMB571 million, respectively, as compared with the corresponding period of 2018, partially offset by a decrease of RMB612 million in interest income as compared with the corresponding period of 2018.

Section 4 Discussion and Analysis of Operations

Expenses composition

Unit: RMB'000

Item	January to June 2019	January to June 2018	Amount of increase/ decrease	Percentage of increase/ decrease
Depreciation and amortization	310,572	169,961	140,611	82.73%
Staff costs	3,131,974	2,458,478	673,496	27.39%
Commission and fee expenses	152,185	158,318	-6,133	-3.87%
Interest expenses	3,801,143	3,972,144	-171,001	-4.31%
Other operating expenses	2,397,293	1,161,326	1,235,967	106.43%
Credit loss expense	464,435	95,500	368,935	386.32%
Impairment losses	178	25	153	612.00%
Total expenses	10,257,780	8,015,752	2,242,028	27.97%

For the period from January to June 2019, total expenses of the Group were RMB10,258 million, representing an increase of 27.97% from RMB8,016 million for the corresponding period in 2018. The change in the total expenses was mainly reflected in the increase in staff costs and the increase in other operating expenses. The increase in staff costs was mainly attributable to the increase in the provision on salaries, bonuses and allowances. The increase in other operating expenses was mainly attributable to the increase in trading business costs and provision expenses.

For the period from January to June 2019, the Group realized net profit attributable to owners of the Company of RMB4,140 million, representing a year-on-year increase of 44.84%; basic earnings per share were RMB0.54, representing a year-on-year increase of 42.11%; return on weighted average net assets was 4.73%, representing a year-on-year increase of 1.40 percentage points.

2. Analysis on Consolidated Statement of Financial Position

Unit: RMB' 000

	June 30, 2019	Composition	December 31, 2018	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Non-current assets	36,285,933	9.08%	38,752,871	9.96%	-2,466,938	-6.37%
Of which: Equity instruments at fair value through other comprehensive income	11,575,521	2.90%	10,794,010	2.77%	781,511	7.24%
Investments in associates	3,940,258	0.99%	4,078,063	1.05%	-137,805	-3.38%
Property and equipment	2,105,653	0.53%	2,429,813	0.62%	-324,160	-13.34%
Financial assets held under resale agreements	2,221,890	0.56%	6,555,966	1.68%	-4,334,076	-66.11%
Investments in joint ventures	2,336,333	0.58%	1,342,056	0.34%	994,277	74.09%
Financial assets at fair value through profit or loss	7,033,391	1.76%	6,436,608	1.65%	596,783	9.27%
Financial leasing receivables	2,077,691	0.52%	2,900,616	0.75%	-822,925	-28.37%
Debt instruments at amortized cost	1,750,880	0.44%	2,386,518	0.61%	-635,638	-26.63%
Current assets	363,120,767	90.92%	350,353,075	90.04%	12,767,692	3.64%
Of which: Bank balances	87,124,051	21.81%	60,436,038	15.53%	26,688,013	44.16%
Advances to customers	48,750,626	12.21%	45,184,589	11.61%	3,566,037	7.89%
Financial assets at fair value through profit or loss	80,078,101	20.05%	81,677,388	20.99%	-1,599,287	-1.96%
Debt instruments at fair value through other comprehensive income	88,389,126	22.13%	79,513,048	20.43%	8,876,078	11.16%
Clearing settlement funds	17,265,627	4.32%	17,899,887	4.60%	-634,260	-3.54%
Financial assets held under resale agreements	26,636,739	6.67%	30,257,103	7.78%	-3,620,364	-11.97%
Deposits with exchanges and non-bank financial institutions	7,179,493	1.80%	6,284,998	1.62%	894,495	14.23%
Derivative financial assets	42,192	0.01%	17,536,655	4.51%	-17,494,463	-99.76%
Debt instruments at amortized cost	2,458,015	0.62%	4,513,621	1.16%	-2,055,606	-45.54%
Total assets	399,406,700	100.00%	389,105,946	100.00%	10,300,754	2.65%
Current liabilities	229,780,487	75.08%	250,717,129	83.44%	-20,936,642	-8.35%
Of which: Accounts payable to brokerage clients	82,062,294	26.81%	58,445,148	19.45%	23,617,146	40.41%

Section 4 Discussion and Analysis of Operations

	June 30, 2019	Composition	December 31, 2018	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Financial assets sold under repurchase agreements	80,031,856	26.15%	85,993,800	28.62%	-5,961,944	-6.93%
Short-term financing payables	17,411,177	5.69%	24,049,740	8.00%	-6,638,563	-27.60%
Other liabilities	7,507,867	2.45%	8,639,515	2.88%	-1,131,648	-13.10%
Due to banks and other financial institutions	3,522,792	1.15%	11,667,619	3.88%	-8,144,827	-69.81%
Bonds payable	26,156,004	8.55%	24,374,247	8.11%	1,781,757	7.31%
Derivative financial liabilities	252,813	0.08%	19,879,028	6.62%	-19,626,215	-98.73%
Net current assets	133,340,280		99,635,946		33,704,334	33.83%
Non-current liabilities	76,273,425	24.92%	49,759,643	16.56%	26,513,782	53.28%
Of which: Bonds payable	69,436,749	22.69%	44,322,807	14.75%	25,113,942	56.66%
Long-term loans	2,768,734	0.90%	1,977,314	0.66%	791,420	40.03%
Total liabilities	306,053,912	100.00%	300,476,772	100.00%	5,577,140	1.86%
Total equity	93,352,788		88,629,174		4,723,614	5.33%

As of June 30, 2019, total assets of the Group were RMB399,407 million, representing an increase of RMB10,301 million or 2.65% over the end of 2018; the total liabilities were RMB306,054 million, representing an increase of RMB5,577 million or 1.86% over the end of 2018. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 26.13%, 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 46.84%, the proportion of advances to customers to total assets was 12.21%, and the proportion of financial assets held under resale agreements to total assets was 7.23%.

As of June 30, 2019, the non-current assets were RMB36,286 million, representing a decrease of 6.37% over the end of 2018, which was mainly attributable to the decrease in financial assets held under resale agreements; the current assets were RMB363,121 million, representing an increase of 3.64% over the end of 2018, which was mainly attributable to the increase in bank balances and debt instruments at fair value through other comprehensive income, partially offset by the decrease in derivative financial assets; current liabilities were RMB229,780 million, representing a decrease of 8.35% as compared with that at the end of 2018, which was mainly attributable to the decrease in derivative financial liabilities, short-term financing payables and financial assets sold under repurchase agreements, partially offset by the increase in accounts payable to brokerage clients; the non-current liabilities were RMB76,273 million, representing an increase of 53.28% as compared with that at the end of 2018, which was mainly attributable to the newly issued bonds.

The Group's equity attributable to owners of the Company as of June 30, 2019 were RMB89,912 million, representing an increase of RMB4,894 million or 5.76% over the end of 2018. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of June 30, 2019 was 70.58%, representing a decrease of 2.62 percentage points as compared with the gearing ratio of 73.20% at the end of 2018, while the Group's assets and liabilities structure remained relatively stable.

Borrowings and debt financing

As of June 30, 2019, total borrowings and bonds financing of the Group amounted to RMB120,487 million. The following table sets forth details of the Group's borrowings and bonds financing:

	Unit: RMB'000	
	June 30, 2019	December 31, 2018
Short-term borrowings	3,277,250	5,504,515
Short-term financing payables	17,411,177	24,049,740
Bonds payable	95,592,753	68,697,054
Long-term loans	4,205,669	5,472,646
Total	<u>120,486,849</u>	<u>103,723,955</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 34, 35, 42 and 43 to the financial report attached below.

Apart from borrowings and bonds financing instruments, the Company also raised funds through inter-bank lending, brokers lending as well as on-market and OTC repurchase. As at the end of the Reporting Period, the balance due to banks and other financial institutions amounted to RMB3,523 million, the financial assets sold under repurchase agreements amounted to RMB80,032 million.

The aforesaid debts totaled RMB204,041 million.

Save as disclosed in this report, as of June 30, 2019, 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.

Section 4 Discussion and Analysis of Operations

3. Analysis on the Consolidated Statement of Cash Flows

As of June 30, 2019, cash and cash equivalents of the Group amounted to RMB25,293 million, representing an increase of 25.39% as compared with RMB20,171 million for the corresponding period of 2018. Of it, the net cash used in operating activities from January to June 2019 was RMB5,743 million, as compared with the net cash from operating activities of RMB26,258 million for the same period of 2018. The change was mainly attributable to the increase in net cash outflow from due to banks and other financial institutions and financial assets sold under repurchase agreements; The net cash used in investing activities from January to June 2019 was RMB4,106 million, representing a decrease of 70.95% from RMB14,133 million for the same period in 2018. The change was mainly attributable to the decrease in net cash outflow from purchase of financial instruments at fair value through other comprehensive income; The net cash from financing activities from January to June 2019 was RMB13,853 million, as compared with the net cash used in financing activities of RMB3,695 million for the same period of 2018. The change was mainly attributable to the increase in net cash inflow from bond issuance.

4. Explanation of changes in the consolidation scope of financial statements

The changes in the Company's consolidation scope of financial statements during the Reporting Period are detailed in the notes to the condensed consolidated financial statements "50. Change of scope of consolidation".

5. Change in principal accounting policies and accounting estimates

The changes in the Company's major accounting policies and accounting estimates during the Reporting Period are detailed in the notes to the condensed consolidated financial statements "2. Basis of preparation and changes on accounting policies"; there were no significant accounting errors requiring rectification occurred in the Company.

6. Restricted asset rights as of the end of the Reporting Period

	June 30, 2019 RMB	December 31, 2018 RMB
Financial assets at fair value through profit or loss pledged for pledge-style repo business	9,030,617,065.90	11,277,062,838.88
Of which: Financial assets at fair value through profit or loss pledged for bond pledged quoted-repo business	235,934,057.26	284,616,681.41
Financial assets at fair value through other comprehensive income (FVTOCI) pledged for pledge-style repo business	61,016,341,596.19	49,689,392,801.12
Of which: Financial assets at fair value through other comprehensive income pledged for bond pledged quoted-repo business	31,709,992.68	18,719,615.38
Debt instruments at amortized cost pledged for pledge-style repo business	1,408,121,603.04	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	20,938,140.00	2,033,254,715.64
Financial assets at fair value through profit or loss transferred for buyout repo business	349,660,898.33	697,675,688.80
Financial assets at FVTOCI transferred for buyout repo business	854,004,298.28	1,632,686,673.43
Financial assets held under resale agreements transferred for buyout repo business	1,040,568,760.80	—
Financial assets at fair value through profit or loss transferred for margin financing and securities lending business	419,151,013.07	445,909,306.65
Financial assets at FVTOCI transferred for margin financing and securities lending business	321,244.00	142,857.00
Financial assets at FVTOCI pledged for refinancing business	694,546,508.04	611,489,085.48
Financial assets at fair value through profit or loss pledged for bond lending business	262,299,643.17	3,561,104,452.99
Financial assets at FVTOCI pledged for bond lending business	2,248,906,512.00	11,615,616,677.67
Debt instruments at amortized cost pledged for bond lending business	—	379,257,118.94
Financial assets held under resale agreements pledged for bond lending business	913,194,882.00	799,655,160.00
Rights and interests in financial leasing and sale and leaseback receivables restricted for bank borrowings	4,120,050,196.77	6,494,834,442.68
Rights and interests in financial leasing receivables pledged for OTC repurchase business	—	59,465,500.03
Financial assets held under resale agreements pledged for due to banks and other financial institutions business	116,478,461.71	10,885,142.02
Financial assets at fair value through profit or loss pledged for due to banks and other financial institutions business	28,752,336.55	39,858,942.15
Financial assets at FVTOCI pledged for due to banks and other financial institutions business	439,304,785.90	181,992,936.00
Total	82,963,257,945.75	93,237,161,273.92

Section 4 Discussion and Analysis of Operations

IV. ANALYSIS ON INVESTMENT CONDITIONS

1. General

Investment in the Reporting Period (RMB)	Investment of the same period of last year (RMB)	Change
500,000,000.00	—	—

Note: Investment in the Reporting Period is the investment made by the Company to GF Qianhe.

2. Material equity investments made during the Reporting Period

N/A

3. Material non-equity investments in progress during the Reporting Period

N/A

4. Financial asset investment

(1) Securities investment

Unit: RMB'0,000

Type of securities	Stock code	Short name	Investment cost	Accounting measurement mode	Book value at the beginning of the period	Profit or 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 or loss in the Reporting Period	Book value at the end of the period	Accounting subject	Source of capital
Financial products launched by securities companies	879998	GF Golden Duotianli Collective Asset Management Scheme	759,244.85	Measured according to fair value	845,069.78	-53.25	-	37,753,568.80	37,840,833.86	8,371.09	759,359.60	Held for trading	Self-owned
Fund	002183	GF Tiantianhong B	281,706.17	Same as above	221,533.61	-	-	92,324.82	32,500.00	3,641.56	281,718.19	Same as above	Same as above
Other	GFYFD0727	E Fund- BOCOM-GF Securities No.1 Asset Management Scheme	152,099.26	Same as above	251,679.56	1,748.36	-	-	97,900.74	9,633.13	155,527.19	Same as above	Same as above
Fund	000010	E Fund Tiantian B	144,721.68	Same as above	117,239.43	-	-	27,109.86	-	1,999.42	144,738.86	Same as above	Same as above
Fund	002758	CCB Fund Cash Return Monetary Fund	133,209.15	Same as above	101,365.38	-	-	31,879.60	-	1,874.50	133,239.88	Same as above	Same as above
Fund	003281	Guangfa Huoqibao B	132,148.19	Same as above	86,159.56	-	-	81,457.02	35,445.37	1,499.75	132,159.86	Same as above	Same as above
Fund	000662	Yinhua Live Money F	106,469.66	Same as above	120,023.78	-	-	-13,588.08	-	1,535.41	106,503.87	Same as above	Same as above
Fund	000539	BOC Huoqibao	105,148.01	Same as above	103,306.26	-	-	51,875.05	50,000.00	1,866.96	105,169.94	Same as above	Same as above
Fund	000693	CCB Fund Cash Return A	101,135.11	Same as above	20,045.31	-	-	81,096.97	-	1,111.83	101,157.13	Same as above	Same as above
Wealth management products launched by banks	0701CDQB20190628	ICBC super-short and unfixed term RMB wealth management products	100,000.00	Same as above	-	25.07	-	100,000.00	-	25.07	100,025.07	Same as above	Same as above
Other securities investments held at the end of the period			16,809,934.09	-	18,436,473.64	102,268.57	106,336.61	N/A	N/A	505,230.27	17,136,361.97	-	-
Total			18,825,816.17	-	20,302,896.31	103,988.75	106,336.61	N/A	N/A	536,788.99	19,155,961.56	-	-

Note: The Company's investment in the special account of China Securities Finance Corporation Limited is included in other securities investments.

(2) Derivative investment conditions

N/A

V. 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.

VI. 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.	RMB 1,400,000,000	15,816,778,511.43	2,248,165,261.33	111,957,873.40
GF Xinde	Subsidiary	Equity investment; providing financial advisory services on equity investment to clients and other businesses approved by CSRC.	RMB 2,800,000,000	6,985,399,707.53	5,230,570,889.31	195,961,055.03
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	15,154,252,441.24	4,742,664,634.00	-77,316,192.08
GF Qianhe	Subsidiary	Project investment; investment management.	RMB 3,603,500,000	5,077,832,636.25	4,774,141,395.22	214,202,195.15
GF Asset Management	Subsidiary	Securities asset management.	RMB 1,000,000,000	14,815,469,739.15	5,270,602,672.89	532,441,575.17
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); residual value disposal and maintenance 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 operation).	RMB 800,000,000	5,041,766,943.97	966,723,521.73	-24,660,859.13
GF Hexin	Subsidiary	Investment management, asset management, fund management, equity investment, investment consulting.	RMB 100,000,000	116,445,540.11	106,566,488.74	3,664,995.22
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB 126,880,000	8,344,118,144.91	6,431,016,257.41	594,905,442.72
E Fund	Participating stock company	Publicly offered securities investment fund management, fund sale, asset management for specific customers.	RMB 120,000,000	12,618,044,468.33	8,440,590,554.42	686,891,982.28

Section 4 Discussion and Analysis of Operations

Explanation on the status of principal subsidiaries and participating stock companies

Among the companies above, GF Asset Management recorded net profit of RMB532 million in the period from January to June 2019, representing an increase of 34.57% as compared to the corresponding period of last year, which was mainly due to the increase in management fee income of the collective asset management business.

VII. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

The consolidated structured entities of the Group are primarily those structured entities of which the Group acts as a manager or investment advisor and in which the Group invests. The variable returns enjoyed by the Group through participating in the relevant activities of these structured entities have significant impact and the Group is able to impose influence on the amount of variable returns by applying its power over these structured entities. As at June 30, 2019, there were a total of 17 (as at the beginning of the period: 19) products consolidated into the consolidated financial statements of the Group.

As at June 30, 2019, the net assets of the consolidated structured entities were RMB13,724,708,536.04 (as at the beginning of the period: RMB13,075,779,635.25). The book value of the Group's interests was RMB5,477,742,698.34 (as at the beginning of the period: RMB4,455,414,445.72). The book value of the interests held by various parties outside the Group was RMB8,246,965,837.70 (as at the beginning of the period: RMB8,620,365,189.53). With regards to the interests held by various parties outside the Group, the Group recognized them as payables or financial liabilities held for trading.

VIII. ESTIMATE OF THE OPERATING RESULTS FOR JANUARY TO SEPTEMBER 2019

N/A

IX. RISKS EXPOSED TO THE COMPANY 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 effects on the operation of security companies due to changes in national macro-control measures, laws and regulations, regulatory policies and trading on rules relating to the securities industry. On the one hand, the influence of the national macro-control measures on the securities market is larger, and the changes and adjustments strength in macro policies, interest rates and exchange rates are closely related to the tendency of the financial market, which directly affects the operation performance of securities companies; on the other hand, securities industry is a highly regulated industry and the regulatory policies issued by the regulatory authorities directly relate to the changes in the operation performance of the securities companies. In case the Company fails to timely adapt and thus violates the change in the policies and regulations in its daily operations, it may be subject to administrative penalties taken by the regulatory agencies such as regulatory measures, suspension or business qualification cancellation, leading to economic loss, reputation loss or even the Company facing the risk of being managed or closed down.

(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.

Section 4 Discussion and Analysis of Operations

(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 overseas businesses, including proprietary investment in equity security, proprietary investment in fixed-income security, market-making transactions and transactions of derivatives. During the Reporting Period, due to the common influence of factors such as the increased weight of A-share MSCI, the favorable domestic economic policies, and the expansion of Sino-US trade war friction, the A-share market fluctuated upwards; under the influence of multiple factors such as economic fundamentals, fiscal and monetary policies, domestic credit risk events as well as interest rate differentials between China and the US, the bond market fluctuated and consolidated in the first quarter, and fluctuated downwards in the second quarter due to the pessimistic economic expectations and accelerating trade frictions. In general, the domestic and overseas financial markets were facing increasing uncertainties in the external environment and the volatility of global financial market increased, leading to the further increase of market risk difficulty that has to be born by the management of the Company 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. Operational risk management involves various business lines and management lines of the Company and is an important part of the Company's comprehensive risk management system. Operational risk events include both general error events with high frequency of occurrence but relatively low losses, and major risk events with low frequency of occurrence but possibly large losses. With the expansion of business, the diversification of product categories as well as further application of financial technology, the Company shall identify operational risk hazards therein and take effective prevention and control measures in a timely and ongoing manner.

(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 considerably large 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 protection, natural disasters, etc.

Section 4 Discussion and Analysis of Operations

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

(1) *Establish overall risk management system for 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. Meanwhile, the Company continues to include its subsidiaries into its comprehensive risk management system, and uniformly monitors and manages the Group's risks by formulating corresponding risk management policies and adopting corresponding risk management tools and measures. During the Reporting Period, based on the risk management profile of its subsidiaries, the Company has revised the risk management system of the subsidiaries, optimized the risk authorization and the approval management of new business of the subsidiaries, improved the risk information communication and reporting mechanism of the subsidiaries, and clarified the risk management supervision and inspection mechanism of the subsidiaries. In addition, the Company improved the timeliness and coverage of the risk data exchange of the subsidiaries, further strengthened and improved the risk management level of the Group by establishing the risk management system.

(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 cautiously 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 to guarantee that the Company has sufficient daytime liquidity cash; 3) The Company implements multi-level 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.

Section 4 Discussion and Analysis of Operations

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. The Company will enhance effectiveness and efficiency of market risk management primarily through the following measures: 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 and develops 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, and continuously improves the timeliness of market risk monitoring; 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 identifies and manages 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.

⑤ Operational risk management

The Company manages its operational risks mainly through the combination of clear authorization mechanism and segregation of duties, standardized system and process, strengthened information system construction, especially the information system control means of operational risks, and enhanced subsequent supervision and inspection as well as rectification tracking, etc. The Company constantly improves the level of operational risk management, the primary measures of which include: 1) The Company establishes and improves the operational risk management system and the full process mechanisms for operational risk identification, evaluation, monitoring and reporting, strengthened the coordination between the three lines of defense, namely the business units, compliance risk control and audits, and enhances the analysis and rectification tracking of the operational risk related issues; 2) The Company has improved and optimized the risk and control self-assessment, key risk indicators and loss data collection tools as well as the operational risk management system acting as a vehicle for such tools, taking into account the actual circumstance; 3) The Company continuously improves and optimizes the assessment system and process for the new business and new products; 4) Together with new business, new product assessment and information system project initialization management, the Company strengthens the embedded management of operational risks.

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, compliance review and consulting, compliance control and examination, 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》) and the “Guidelines on Implementation of Compliance Management of Securities Companies”(《證券公司合規管理實施指引》); 2) in accordance with changes in external laws and regulations and internal management requirements, organizes the streamline of “formulation, modification, repealing” of the internal rules and regulations of the Company when appropriate, and realizes comprehensive compliance management coverage and effective management and control of the Company’s business through management measures such as compliance review and consulting, examination and control, and assessment accountability, etc., to promote the standardized development of business; 3) gradually improves the establishment of the compliance management information system, and improves the effectiveness of compliance management through high-tech and intelligent means.

Section 4 Discussion and Analysis of Operations

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

From January to June 2019, apart from daily telephone communications with public investors, the Company organized and participated in a total of 10 research receptions and results roadshows, receiving a total of about 110 investors, details of which are shown in the table below:

Reception time	Reception method	Type of participants	Participants	Basic particulars of the research
From January 1, 2019 to June 30, 2019	Telephone communication	Individuals	Public investors	Operation and development of the Company
January 15, 2019	Results roadshow	Institutions	Investors invited to the DB Access China Conference sponsored by Deutsche Bank	Strategic and business development of the Company
March 28, 2019	Results roadshow	Institutions	Analysts and investors invited to GF Securities' 2018 Annual Results Announcement Conference	Strategic and business development of the Company
April 8, 2019	Telephone communication	Institutions	Port Meadow Capital Management	Strategic and business development of the Company
May 7, 2019	Field research	Institutions	Founder Securities, Sunshine Insurance	Operation and development of the Company
May 16, 2019	Results roadshow	Institutions	Investors invited to the Mid-2019 Capital Market Forum sponsored by CITIC Securities	Strategic and business development of the Company
May 22, 2019	Results roadshow	Institutions	Investors invited to the Institutional Investors Discussion Forum sponsored by The Listed Companies Association of Guangdong	Strategic and business development of the Company
May 30, 2019	Field research	Institutions	Pacific Securities	Operation and development of the Company
June 3, 2019	Results roadshow	Institutions	Investors invited to the APAC Financial Conference sponsored by Bank of America Merrill Lynch	Strategic and business development of the Company
June 20, 2019	Field research	Institutions	Guotai Junan Securities	Operation and development of the Company
June 20, 2019	Field research	Institutions	Haitong Securities	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).

Section 5 Significant Events

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

1. Corporate governance

The Company is committed to becoming a modern investment bank with international competitiveness, brand influence and systemic 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 improves 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 to 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 to the Hong Kong Listing Rules as the guidelines for standardizing the Company's governance. As at the end of the Reporting Period, after special enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly complied with the standards in the Model Code for Securities Transactions by Directors of Listed Companies during the Reporting Period. 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 to the Hong Kong Listing Rules (hereinafter referred to as the "Code"), and all provisions thereof. Meanwhile, the Company has met most of the recommended best practice provisions as set out in the Code.

2. General meeting of shareholders during the Reporting Period

Session of meeting	Type of meeting	Participation ratio of investors	Convening date	Disclosure date	Disclosure index
2018 Annual General Meeting	Annual general meeting	50.35%	June 28, 2019	June 29, 2019	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

3. Holders of preferred shares whose voting rights have been restored request the convening of extraordinary general meeting

N/A

Section 5 Significant Events

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

Number of bonus share per 10 shares (share(s))	0
Dividend distribution per 10 shares (RMB) (tax inclusive)	2.0
Scrip shares per 10 shares (share(s))	0
Share base of the distribution proposal (shares)	7,621,087,664
Amount of cash dividend (RMB) (tax inclusive)	1,524,217,532.80
Amount of cash dividends distribution through other means (such as repurchase of shares) (RMB)	0
Total cash dividend (including cash dividends distribution through other means) (RMB)	1,524,217,532.80
Distributable profits (RMB)	20,525,426,507.48
Percentage of total cash dividend (including cash dividends distribution through other means) to total profit distribution	100%

Current Distribution of Cash Dividends:

Based on the number of shares held as at the record date, it was proposed that a cash dividend of RMB2.0 (tax inclusive) for every 10 shares be distributed to all shareholders. Based on the Company's existing share capital of 7,621,087,664 shares, the total cash dividend would be RMB1,524,217,532.80, and the remaining undistributed profit of RMB19,001,208,974.68 would be carried forward to the next period.

Description in details on the Proposal of Profit Distribution or
Conversion of Capital Reserves into Share Capital

According to the Company's consolidated statements in the first half of 2019, the net profit attributable to owners of the parent company was RMB4,140,017,091.62; the net profit of the parent company was RMB2,887,097,067.79 and the distributable profit for the year was RMB21,391,730,314.21.

Having considered the requirements under the Company Law, the Securities Laws, the Financial Rules for Financial Enterprises, the Articles of Association of the Company and the Document (No. [2007] 320) issued by the CSRC, the Company proposed the following interim profit distribution for the year of 2019 in the interest of the shareholders and the development of the Company:

In the first half of 2019, the parent company of GF Securities achieved a net profit of RMB2,887,097,067.79, and in accordance with the provisions of the Articles of Association of the Company, each of the statutory surplus reserve, the general risk reserve, and the transaction risk reserve was credited with 10% of the net profit, amounting to RMB288,709,706.78 for each of the reserves. According to the Provisional Measures on Supervision and Administration of Risk Reserve of Public Offering of Securities Investment Funds (《公開募集證券投資基金風險準備金監督管理暫行辦法》), a fund custodian should appropriate no less than 2.5% of the income from fund custodian fees to the risk reserve on a monthly basis. A sum of RMB174,686.39 was appropriated to the general risk reserve for asset custodian business, and the remaining distributable profit amounted to RMB20,525,426,507.48.

According to the Document (No. [2007] 320) issued by the CSRC, securities firms shall not utilize the gains arising from fair value changes included in distributable profits to distribute cash dividends. After deducting the gains arising from fair value changes included in distributable profits, the distributable profits for cash dividends for the year amounted to RMB20,525,426,507.48.

The Interim Profit Distribution Plan of GF Securities in 2019 (《廣發證券2019年度中期利潤分配預案》) was considered and approved at the 22nd meeting of the 9th session of the Board of Directors, which is in compliance with the Articles of Association of the Company and approval procedures, fully protecting the legal interests of minority investors. The independent directors of the Company have provided their view in the Independent Opinions on Interim Profit Distribution Plan in 2019 (《關於2019年中期利潤分配預案的獨立意見》).

Section 5 Significant Events

III. COMMITMENTS PERFORMED DURING THE REPORTING PERIOD OR OVERDUE COMMITMENTS 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 their commitments.

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 GF Asset Management for its continuous compliance with the regulatory requirements of 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

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

The Company has not engaged any accounting firm for the audit of the condensed consolidated financial statements. Ernst & Young has reviewed the condensed consolidated financial statements in accordance with “International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

V. STATEMENT ON ACCOUNTING FIRM’S “NON-STANDARD AUDIT REPORT” FOR THE REPORTING PERIOD BY THE BOARD OF DIRECTORS AND THE SUPERVISORY COMMITTEE

N/A

VI. STATEMENT ON THE “NON-STANDARD AUDIT REPORT” FOR THE PREVIOUS YEAR BY THE BOARD OF DIRECTORS

N/A

VII. BANKRUPTCY REORGANIZATION

N/A

VIII. LITIGATIONS

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 June 30, 2019, the Company (including its wholly-owned and holding subsidiaries) was involved in 85 litigation and arbitration cases (including those initiated by and against the Company) pending for final judgment or ruling and completed execution, involving a total amount of claims at approximately RMB1.205 billion.

IX. PENALTY AND RECTIFICATION

1. 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 strength its compliance risk management and conduct business cautiously. Guangdong Bureau of the CSRC, in accordance with 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 proactively taken rectification, and submitted a rectification report to Guangdong Bureau of the CSRC in accordance with regulatory requirements and the rectification situation.

2. On April 19, 2019, Guangdong Bureau of the CSRC issued the “Decisions on Taking Rectification Measures Against GF Securities Co., Ltd.” 《關於對廣發證券股份有限公司採取責令改正措施的決定》 (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2019] No.28) to the Company in respect of its bid for a corporate bond project at a lower-than-cost price, demanding the Company to rectify the existing problems, submit the rectification report and strictly investigate the responsibilities of the responsible personnel.

The Company has attached great importance to the issue. It has ordered the relevant departments to take rectification measures, organized re-learning of the regulatory requirements, taken internal accountability measures against the relevant responsible personnel, and submitted a rectification report to Guangdong Bureau of the CSRC on a timely basis.

3. On June 20, 2019, due to the Company's lack of risk management and control of GFHK, the defects in its compliance management, insufficient internal control, lack of accurate statistics on the monthly information of GFHK, inaccurate information submitted to the regulatory authorities and other issues, the CSRC issued the Decision Regarding the Regulatory Reporting Measures Taken against Lin Zhihai 《關於對林治海採取監管談話措施的決定》 (Decision on Administrative Regulatory Measures of the China Securities Regulatory Commission [2019] No. 15).
4. On August 5, 2019, due to the Company's lack of risk management and control of GFHK, the defects in its compliance management, insufficient internal control, lack of accurate statistics on the monthly information of GFHK, inaccurate information submitted to the regulatory authorities and other issues, the Company received the Decision on Measures for Restricting Business Activities of GF Securities Co., Ltd. 《關於對廣發證券股份有限公司採取限制業務活動措施的決定》 (Decision on Administrative Regulatory Measures of the China Securities Regulatory Commission [2019] No. 31) from the CSRC. According to this Decision on Administrative Regulatory Measures for Restricting Business Activities, the CSRC had decided to impose administrative regulatory measures on the Company to restrict the expansion of the scale of the Company's OTC derivatives business for 6 months and to restrict the addition of new types of businesses for 6 months. The Company will proactively adopt rectification measures in accordance with the regulatory requirements.

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

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

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

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

During the Reporting Period, the Company did not have and implement any equity incentive scheme, employee stock ownership plan or other employee incentive scheme.

XII. 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 Rules Regarding the Management of Information Disclosure, the related/connected transactions of the Group comply with 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 Group's 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 2019, our day-to-day related transactions were executed subject to the Proposals on Estimates of Annual Day-to-day Related/Connected Transactions in Year 2019 of the Company passed by the Annual General Meeting of 2018 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 assets value relating to day-to-day operations.

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

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

On January 29, 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.

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 Mr. Ma Xingtian and Ms. Xu Dongjin 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) (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on January 30, 2019.

As of the date of publication of this report, the Company had entered into the relevant agreement in relation to the transfer of 9.458% equity interest held by Kangmei Pharmaceutical in GF Fund. The above equity transfers are subject to the approval of the relevant competent authorities. Currently, the related matters are ongoing.

In respect of the transfer of 22% equity interest held by Puning Xinhong in GF Internet Microfinance to GF Qianhe, it has been approved by the competent industry regulatory authorities and was settled at a closing price of RMB110 million with the procedures for change in business registration being completed; thus, GF Qianhe currently holds 67% equity interest in GF Internet Microfinance. 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 publication 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. (hereinafter referred to as “Aodong Fund Management”) was established on July 21, 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) (hereinafter referred to as “Aodong Innovative Industry Fund”), which was established on August 7, 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 October 28, 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 (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on June 18, 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. As of June 30, 2019, Aodong Fund Management has completed the de-registration procedures with the administration for industry and commerce.

4. Amount due to or from Related Parties

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

Unit: RMB

Item Name	Related Party	Amount as of the end of the period	Amount as of the beginning of period
Seats commission, trailing commission and custodian fee receivables	E Fund Management Co., Ltd.	7,207,745.67	6,688,195.81
Seats commission and trailing commission receivables	Harvest Fund Management Co., Ltd.	2,582,473.42	4,233,472.66

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 its small and medium 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 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 equivalent 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 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.

Section 5 Significant Events

On December 26, 2018, the Company received the “Approval for the Non-Public Issuance of Shares by GF Securities Co., Ltd.” from the CSRC (Zheng Jian Xu Ke [2018] No. 2094), approving the Company’s non-public issuance of not more than 1,180,000,000 new shares, which would be valid for a period of 6 months from the date of approval for the Issuance (December 17, 2018). After obtaining the approval, the Company has actively worked on the Issuance. However, due to factors such as the changes of market environment and availability of market window, the Company was unable to complete the Issuance within 6 months from the date of the CSRC’s approval, and therefore the approval automatically expired.

Based on the fact that the Issuance has not been implemented as of the date of the expiration of the CSRC’s approval, the Company and Jilin Aodong, by mutual consent, signed the relevant termination agreement on June 17, 2019.

XIII. 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 and a de facto controller. No funds of the Company were used by related parties for non-operating purposes.

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 but had extended to the Reporting Period.

(2) Contracting

Since 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 agreed tentative contract price of such contract and supplementary agreements 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 headquarters was 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.

2. Material Guarantees

(1) Guarantees

External Guarantees Provided by the Company (Excluding Guarantees Provided to 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	Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
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

Guarantees Provided to Subsidiaries by the Company

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	Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
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
Total amount of guarantees provided to subsidiaries approved during the Reporting Period (B1)				RMB481.229 million			Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)		RMB481.229 million
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (B3)				RMB481.229 million			Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)		RMB481.229 million

Section 5 Significant Events

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		Type of Guarantee	Term of Guarantee	Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
			(Date of Agreement)	Actual Amount of Guarantee				
GF Brokerage (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)		RMB43.985 million	
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (C3)				RMB43.985 million	Total actual balance of guarantee provided to subsidiaries as at the end of the Reporting Period (C4)		RMB43.985 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)				RMB481.229 million	Total actual amount of guarantees provided during the Reporting Period (A2+B2+C2)		RMB525.214 million	
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)				RMB525.214 million	Total actual balance of guarantees provided as at the end of the Reporting Period (A4+B4+C4)		RMB525.214 million	
Total actual amount of guarantees (i.e. A4+B4+C4) as a percentage of the net assets of the Company Including:							0.58%	
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% (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	
Description on the possible joint and several liabilities of repayment for outstanding guarantees (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 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 1:0.8797 and US dollar to Renminbi at 1:6.8747 published by the People's Bank of China on June 28, 2019.

(2) Non-compliance in external guarantees

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

3. Other Major Contracts

For relevant details, please refer to Section 5 “XII. Major Related Transactions” of this report.

XV. SOCIAL RESPONSIBILITIES

1. Material environment protection events

Whether the listed company and its subsidiaries are key pollutant discharging enterprises promulgated by environmental protection authorities

No

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 impoverished areas and people actively through a variety of ways. In order to respond to the proposal of the CSRC, the Securities Association of China, China Futures Association and Asset Management Association of China, the Group actively advanced the implementation of targeted poverty alleviation work by combining the opinions of the Guangdong Province Party Committee and the People’s Government of Guangdong Province on the implementation of three-year plan for targeted poverty alleviation for the new period.

(2) Summary of semi-annual targeted poverty alleviation

During the Reporting Period, the Group contributed a total of over RMB2,700,000 in poverty alleviation to assist Wuzhishan city, Baisha County and Lingao County in Hainan Province and Tianjinggang village in Lechang city to implement targeted poverty alleviation work and actively performed the social responsibilities, thereby enjoying wide recognition from the society.

Section 5 Significant Events

During the reporting period, the 2018 poverty alleviation assessment results in Guangdong Province were announced, in which the Company was rated as “good” for its designated poverty alleviation effort in Tianjinggang Village, Lechang, Guangdong Province, being the best of its kind. The Company has participated in the Guangdong Poverty Alleviation Day activities for 10 consecutive years, and won the 2018 Golden Hongmian Cup for the poverty alleviation work in Guangdong. The Company sent out cadres to carry out such work, and the head of the Hainan Poverty Alleviation Office was engaged by Wuzhishan Municipal Government as a “technical consultant” to contribute to local financial poverty alleviation and industrial poverty alleviation. The poverty alleviation projects were consecutively rolled out for poverty alleviation in Wuzhishan City, Baisha Li Autonomous County and Lingao County in Hainan Province. The Baisha Wuzhi Maotao Planting Demonstration Park project has completed contract signing with implementation conditions. The Wuzhishan City Village-level Photovoltaic Power Plant Project has in principle been approved with a construction scale of 300 KW. The subsidy for the “Guangfa Inspirational Class” of Hainan Province Second Health School has been paid out. The influence of industrial poverty alleviation projects continued to expand. At the Guangzhou Gold Fair, the produces from the Xuemao Chicken Breeding Demonstration Base, the Bai Xiang Guo Planting Base, the Fruit and Corn Planting Base and other projects, which were built with supports from the Group, were exhibited, attracting visiting citizens to try on those products, showing the effectiveness of industrial poverty alleviation, and expanding the influence of industrial poverty alleviation projects across Guangdong, as reported by the mainstream media. The Company’s poverty alleviation experience in financial poverty alleviation, industrial poverty alleviation, educational poverty alleviation, party building poverty alleviation and public welfare poverty alleviation, was disseminated within the industry, sharing the industry’s first financial leasing poverty alleviation model, and contributing wisdom and innovative solutions to poverty alleviation.

(3) Results of targeted poverty alleviation

Indicators	Unit of measurement	Quantity/ development status
I. General Information	–	–
Including: 1. Funds	RMB'0,000	279.2
2. Cash converted from materials	RMB'0,000	0
3. Number of registered poor people who were helped to be lifted out of poverty	person	0
II. Sub-segments of Investments	–	–
1. Poverty alleviation through industrial development	–	–
Including: 1.1 Type of industrial development project for poverty alleviation	–	Poverty alleviation through agricultural and forestry industries
1.2 Number of industrial development projects for poverty alleviation	piece	1
1.3 Invested amount in industrial development projects for poverty alleviation	RMB'0,000	250
1.4 Number of registered poor people who were helped to be lifted out of poverty	person	0
2. Poverty alleviation by education	–	–
Including: 2.1 Invested amount to endow poor students	RMB'0,000	29.2
2.2 Number of endowed poor students	person	40
2.3 Invested amount to improve the educational resources in impoverished areas	RMB'0,000	0
3. Social poverty alleviation	–	–
Including: 3.1 Invested amount in cooperation with poverty alleviation in western and eastern China	RMB'0,000	0
3.2 Invested amount in targeted poverty alleviation work	RMB'0,000	279.2
3.3 Invested amount in charitable foundation for poverty alleviation	RMB'0,000	0
III. Awards received (details and grade)	–	–
2018 Guangdong Poverty Alleviation Red Cotton Cup		Guangdong Province Leading Group for Poverty Alleviation and Development

Note: The Company's total investment in targeted poverty alleviation in the first half of 2019 was RMB2,792,000, which was all used for the targeted poverty alleviation work mentioned in item 3.2.

(4) Targeted poverty alleviation follow-up programs

- ① The Company will adhere to financial poverty alleviation, industrial poverty alleviation and education poverty alleviation, strengthen and enhance the development ability of poverty-stricken areas and provide guarantees for the income increase of poor households;
- ② The Company will make an innovative exploration of a new three-dimensional support model. Taking the Wuzhi Maotao Planting Demonstration Park Project in Baisha County as a pilot project, combined with farmers' planting technology cultivation, basic dividends protection for poor households, and ecological protection of field schools for farmers and other mechanism, the Company will create a new three-dimensional support model featuring organic combination of industrial poverty alleviation, education poverty alleviation, public welfare poverty alleviation and ecological poverty alleviation;
- ③ The Company will constantly sum up the experience of poverty alleviation, refine the poverty alleviation model, strengthen external exchanges and publicity, and contribute its wisdom and initiatives for poverty alleviation efforts.

XVI. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

The qualification for individual business that the Company has obtained from January to June 2019 includes:

Type of License	Approval Department	Issue Date
Qualification as Core Dealer of Credit Protection Contract	SSE	February 2019
Business Qualification as Lead Market Maker of Listed Funds	SSE	February 2019

XVII. PARTICULARS OF OTHER SIGNIFICANT ISSUES

1. Changes in brokerage branches

As of June 30, 2019, the Company had a total of 20 branches and 264 securities business departments that cover 31 provinces, municipalities directly under the central government and autonomous regions. During the Reporting Period, a total of 5 business branches of the Company completed relocation within the same city or to other cities.

2. On January 15, 2019, pursuant to the “Reply on Approval for GF Securities Co., Ltd. to Set up 20 Branches” (Guangdong Zheng Jian Xu Ke [2019] No. 3) from Guangdong Bureau of the CSRC, the Company is allowed to set up a total of 20 branches in Beijing, Baotou, Shenyang, Shanghai, Changzhou, Jiangyin, Wuhu, Shangrao, Guangzhou, Zhuhai, Chongqing, Chengdu, Xi’an, Shenzhen and Xiamen, respectively. 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 January 18, 2019.

On June 12, 2019, pursuant to the “No Objection Letter to GF Securities Co., Ltd. in relation to the Application for Extending the Deadline of Setting up 20 Branches” (Guangdong Zheng Jian Han [2019] No. 771) from Guangdong Bureau of the CSRC, Guangdong Bureau of the CSRC agreed to extend the deadline of setting up 20 branches by the Company in Shenzhen and other cities for 6 months.

3. On April 17, 2019, the Proposal on the Provision of Borrowings to Wholly-owned Subsidiaries GF Futures Co., Ltd., GF Xinde Investment Management Co., Ltd., GF Securities Asset Management (Guangdong) Co., Ltd., GF Holdings (Hong Kong) Corporation Limited was approved on the 19th meeting of the 9th Board of directors of the Company. Pursuant to such proposal, to further improve the Company’s overall economic benefits and support its subsidiaries’ development of relevant businesses, the Company intends to continue to provide borrowings to its wholly-owned subsidiaries according to relevant laws and regulations and regulatory requirements. 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 April 17, 2019.

Section 5 Significant Events

4. On June 28, 2019, the Resolution Regarding the Provision of Guarantees for Offshore Loans of GF Financial Markets (UK) Limited was considered and approved at the 2018 annual general meeting of the Company. Pursuant to such proposal, the Company was allowed to issue financing letters of guarantee (or standby letters of credit) with a balance of not more than US\$70 million to domestic commercial banks. The aforesaid financing letters of guarantee (or standby letters of credit) have a term of not more than 2 years and provide guarantees for GF Financial Markets (UK) Limited to apply to overseas commercial banks for liquidity loans with a balance of not more than US\$70 million. The Company shall assume the guarantee liabilities based on the amount of the financing letters of guarantee (or standby letters of credit) ultimately and actually issued. 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 June 29, 2019.

5. On June 28, 2019, the Company received the Affirmative Decision of Administrative License by the People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2019] No. 102). Pursuant to such affirmative decision, the Company was allowed by the People's Bank of China to issue financial bonds with an amount not greater than RMB5 billion, the approved amount will be valid for 1 year from the date of the affirmative decision. The financial bonds may be issued at any time to be determined by the Company during the effective period. The Company has issued the 2019 tranche 1 financial bonds with an amount of RMB5 billion on July 23, 2019. 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 July 2 and July 24, 2019.

XVIII. SIGNIFICANT MATTERS FOR THE SUBSIDIARIES OF THE COMPANY

1. In April 2019, the Company resolved to increase capital of RMB0.5 billion in GF Qianhe, its wholly-owned subsidiary. In June 2019, the Company has finished the aforesaid capital increment according to the resolution; GF Qianhe has obtained a new business license, and the registered capital is RMB3.6035 billion.
2. GTEC Pandion Multi-Strategy Fund SP (the “Fund”), an investment fund of GFHK, was established in 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. As of December 31, 2018, GF Investments (Hong Kong) Company Limited held 99.90% of interest in the Fund.

During the current period, the prime broker of the Fund terminated the contracts with the Fund in accordance with the ISDA agreement and served the calculation statement regarding the amount due as a result of the termination of the contracts. In June 2019, a receivership order was made by the Grand Court of the Cayman Islands in relation to the Fund. Subsequent to the appointment of the receiver, management considers that the Group has lost power over the Fund and accordingly the Fund shall not be consolidated by the Group. The cash consideration arising from losing control of the Fund was nil. Any investment gains or losses of the Fund prior to the date of deconsolidation, as well as the gain on deconsolidation of the Fund are recorded under “Net Investment Gains” in the consolidated income statement, the total amount of which is a gain of USD44.33 million (approximately RMB300.17 million).

In connection with the above, potential litigation may arise against the Group’s Subsidiaries. The Group recognized a provision of USD58.27 million (approximately RMB394.63 million) in these financial statements as of 30 June 2019.

XIX. ADMINISTRATIVE LICENSE DECISIONS MADE BY REGULATORY AUTHORITIES OR BUSINESS LICENSE NOTICES BY SELF-REGULATORY ORGANISATIONS DURING THE REPORTING PERIOD

No.	Regulatory authority	Administrative license decisions or business license notices by self-regulatory organisations
1	Market Supervision and Administration Bureau of Guangdong Province	Approval Filing Registration Notice
2	Guangdong Bureau of the CSRC	Reply on Approval for GF Securities Co., Ltd. to Set up 20 Branches
3	SZSE	Letter on Approval of Carrying out Relevant Marketing Unit Procedures
4	SSE	Notice on Registration of Core Dealer of Credit Protection Contract of GF Securities Co., Ltd.
5	SZSE	No Objection Letter to GF Securities Co., Ltd. for the Subordinated Bonds of Securities Firms in 2019 Meeting Transfer Conditions of the SZSE
6	SSE	Notice on the Business Qualification of GF Securities Co., Ltd. as Lead Market Maker of Listed Funds
7	Guangdong Bureau of the CSRC	Reply Letter in relation to the Approval of Xu Youjun as a Member of the Senior Management at Manager Level of a Securities Company
8	Guangdong Bureau of the CSRC	No Objection Letter to GF Securities Co., Ltd. in relation to the Application for Extending the Deadline of Setting up 20 Branches
9	CSRC	Opinion on Regulation of Issuance of the Financial Bond by GF Securities Co., Ltd.
10	People's Bank of China	Determination on Administration Approval by the People's Bank of China

XX. 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 (www.cninfo.com.cn):

No.	Matters of Announcement	Date of Publication
1	Announcement on the Key Financial Information for December 2018	January 10, 2019
2	Announcement on the Resolutions of the 15th Meeting of the 9th Session of the Board of Directors	January 12, 2019
3	Announcement on the Resolutions of the 9th Meeting of the 9th Session of the Supervisory Committee	January 12, 2019
4	Announcement on the Changes in Accounting Estimates for Depreciation Period of Fixed Assets	January 12, 2019
5	Announcement on the Approval to Set up 20 Branches	January 18, 2019
6	Announcement on the Result of Issuance of Subordinated Bonds by way of Private Placement	January 24, 2019
7	Announcement on the Adjustment to the Key Financial Information for December 2018	January 26, 2019
8	Announcement on the Resolutions of the 17th Meeting of the 9th Session of the Board of Directors	January 30, 2019
9	Announcement on Connected Transactions between the Company, Kangmei Pharmaceutical Co., Ltd. and Puning Xinhong Industrial Investment Co., Ltd.	January 30, 2019
10	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	February 13, 2019
11	Announcement on the Key Financial Information for January 2019	February 14, 2019
12	Announcement on the Name Change of the 2018 Public Issuance of Corporate Bonds to Qualified Investors	February 25, 2019

Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
13	Announcement on the Issuance of the 2019 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	February 25, 2019
14	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	February 26, 2019
15	Announcement on the Extension of Book Building Period of 2019 Public Issuance of Corporate Bonds (First Tranche) of the Company to Qualified Investors	February 27, 2019
16	Announcement on the Coupon Rate for the 2019 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	February 27, 2019
17	Announcement on the Result of Issuance of the 2019 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	March 2, 2019
18	Announcement on the Key Financial Information for February 2019	March 7, 2019
19	Announcement on Change in Business Address	March 7, 2019
20	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	March 20, 2019
21	Announcement on the Resolutions of the 18th Meeting of the 9th Session of the Board of Directors	March 27, 2019
22	Announcement on the Resolutions of the 10th Meeting of the 9th Session of the Supervisory Committee	March 27, 2019
23	Highlights of the 2018 Annual Report	March 27, 2019
24	Announcement on the Changes in Accounting Policies	March 27, 2019
25	Announcement on the Estimates of Daily Related/Connected Transactions for 2019	March 27, 2019
26	Announcement on Receipt of the Decision on Taking Rectification on Regulatory Measures by the Company from Guangdong Bureau of the CSRC	March 27, 2019

No.	Matters of Announcement	Date of Publication
27	Announcement in Relation to Material Matter of a Wholly-owned Subsidiary, GF Holdings (Hong Kong) Corporation Limited	March 27, 2019
28	Announcement on the Key Financial Information for March 2019	April 10, 2019
29	Estimated Results for the First Quarter of 2019	April 13, 2019
30	Announcement on the Resignation of Mr. Tang Xiaodong as Deputy General Manager	April 16, 2019
31	Announcement on the Resolutions of the 19th Meeting of the 9th Session of the Board of Directors	April 17, 2019
32	Announcement in Relation to Providing Borrowings to Wholly-owned Subsidiaries, namely GF Futures Co., Ltd., GF Xinde Investment Management Co., Ltd., GF Securities Asset Management (Guangdong) Co., Ltd. and GF Holdings (Hong Kong) Corporation Limited	April 17, 2019
33	Announcement on the Interest Payment in 2019 for the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	April 23, 2019
34	Announcement on the Resolutions of the 20th Meeting of the 9th Session of the Board of Directors	April 30, 2019
35	2019 First Quarterly Report	April 30, 2019
36	Announcement on Providing Guarantee for Overseas Loans of GF Financial Markets (UK) Limited	April 30, 2019
37	Announcement on the Resolutions of the 11th Meeting of the 9th Session of the Supervisory Committee	April 30, 2019
38	Announcement on the Interest Payment in 2019 for the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 7, 2019
39	Announcement on the Key Financial Information for April 2019	May 9, 2019
40	Announcement on the Results of the Issuance of the 2019 First Tranche of Short-term Financing Bills of the Company	May 14, 2019

Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
41	Notice of the 2018 Annual General Meeting	May 14, 2019
42	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	May 28, 2019
43	Announcement in Relation to the Approval of Mr. Xu Youjun Qualification as the secretary to the Board and the Waiver in Respect of Qualifications for Serving as a Company Secretary	May 29, 2019
44	Announcement on the Resolutions of the 21st Meeting of the 9th Session of the Board of Directors	May 31, 2019
45	Announcement on the Key Financial Information for May 2019	June 7,2019
46	Announcement on the Interest Payment in 2019 for “13 GF 03” Corporate Bonds	June 11,2019
47	Announcement on the Results of the Issuance of the 2019 Second Tranche of Short-term Financing Bills of the Company	June 14,2019
48	Announcement on Expiration Approval for the Non-Public Issuance of Shares	June 18,2019
49	Announcement on Reminder Notice of the 2018 Annual General Meeting	June 22,2019
50	Announcement on the Results of Redemption and Delisting upon the Exercise of “16 GF 03” Subordinated Bonds	June 22,2019
51	Announcement on Receipt of Notice on increasing the Maximum Outstanding Balance of Short-term Financing Bills of the Company from the People’s Bank of China	June 24,2019
52	Announcement on Receipt of the Regulatory Letter of Opinions from the CSRC for the Issuance of Financing Bonds	June 26,2019
53	Announcement on the Resolutions of the 2018 Annual General Meeting	June 29,2019

During the Reporting Period, the Company disclosed the following information on 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	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2018	January 7, 2019
2	Announcement on the Key Financial Information for December 2018	January 9, 2019
3	Announcement on the Adjustment to the Key Financial Information for December 2018	January 25, 2019
4	Connected Transactions – Acquisition of 9.458% Equity Interest in GF Fund from Kangmei Pharmaceutical and Acquisition of 22% Shares in GF Internet Microfinance from Puning Xinhong	January 29, 2019
5	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2019	February 11, 2019
6	Announcement on the Key Financial Information for January 2019	February 13, 2019
7	Announcement on Change in Business Address	March 6, 2019
8	Announcement on the Key Financial Information for February 2019	March 6, 2019
9	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2019	March 6, 2019
10	Date of Board Meeting	March 11, 2019
11	2018 Annual Results Announcement	March 26, 2019
12	Announcement on the Changes in Accounting Policies	March 27, 2019
13	Announcement in relation to Material Matter of a Wholly-owned Subsidiary, GF Holdings (Hong Kong) Corporation Limited	March 27, 2019
14	Announcement on Proposed Amendments to the Articles of Association	March 27, 2019

Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
15	Announcement on Proposed Amendments to the Rules of Procedure of the Board of Directors	March 27, 2019
16	2018 Corporate Social Responsibility Report	March 27, 2019
17	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2019	April 4,2019
18	Announcement on the Key Financial Information for March 2019	April 9,2019
19	2018 Annual Report	April 12,2019
20	Notification Letter and Change Request Form to Registered Shareholder(s)	April 12,2019
21	Notification Letter and Request Form to Non-Registered Shareholder(s)	April 12,2019
22	Date of Board Meeting	April 12,2019
23	Estimated Results for the First Quarter of 2019	April 12,2019
24	Change of Secretary to the Board and Joint Company Secretary	April 16,2019
25	2019 First Quarterly Report	April 29, 2019
26	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2019	May 7, 2019
27	Announcement on the Key Financial Information for April 2019	May 8, 2019
28	Notice of AGM	May 13, 2019
29	2018 AGM Circular	May 13, 2019
30	Proxy Form For the 2018 Annual General Meeting	May 13, 2019
31	Reply Slip For the 2018 Annual General Meeting	May 13, 2019
32	Notification Letter and Change Request Form to Registered Shareholders	May 13, 2019
33	Notification Letter and Request Form to Non-Registered Shareholders	May 13, 2019

No.	Matters of Announcement	Date of Publication
34	Update Announcement on Appointment of Secretary to the Board and Joint Company Secretary	May 28, 2019
35	Announcement on the Key Financial Information for May 2019	June 6,2019
36	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2019	June 6, 2019
37	Expiration of Approval for the Non-Public Issuance of Shares	June 17, 2019
38	Poll Results of the 2018 Annual General Meeting	June 28, 2019

Section 6 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:

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

2. Changes in restricted shares

N/A

II. SECURITIES ISSUANCE AND THE LISTING

For details about the issuance of corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills by the Company, please refer to Section 9 “Corporate Bonds” of this report.

Section 6 Changes in Shareholdings and Particulars about Shareholders

III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS IN THE COMPANY

Unit: Share

Total number of ordinary shareholders at the end of the Reporting Period 181,530 (of which, 179,783 were A shareholders, 1,747 were registered H shareholders)

Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period (if any) Nil

Shareholdings of ordinary shareholders who hold more than 5% of the ordinary shares or shareholdings of the top ten ordinary shareholders

Name of shareholder	Capacity of shareholder	Percentage of shareholding (%)	Number of ordinary shares		Number of ordinary shares with selling restrictions held	Number of ordinary shares without selling restrictions held	Pledge or freeze	
			held as at the end of the Reporting Period	Increase or decrease during the Reporting Period			Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31%	1,700,139,060	16,800	0	1,700,139,060		
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	16.40%	1,249,854,088	1,746,500	0	1,249,854,088		
Zhongshan Public Utilities Group Co., Ltd.	State-owned legal entity	9.01%	686,754,216	0	0	686,754,216		
China Securities Finance Corporation Limited	Domestic general legal entity	2.99%	227,870,638	0	0	227,870,638		
Huaxia Life Insurance Co., Ltd. – Universal Life Insurance Product	Fund and wealth management products, etc.	2.83%	215,824,683	-12,306,322	0	215,824,683		
Puning Xinhong Industrial Investment Co., Ltd.	Domestic general legal entity	1.91%	145,936,358	0	0	145,936,358	Pledged	144,000,000
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 and wealth management products, etc.	0.62%	47,065,765	0	0	47,065,765		
Heungkong Group Limited	Domestic general legal entity	0.56%	42,435,278	-76,850,968	0	42,435,278		

Section 6 Changes in Shareholdings and Particulars about Shareholders

Shareholdings of the top ten ordinary shareholders without selling restrictions

Name of shareholder	Number of ordinary shares without selling restrictions held as at the end of the Reporting Period	Type of Shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,700,139,060	Listed foreign shares	1,700,139,060
Jilin Aodong Pharmaceutical Group Co., Ltd	1,252,297,867	RMB-denominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,249,854,088	RMB-denominated ordinary shares	1,249,854,088
Zhongshan Public Utilities Group Co., Ltd.	686,754,216	RMB-denominated ordinary shares	686,754,216
China Securities Finance Corporation Limited	227,870,638	RMB-denominated ordinary shares	227,870,638
Huaxia Life Insurance Co., Ltd.– Universal Life Insurance Product	215,824,683	RMB-denominated ordinary shares	215,824,683
Puning Xinhong Industrial Investment Co., Ltd.	145,936,358	RMB-denominated ordinary shares	145,936,358
Central Huijin Asset Management Ltd.	98,149,700	RMB-denominated 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-denominated ordinary shares	47,065,765
Heungkong Group Limited	42,435,278	RMB-denominated ordinary shares	42,435,278

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

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);

Section 6 Changes in Shareholdings and Particulars about Shareholders

Note 3: According to the public information disclosed on July 9, 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 June 30, 2019, Jilin Aodong held 41,026,000 H Shares of the Company and 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), held 36,868,800 H Shares of the Company, totaling 77,894,800 H Shares and 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 June 30, 2019, 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%, 16.42% and 10.34%, respectively;

Note 4: The number of shares held by Liaoning Chengda at the end of the reporting period increased by 1,746,500 shares compared with the end of December 2018, 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 the Hong Kong Stock Exchange (www.hkexnews.hk), as at June 30, 2019, 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 June 30, 2019, the labor union committee of GF Securities Co., Ltd. held a total of 237,923,600 long-position H Shares of the Company, representing 13.98% of the H Share capital of the Company; on June 28, 2019, BlackRock Inc. held a total of 118,726,721 long-position H Shares of the Company, representing 6.98% of the H Share capital of the Company; holding a total of 72,000 short-position H Shares of the Company, representing 0.004% 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.

IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

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

Section 6 Changes in Shareholdings and Particulars about Shareholders

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

As of June 30, 2019, 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	Percentage of total issued	Percentage of total issued
					(Note 1)/ short position (Note 2)	of total issued shares of the Company (%) (Note 9)	A Shares/ H Shares of the Company (%) (Note 9)
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	1,249,854,088	Long position	16.40	21.12
		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	Beneficial owner	237,923,600 (Note 6)	Long position	3.12	13.98
7	BlackRock, Inc.	H Shares	Interest in a controlled corporation	118,726,721 (Note 7)	Long position	1.56	6.98
		H Shares	Interest in a controlled corporation	72,000 (Note 7)	Short position	0.001	0.004

Section 6 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 237,923,600 H Shares of the Company, representing 13.98% of the H Share capital of the Company.*
- Note 7: BlackRock, Inc. indirectly held the relevant interests and short positions through a series of its controlled corporations.*
- Note 8: 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 9: 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 June 30, 2019.*

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 June 30, 2019 required to be recorded in the register pursuant to Section 336 of the SFO.

Section 6 Changes in Shareholdings and Particulars about Shareholders

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

As of June 30, 2019, 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 of June 30, 2019, none of the Company, its subsidiaries or fellow subsidiaries was a party to any arrangements during the year to enable the Directors, Supervisors or chief executives of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

VII. 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 (August 29, 2019) prior to the publication of this interim report, the Company has always maintained the public float as required under the Hong Kong Listing Rules.

VIII. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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.

Section 7 Preference Shares

The Company does not have any preference shares.

Section 8 Particulars about Directors, Supervisors and Senior Management

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

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

II. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
Tang Xiaodong	Deputy general manager	Resignation	April 13, 2019	Personal reasons
Xu Youjun	Secretary to the Board	Appointment	April 16, 2019	Appointed by the Board

On April 13, 2019, the Company received a written resignation letter from Mr. Tang Xiaodong. Mr. Tang Xiaodong tendered his resignation from his position as a deputy general manager of the Company due to his personal reasons. The written resignation letter came into effect when it was received by the Company. Since then Mr. Tang Xiaodong no longer served in the Company. 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 April 16, 2019.

Mr. Xu Youjun was appointed as the secretary to the Board and a joint company secretary of the Company, at the 19th meeting of the 9th session of the Board convened on April 16, 2019 by the Company. On May 28, 2019, the Company received the Reply Letter in relation to the Approval of Xu Youjun as a Member of the Senior Management at Manager Level of a Securities Company (Guang Dong Zheng Jian Xu Ke [2019] No.17) issued by the Guangdong Bureau of the China Securities Regulatory Commission, pursuant to which Mr. Xu's qualifications for serving as a member of the senior management at manager level of a securities company have been approved. In addition, Mr. Xu Youjun has obtained a waiver from Hong Kong Stock Exchange for the qualification for serving as the company secretary. Subsequently, Mr. Xu Youjun formally assumed the role of the secretary to the Board and a joint company secretary 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 the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on April 17, 2019 and May 29, 2019.

Mr. Xin Zhiyun, chief risk officer of the Company, was appointed as a chief information officer of the Company, at the 21st meeting of the 9th session of the Board convened on May 30, 2019 by the Company, and was responsible for information technology management. 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 May 31, 2019.

III. STAFF AND REMUNERATION POLICIES

As of June 30, 2019, the Group had 11,798 employees, of whom a total of 9,973 were from the parent company and 1,825 were from the subsidiaries.

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, 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-based bonus and benefits.

The Company established a comprehensive welfare and security system, including social insurance, annuity, housing fund, supplementary medical insurance, benefits leave, corporate benefits, union welfare, and welfare of female employees, etc.

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.

Section 9 Corporate Bonds

I. BASIC INFORMATION ON BONDS OF THE COMPANY

(I) Authorization for the Issuance of Corporate Bonds at the General Meeting

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 to the Company for the Issuance of Onshore and Offshore Debt Financing Instruments (《關於授權公司發行境內外債務融資工具的議案》) 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覆》(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 such bonds, the details of which 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)	13 GF 01	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)	13 GF 02	112182	June 17, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13 GF 03	112183	June 17, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the suitability of investors	Target investors are social public investors who hold security accounts with the initial letters of A, B, D, 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 17, 2019, the Company paid the interest for “13 GF 03” corporate bonds from June 17, 2018 to June 16, 2019. The interest for “13 GF 03” is RMB51.00 (tax inclusive)/10 pieces.						
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period	<p>“13 GF 01” 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 “13 GF 01” (i.e. the redenomination interest rate of “13 GF 01” 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2013年公司債券募集說明書》, the Company released an Announcement Regarding Non-Redenomination Interest Rate of “13 GF 01” 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 “13 GF 01” at par to the issuer.</p> <p>During the Reporting Period, there is no special articles for redemption and redenomination interest rate.</p>						

Section 9 Corporate Bonds

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) (《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覆》(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.

On May 11 and July 26, 2017, the Company completed the issuance of the 2017 first and second tranches of corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation		Issue Date	Maturity Date	Balance of Bond (RMB' 0,000)	Coupon	Debt Service
	of Bond	Code of Bond					
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the First Tranche)	17 GF 01	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)	17 GF 02	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 suitability 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 13, 2019 (interest payment date will be postponed to the next business day if it is a holiday), the Company paid the interest for “17 GF 01” corporate bonds from May 11, 2018 to May 10, 2019. The interest for “17 GF 01” is RMB46.00 (tax inclusive)/10 pieces.						
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period	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 2018 first tranche and second tranche of corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation		Issue Date	Maturity Date	Balance of Bond (RMB' 0,000)	Coupon	Debt Service
	of Bond	Code of Bond					
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the First Tranche)	18 GF 01	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)	18 GF 02	112751	August 22, 2018	August 24, 2021	190,000	4.30%	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 suitability 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 April 29, 2019 (interest payment date will be postponed to the next business day if it is a holiday), the Company paid the interest for "18 GF 01" corporate bonds from April 27, 2018 to April 26, 2019. The interest for "18 GF 01" is RMB46.00 (tax inclusive)/10 pieces.						
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period	No special terms such as issuer or investor option terms and interchangeable terms.						

Section 9 Corporate Bonds

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 [2016] No. 2741) 《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覆》(證監許可[2018]1826號)文件) from the CSRC and was approved to publicly issue corporate bonds with a nominal value of not more than RMB7.8 billion to qualified investors.

On March 1, 2019, the Company completed the issuance of the 2019 first tranche of corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation		Issue Date	Maturity Date	Balance of Bond (RMB' 0,000)	Coupon	Debt Service
	of Bond	Code of Bond					
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019 (the First Tranche)	19 GF 03	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 suitability 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.						
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period	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 the 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 Daifei	Tel of contact	0755- 83081287
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Credit rating agency for tracking rating of 2013 corporate bonds during the Reporting Period:

Name	China Chengxin Securities Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizang South Road, Huangpu District, Shanghai
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The trustee of 2017 and 2018 corporate bonds:

Name	Guosen Securities Co., Ltd.	Business address	16-26th floor, Guosen Securities Tower, No. 1012, Hongling Middle Road, Luohu District, Shenzhen	Contact	ZHOU LEI	Tel of contact	0755-82130833
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Credit rating agency for tracking rating of 2017 and 2018 corporate bonds during the Reporting Period:

Name	China Chengxin Securities Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizang South Road, Huangpu District, Shanghai
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The trustee of 2019 corporate bonds:

Name	Guotai Junan Securities Co., Ltd.	Business address	No. 768, Nanjin West Road, Jing'an District, Shanghai	Contact	Jiang Zhiqiang, Wang Kunpeng, Sun Yiran	Tel of contact	021-38676666
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Credit rating agency for tracking rating of 2019 corporate bonds during the Reporting Period:

Name	China Chengxin Securities Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizang South Road, 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.
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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, with the offering expenses deducted, were all used to replenish the Company's working capital in 2013; the proceeds from corporate bond offering, with the offering expenses deducted, were all used to replenish the Company's liquidity in 2017, 2018 and 2019.
Closing balance (RMB' 0,000)	3,520,000
Operation of special account for the funds raised	When the aforesaid corporate bond was issued, the Company designated a special account for the collection of funds raised according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been used 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 2013 corporate bonds were issued, the Company retained China Chengxin Securities 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) 《中誠信證評信用等級通知書 (信評委函字[2013]001號) 》 and Credit Rating Reports on Corporate Bond of GF Securities Co., Ltd. in 2013 《廣發證券股份有限公司2013年公司債券信用評級報告》 issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance in 2013. This 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 Co., Ltd. to Qualified Investors in 2017 (the First Tranche) 《廣發證券股份有限公司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 Co., Ltd. to Qualified Investors in 2017 (the Second Tranche) 《廣發證券股份有限公司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 aforesaid corporate bonds were rated AAA at the time of issuance in 2017. 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 of 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 Co., Ltd. to Qualified Investors in 2018 (the First Tranche) 《廣發證券股份有限公司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 Co., Ltd. to Qualified Investors in 2018 (the Second Tranche) 《廣發證券股份有限公司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 aforesaid corporate bonds were rated AAA at the time of issuance in 2018. 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 and 2018 bonds. On April 24, 2019, CCXR updated and maintained the AAA rating of the 2013 corporate bonds, the 2017 corporate bonds and the 2018 corporate bonds. During the Reporting Period, the 2019 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 statutory 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 statutory 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.

Section 9 Corporate Bonds

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 enhancement 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., Guosen Securities Co., Ltd. and Guotai Junan 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 the Report on the Trusteeship for the Year 2018 and relevant reports on temporary trusteeships. While performing the relevant responsibilities of a trustee, they had no conflict of interests with the Company.

VIII. OUTSTANDING OVERDUE DEBTS OF THE COMPANY

There were no outstanding overdue debts of the Company.

IX INTEREST PAYMENT FOR 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 paid interests for a total of four short-term corporate bonds:

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (days)	Coupon	Interest payment
GF 1801	300,000	March 12, 2018	365	5.30%	Principal and interest paid on March 12, 2019
GF 1802	300,000	May 21, 2018	365	4.85%	Principal and interest paid on May 21, 2019
GF 1803	500,000	May 29, 2018	330	4.83%	Principal and interest paid on April 24, 2019
GF 1804	200,000	June 12, 2018	330	4.95%	Principal and interest paid on May 8, 2019

As of the end of the Reporting Period, one tranche of the Company's short-term corporate bonds had not matured. The total balance was RMB6 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 1805	600,000	July 10, 2018	360	4.70%

Section 9 Corporate Bonds

(2) Interest payment for subordinated bonds

During the Reporting Period, the Company paid interest for one tranche of subordinated bond:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
16 GF 03	500,000	June 21, 2016	3+2	3.70%	The issuer exercised redemption right, such subordinated bonds fell due on June 21, 2019. The issuer paid the full amount of principal with the interest accrued from June 21, 2018 to June 20, 2019

As of the end of the Reporting Period, six tranches of the Company's subordinated bonds, with a total balance of RMB22.1 billion, were outstanding. Key information on these subordinated 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 (years)	Coupon
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%
19 GF C1	400,000	January 21, 2019	3	4.15%

(3) Interest payment for private corporate bonds

During the Reporting Period, the Company has not paid interest for the private corporate bonds. As of the end of the Reporting Period, eight tranches of the Company's private corporate bonds, with a total balance of RMB26 billion, were outstanding, with key information as follows:

Bond name	Offering size		Bond maturity (years)	Coupon
	(RMB' 0,000)	Value date		
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%
19 GF 01	300,000	February 1, 2019	3	3.90%
19 GF 02	400,000	February 21, 2019	3	4.00%
19 GF 05	320,000	March 15, 2019	3	4.00%
19 GF 06	330,000	May 24, 2019	3	4.10%

(4) Interest payment for short-term financing bills

During the Reporting Period, the Company has not paid interests for short-term financing bills. As of the end of the Reporting Period, two of the Company's short-term financing bills, with a total balance of RMB5 billion, were outstanding, with key information as follows:

Bond name	Offering size		Bond maturity (days)	Coupon
	(RMB' 0,000)	Value date		
19 GF Securities CP001	200,000	May 31, 2019	90	2.98%
19 GF Securities CP002	300,000	June 13, 2019	90	3.07%

X. 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 lines 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 balance of borrowed funds from banks was RMB2,000,000,000 as of the end of Reporting Period.

Section 9 Corporate Bonds

XI. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT OF THE CORPORATE BONDS 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.

XII. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD

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

XIII. GUARANTOR FOR THE CORPORATE BOND

Nil

Section 10 Financial Report

I. REVIEW REPORT

The 2019 interim financial report of the Company prepared in accordance with the International Accounting Standards has not been audited but has been reviewed by Ernst & Young and the review report is enclosed hereinafter.

II. FINANCIAL STATEMENTS AND NOTES (ENCLOSED HEREINAFTER)

Report on Review of Interim Financial Information



To the Board of Directors of GF Securities Co., Ltd.

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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 106 to 203 which comprises the condensed consolidated statement of financial position of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Interim Financial Information

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue			
Commission and fee income	4	5,096,123	4,614,265
Interest income	5	5,481,575	6,093,721
Net investment gains	6	4,191,487	397,299
Total revenue		14,769,185	11,105,285
Other income and gains or losses	7	885,925	315,177
Total revenue and other income		15,655,110	11,420,462
Depreciation and amortisation	8	(310,572)	(169,961)
Staff costs	9	(3,131,974)	(2,458,478)
Commission and fee expenses	10	(152,185)	(158,318)
Interest expenses	11	(3,801,143)	(3,972,144)
Other operating expenses	12	(2,397,293)	(1,161,326)
Impairment losses		(178)	(25)
Credit loss expense	13	(464,435)	(95,500)
Total expenses		(10,257,780)	(8,015,752)
Share of results of associates and joint ventures		250,526	331,841
Profit before income tax		5,647,856	3,736,551
Income tax expense	14	(1,208,093)	(728,316)
Profit for the period		4,439,763	3,008,235
Attributable to:			
Owners of the Company		4,140,017	2,858,276
Non-controlling interests		299,746	149,959
		4,439,763	3,008,235
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	15	0.54	0.38

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Profit for the period	4,439,763	3,008,235
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	781,510	(668,221)
Income tax related to the above	(195,530)	167,059
Total items that will not be reclassified to profit or loss in subsequent periods	585,980	(501,162)
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	12,174	63,085
Debt instruments at fair value through other comprehensive income:		
– Net fair value changes during the period	(35,637)	126,799
– Reclassification to profit or loss on disposal	(49,941)	(44,134)
– Reclassification to profit or loss on impairment	180,653	39,262
– Income tax related to the above	12,147	(76,166)
Net gain on debt instruments at fair value through other comprehensive income	107,222	45,761
Share of other comprehensive income of associates and joint ventures:		
– Share of fair value gains/(losses) on financial assets of associates and joint ventures	47,920	(28,222)
– Share of exchange differences arising on translation of associates	580	371
Net gains/(losses) on other comprehensive income of associates and joint ventures	48,500	(27,851)
Total items that may be reclassified to profit or loss in subsequent periods	167,896	80,995

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Other comprehensive income for the period, net of tax	753,876	(420,167)
Total comprehensive income for the period	<u>5,193,639</u>	<u>2,588,068</u>
Attributable to:		
Owners of the Company	4,894,470	2,438,434
Non-controlling interests	299,169	149,634
	<u>5,193,639</u>	<u>2,588,068</u>

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30.6.2019 RMB' 000 (unaudited)	As at 31.12.2018 RMB' 000 (audited)
Non-current assets			
Property and equipment	16	2,105,653	2,429,813
Prepaid lease payments		—	288,831
Right-of-use assets		698,163	—
Investment properties		47,049	20,067
Goodwill		2,283	2,274
Other intangible assets		239,705	261,806
Investments in associates	17	3,940,258	4,078,063
Investments in joint ventures	18	2,336,333	1,342,056
Debt instruments at amortised cost	19	1,750,880	2,386,518
Equity instruments at fair value through other comprehensive income	20	11,575,521	10,794,010
Advances to customers	22	6,769	170,717
Other accounts receivable, other receivables and prepayments	24	1,258,689	—
Financial leasing receivables	25	2,077,691	2,900,616
Financial assets held under resale agreements	26	2,221,890	6,555,966
Financial assets at fair value through profit or loss	27	7,033,391	6,436,608
Deferred tax assets	33	991,658	1,085,526
		<hr/>	<hr/>
Total non-current assets		36,285,933	38,752,871

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30.6.2019 RMB' 000 (unaudited)	As at 31.12.2018 RMB' 000 (audited)
Current assets			
Prepaid lease payments		—	9,628
Debt instruments at amortised cost	19	2,458,015	4,513,621
Debt instruments at fair value through other comprehensive income	21	88,389,126	79,513,048
Advances to customers	22	48,750,626	45,184,589
Accounts receivable	23	2,383,315	4,271,893
Contract assets		75,895	28,684
Other accounts receivable, other receivables and prepayments	24	921,363	765,404
Financial leasing receivables	25	1,773,428	1,940,896
Amounts due from joint ventures		10,259	7,744
Amounts due from associates		32,537	25,499
Financial assets held under resale agreements	26	26,636,739	30,257,103
Financial assets at fair value through profit or loss	27	80,078,101	81,677,388
Derivative financial assets	28	42,192	17,536,655
Deposits with exchanges and non-bank financial institutions	29	7,179,493	6,284,998
Clearing settlement funds	30	17,265,627	17,899,887
Bank balances	31	87,124,051	60,436,038
Total current assets		<u>363,120,767</u>	<u>350,353,075</u>
Total assets		<u>399,406,700</u>	<u>389,105,946</u>

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30.6.2019 RMB' 000 (unaudited)	As at 31.12.2018 RMB' 000 (audited)
Current liabilities			
Borrowings	34	3,277,250	5,504,515
Short-term financing payables	35	17,411,177	24,049,740
Financial liabilities at fair value through profit or loss	36	—	107,976
Due to banks and other financial institutions		3,522,792	11,667,619
Accounts payable to brokerage clients	37	82,062,294	58,445,148
Accrued staff costs	38	2,947,260	2,847,689
Other accounts payable, other payables and accruals	39	4,010,056	4,783,060
Contract liabilities		47,190	39,636
Amounts due to joint ventures		233,847	335,853
Amounts due to associates		20,806	5,407
Provisions		433,984	33,360
Current tax liabilities		219,553	515,204
Other liabilities	40	7,507,867	8,639,515
Derivative financial liabilities	28	252,813	19,879,028
Financial assets sold under repurchase agreements	41	80,031,856	85,993,800
Bonds payable	42	26,156,004	24,374,247
Long-term loans	43	1,436,935	3,495,332
Lease liabilities		208,803	—
Total current liabilities		<u>229,780,487</u>	<u>250,717,129</u>
Net current assets		<u>133,340,280</u>	<u>99,635,946</u>
Total assets less current liabilities		<u>169,626,213</u>	<u>138,388,817</u>

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30.6.2019 RMB' 000 (unaudited)	As at 31.12.2018 RMB' 000 (audited)
Non-current liabilities			
Financial liabilities at fair value through profit or loss	36	477,654	459,530
Accrued staff costs	38	2,236,228	2,245,763
Other accounts payable, other payables and accruals	39	112,650	124,615
Deferred tax liabilities	33	163,919	138,467
Bonds payable	42	69,436,749	44,322,807
Long-term loans	43	2,768,734	1,977,314
Lease liabilities		338,392	—
Other liabilities	40	739,099	491,147
Total non-current liabilities		<u>76,273,425</u>	<u>49,759,643</u>
Net assets		<u>93,352,788</u>	<u>88,629,174</u>
Capital and reserves			
Share capital		7,621,088	7,621,088
Capital reserve		31,864,816	31,864,816
Investment revaluation reserve		1,128,414	387,203
Translation reserve		308,058	294,816
General reserves		18,929,800	18,814,878
Retained profits		30,060,310	26,035,215
Equity attributable to owners of the Company		<u>89,912,486</u>	<u>85,018,016</u>
Non-controlling interests		3,440,302	3,611,158
Total equity		<u>93,352,788</u>	<u>88,629,174</u>

Approved and authorised for issue by the Board of Directors on 29 August 2019.

Sun Shuming
Chairman

Lin Zhihai
Executive Director and President

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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
As at 1 January 2019	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
Profit for the period	—	—	—	—	—	4,140,017	4,140,017	299,746	4,439,763
Other comprehensive income for the period	—	—	741,211	13,242	—	—	754,453	(577)	753,876
Total comprehensive income for the period	—	—	741,211	13,242	—	4,140,017	4,894,470	299,169	5,193,639
Appropriation to general reserves	—	—	—	—	114,922	(114,922)	—	—	—
Others	—	—	—	—	—	—	—	(470,025)	(470,025)
At 30 June 2019(unaudited)	<u>7,621,088</u>	<u>31,864,816</u>	<u>1,128,414</u>	<u>308,058</u>	<u>18,929,800</u>	<u>30,060,310</u>	<u>89,912,486</u>	<u>3,440,302</u>	<u>93,352,788</u>
As at 1 January 2018	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 period	—	—	—	—	—	2,858,276	2,858,276	149,959	3,008,235
Other comprehensive income for the period	—	—	(483,623)	63,781	—	—	(419,842)	(325)	(420,167)
Total comprehensive income for the period	—	—	(483,623)	63,781	—	2,858,276	2,438,434	149,634	2,588,068
Capital injection from non-controlling shareholders of non-wholly-owned subsidiaries	—	—	—	—	—	—	—	122,447	122,447
Capital reduction by non-controlling shareholders of non-wholly-owned subsidiaries	—	—	—	—	—	—	—	(12,000)	(12,000)
Appropriation to general reserves	—	—	—	—	43,567	(43,567)	—	—	—
Dividends recognised as distribution (Note 44)	—	—	—	—	—	(3,048,435)	(3,048,435)	(75,825)	(3,124,260)
At 30 June 2018(unaudited)	<u>7,621,088</u>	<u>31,864,816</u>	<u>1,109,292</u>	<u>107,759</u>	<u>17,399,471</u>	<u>26,008,772</u>	<u>84,111,198</u>	<u>3,929,693</u>	<u>88,040,891</u>

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	5,647,856	3,736,551
Adjustments for:		
Interest expenses	3,801,143	3,972,144
Share of results of associates and joint ventures	(250,526)	(331,841)
Depreciation and amortisation	310,572	169,961
Impairment losses	178	25
Credit loss expense	464,435	95,500
Gain on disposal of property and equipment and other intangible assets	(853)	(513)
Gain on acquisition of a subsidiary	(6,705)	—
Gain on disposal of associates and joint ventures	(62,978)	—
Foreign exchange (gains)/losses, net	(848)	11,642
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	(49,941)	(44,134)
Dividend income and interest income from financial instruments at fair value through other comprehensive income	(1,557,195)	(1,359,435)
Interest income from debt instruments at amortised cost	(150,247)	(363,264)
Unrealised fair value changes in financial assets at fair value through profit or loss	(1,398,465)	1,077,816
Unrealised fair value changes in financial liabilities at fair value through profit or loss	24,954	(8,805)
Unrealised fair value changes in derivatives	25,682	(384,103)
Operating cash flows before movements in working capital	<u>6,797,062</u>	<u>6,571,544</u>

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Operating cash flows before movements in working capital	6,797,062	6,571,544
(Increase)/Decrease in advances to customers	(3,474,804)	6,378,285
Increase in interest receivable	—	(72,066)
Decrease/(Increase) in financial assets held under resale agreements	7,985,032	(4,946,856)
Decrease in financial assets at fair value through profit or loss	2,400,969	5,827,102
Increase in deposits with exchanges and non-bank financial institutions	(894,495)	(2,269,835)
(Increase)/Decrease in pledged restricted bank deposits	(233,280)	49,033
Decrease/(Increase) in other assets	1,352,565	(15,506,824)
Decrease/(Increase) in clearing settlement funds – clients	1,112,400	(928,174)
(Increase)/Decrease in cash held on behalf of customers	(22,924,824)	2,028,358
Decrease in financial liabilities at fair value through profit or loss	(114,806)	(1,578,389)
Increase/(Decrease) in accounts payable to brokerage clients	23,614,820	(1,051,383)
Increase/(Decrease) in accrued staff costs	90,036	(2,264,998)
(Decrease)/Increase in other accounts payable, other payables and accruals and other liabilities	(4,950,596)	15,013,550
(Decrease)/Increase in financial assets sold under repurchase agreements	(5,940,317)	10,325,659
(Decrease)/Increase in amounts due to banks and other financial institutions	(8,108,733)	11,490,281
Increase in provision	400,624	—
Cash (used in)/from operations	(2,888,347)	29,065,287
Income taxes paid	(1,561,078)	(1,300,332)
Interest paid	(1,293,542)	(1,507,166)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(5,742,967)	26,257,789

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
INVESTING ACTIVITIES		
Dividends and interests received from investments	1,719,177	1,634,260
Purchases of property and equipment and other intangible assets	(154,419)	(232,144)
Proceeds from disposal of property and equipment and other intangible assets	1,054	668
Capital injection to associates	(45,158)	(159,540)
Proceeds from disposals of partial interest in associates	44,186	—
Capital injection to joint ventures	(2,328)	(127,888)
Proceeds from disposals of partial interest in joint ventures	7,236	9,779
Acquisition of a subsidiary	(60,861)	—
Purchase or proceeds from disposal of financial instruments at fair value through other comprehensive income, net	(8,772,986)	(15,455,749)
Purchase or proceeds from disposal of debt instruments at amortised cost, net	3,157,741	197,376
NET CASH USED IN INVESTING ACTIVITIES	(4,106,358)	(14,133,238)

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Dividends paid to shareholders and non-controlling interests	(90)	(43,948)
Repayment of borrowings interest	(135,057)	(139,034)
Repayment of short-term financing payables and bonds interest	(1,867,596)	(1,820,126)
Repayment of long-term loans interest	(122,181)	(87,358)
Capital injection from non-controlling shareholders	—	122,447
Capital reduction by non-controlling shareholders	(8,000)	(12,000)
Proceeds from short-term financing payables and bonds issued	42,080,033	23,510,852
Repayment of short-term financing payables and bonds	(22,226,400)	(26,314,000)
Proceeds from borrowings	677,840	848,000
Repayment of borrowings	(3,027,094)	(668,561)
Proceeds from long-term loans	5,920,243	1,307,050
Repayment of long-term loans	(7,173,105)	(389,087)
Repayment of principal and interest on notes payable	(105,430)	(9,131)
Payment of principal and interest on lease liabilities	(101,893)	—
Repayment of other financing activities	(58,500)	(576)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	13,852,770	(3,695,472)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,003,445	8,429,079
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21,285,579	11,729,410
Effect of foreign exchange rate changes	3,807	12,435
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	25,292,831	20,170,924

The accompanying notes form an integral part of this interim financial information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. GENERAL

With the approval of the People's Bank of China, Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank) established a securities department on 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 laws. 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 condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The unaudited interim financial information was approved by the Board of Directors (the "Board") on August 29, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES**Basis of preparation**

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

Except as described below, the principal accounting policies adopted in the preparation of the interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2018.

Changes on accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new and revised standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16	<i>Leases</i>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatment</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term interests in associates and joint ventures</i>
<i>Annual Improvements</i> <i>2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except as described below, the application of the new and revised IFRSs do not have significant impact on the interim condensed consolidated financial statements of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – *continued*

IFRS 16 Leases

IFRS 16 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 principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to sets out the account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

Notes to the Condensed Consolidated Financial Statements*For the six months ended 30 June 2019***2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – continued****IFRS 16 Leases – continued***As a lessee – Leases previously classified as operating leases*

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied lease exemptions to leases with a lease term that ends within 12 months from the date of initial application and lease contracts for which the underlying asset is of low value.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics, and excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – *continued*

IFRS 16 Leases – *continued*

As a lessee – Leases previously classified as operating leases – *continued*

Impacts on transition – *continued*

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	Increase/ (decrease) RMB' 000 Unaudited
Assets	
Right-of-use assets	821,407
Prepaid lease payments	(298,459)
Other accounts receivable, other receivables and prepayments	<u>(23,433)</u>
Total assets	<u><u>499,515</u></u>
Liabilities	
Lease liabilities	498,790
Other accounts payable, other payables and accruals	<u>725</u>
Total liabilities	<u><u>499,515</u></u>
Total adjustment on equity	<u><u>—</u></u>
Retained earnings	—
Non-controlling interests	—

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – continued**IFRS 16 Leases – continued***As a lessee – Leases previously classified as operating leases – continued*Impacts on transition – *continued*

The lease liabilities as at 1 January 2019 can be reconciled from the operating lease commitments as of 31 December 2018 as follows:

	RMB' 000
Operating lease commitments as at 31 December 2018	667,607
Less: The commencement date of which is later than 1 January 2019	11,088
Weighted average incremental borrowing rate as at 1 January 2019	4.87%
Discounted operating lease commitments at 1 January 2019	581,219
Less:	
Commitments relating to short-term leases	17,032
Commitments relating to leases with a remaining lease term ending on or before 31 December 2019	<u>65,397</u>
Lease liabilities as at 1 January 2019	<u><u>498,790</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

- Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – *continued*

IFRS 16 Leases – *continued*

Summary of new accounting policies – continued

- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – continued**IFRS 16 Leases – continued**

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			Lease Liabilities RMB' 000
	Buildings	Leasehold land	Total	
	RMB' 000	RMB' 000	RMB' 000	
As at 1 January 2019	522,948	298,459	821,407	498,790
Additions	137,243	—	137,243	136,894
Transfers during this period	—	(154,043)	(154,043)	—
Depreciation	(101,601)	(4,814)	(106,415)	—
Interest expense	—	—	—	13,424
Payments	—	—	—	(101,893)
Effect of foreign exchange rate changes	(29)	—	(29)	(20)
As at 30 June 2019	558,561	139,602	698,163	547,195

The Group recognised rent expense from short-term leases of RMB85.38 million, leases of low-value assets of nil and variable lease payments of nil for the six months ended 30 June 2019.

Changes in accounting estimates

With effect from 1 January 2019, the Group made a change in depreciation estimates. The estimated useful life of the following categories property and equipment has been changed. The change has been applied prospectively and the impact on these condensed consolidated financial statements was not significant.

Classes	Useful lives before change	Useful lives after change
Properties and buildings	30-35 years	30-50 years
Improvements	5 years	5-10 years
Electronic and communication equipment	5 years	3-5 years

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. SEGMENT REPORTING

The Group's operating segments are consistent with the Group's consolidated financial statements for the year ended 31 December 2018.

The operating and reportable segment information provided to the chief operating decision maker for the six months ended 30 June 2019 and 2018 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
Unaudited								
For the six months ended								
30 June 2019								
Segment revenue and results								
Segment revenue	510,842	5,474,068	4,865,529	3,706,610	212,136	14,769,185	—	14,769,185
Segment other income and gains or losses	1,170	769,692	4,230	(362,621)	473,454	885,925	—	885,925
Segment revenue and other income	512,012	6,243,760	4,869,759	3,343,989	685,590	15,655,110	—	15,655,110
Segment expenses	(247,718)	(4,045,327)	(2,944,021)	(1,575,654)	(1,445,060)	(10,257,780)	—	(10,257,780)
Segment results	264,294	2,198,433	1,925,738	1,768,335	(759,470)	5,397,330	—	5,397,330
Share of results of associates and joint ventures	—	22	(607)	228,058	23,053	250,526	—	250,526
Profit/(loss) before income tax	264,294	2,198,455	1,925,131	1,996,393	(736,417)	5,647,856	—	5,647,856
Unaudited								
As at 30 June 2019								
Segment assets and liabilities								
Segment assets	383,430	93,396,059	141,109,256	35,698,270	129,239,027	399,826,042	(1,411,000)	398,415,042
Deferred tax assets								991,658
Group's total assets								399,406,700
Segment liabilities	172,865	82,786,067	53,672,186	14,274,222	154,984,653	305,889,993	—	305,889,993
Deferred tax liabilities								163,919
Group's total liabilities								306,053,912

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. 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
Unaudited								
For the six months ended								
30 June 2018								
Segment revenue and results								
Segment revenue	583,076	5,616,393	2,505,347	2,263,377	137,092	11,105,285	—	11,105,285
Segment other income and gains or losses	2,297	46,320	(21,778)	(134,768)	423,106	315,177	—	315,177
Segment revenue and other income	585,373	5,662,713	2,483,569	2,128,609	560,198	11,420,462	—	11,420,462
Segment expenses	(217,888)	(3,174,170)	(2,428,974)	(1,148,455)	(1,046,265)	(8,015,752)	—	(8,015,752)
Segment results	367,485	2,488,543	54,595	980,154	(486,067)	3,404,710	—	3,404,710
Share of results of associates and joint ventures	—	—	7,010	310,983	13,848	331,841	—	331,841
Profit/(loss) before income tax	367,485	2,488,543	61,605	1,291,137	(472,219)	3,736,551	—	3,736,551
Audited								
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								<u>389,105,946</u>
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								<u>300,476,772</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Securities brokerage business commission and fee income	2,290,046	1,945,992
Asset management and fund management fee income	1,993,448	1,861,162
Underwriting and sponsorship fees	459,939	434,544
Consultancy and financial advisory fee income	115,350	170,918
Futures brokerage business commission and fee income	145,078	152,233
Others	92,262	49,416
	<u>5,096,123</u>	<u>4,614,265</u>

5. INTEREST INCOME

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Margin financing and securities lending	1,740,019	2,232,449
Debt instruments at fair value through other comprehensive income	1,548,591	1,346,441
Deposits with exchanges and financial institutions	1,124,956	1,078,526
Financial assets held under resale agreements	730,838	853,355
Debt instruments at amortised cost	150,247	363,264
Leasing business	165,154	174,628
Others	21,770	45,058
	<u>5,481,575</u>	<u>6,093,721</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	49,941	44,134
Net realised gains/(losses) from disposal of financial instruments at fair value through profit or loss	1,339,354	(483,819)
Dividend income and interest income from financial instruments at fair value through profit or loss	1,449,069	1,584,499
Dividend income from financial instruments at fair value through other comprehensive income	8,604	12,994
Net realised gains/(losses) from derivatives and others (Note)	82,832	(132,189)
Unrealised fair value changes of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	1,398,465	(1,077,816)
– Financial liabilities at fair value through profit or loss	(24,954)	8,805
– Derivatives	(111,824)	440,691
	<u>4,191,487</u>	<u>397,299</u>

Note: Included the gains or losses related to an investment fund, GTEC Pandion Multi-Strategy Fund SP amounting to USD44.33 million (approximately RMB300.17 million). Please refer to note 12 for details.

7. OTHER INCOME AND GAINS OR LOSSES

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Trading business income	745,441	1,033
Third-party interests in consolidated structured entities	(424,540)	(140,931)
Government grants	473,804	441,986
Commission from tax withholding and remitting	9,884	9,606
Gain on disposal of associates and joint ventures	62,978	—
Others	18,358	3,483
	<u>885,925</u>	<u>315,177</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Depreciation of property and equipment	153,315	115,339
Depreciation of investment properties	1,437	868
Depreciation of right-of-use assets	106,415	—
Amortisation of prepaid lease payments	—	4,814
Amortisation of other intangible assets	49,405	48,940
	310,572	169,961

9. STAFF COSTS

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Salaries, bonuses and allowances and other long-term benefits	2,630,923	1,926,766
Short-term social welfares	157,009	141,579
Defined contribution plans	182,354	241,817
Others	161,688	148,316
	3,131,974	2,458,478

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

10. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Securities and futures brokerage business expenses	120,139	118,326
Underwriting and sponsorship fee expenses	18,622	12,244
Other service expenses	13,424	27,748
	<u>152,185</u>	<u>158,318</u>

Note: Distribution expenses for fund and asset management business amounting to RMB358.30 million (six months ended 30 June 2018: RMB335.47 million) are classified under other operating expenses described in note 12.

11. INTEREST EXPENSES

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Borrowings	132,089	131,797
Due to banks and other financial institutions	100,765	372,564
Accounts payable to brokerage clients	113,661	94,849
Financial assets sold under repurchase agreements	919,195	1,068,665
Gold leasing	86,990	54,388
Structured notes	212,709	241,044
Corporate bonds	1,523,731	1,254,087
Subordinated bonds	534,067	601,885
Long-term loans	117,271	102,822
Lease liabilities	13,424	—
Others	47,241	50,043
	<u>3,801,143</u>	<u>3,972,144</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Trading business costs	745,343	—
General and administrative expenses	304,618	309,355
Taxes and surcharges	65,144	55,583
Rents and utilities	125,504	205,285
Distribution expenses for fund and asset management business	358,299	335,466
Post and telecommunications expenses	95,712	83,676
Securities and futures investor protection funds	113,183	43,004
Advertisement and business development expenses	45,534	51,482
Provision expenses (Note)	394,626	—
Sundry expenses	149,330	77,475
	<u>2,397,293</u>	<u>1,161,326</u>

Note: As mentioned in the 2018 annual report, a controlled investment fund of the Group named GTEC Pandion Multi-Strategy Fund SP (the "Fund"), which mainly invests in FX derivatives, was established in 2016 in accordance with the laws of Cayman Islands. As at December 31 2018, GF Investments (Hong Kong) Company Limited invested in 99.90% shareholding of the Fund and the Fund was managed by and advised by the Group's two wholly owned subsidiaries (the "Group's Subsidiaries").

During the current period, the prime broker of the Fund terminated the contracts with the Fund in accordance with the ISDA agreement and served the calculation statement regarding the amount due as a result of the termination of the contracts. In June 2019, a receivership order was made by the Grand Court of the Cayman Islands in relation to the Fund. Subsequent to the appointment of the receiver, management considers that the Group has lost power over the Fund and accordingly the Fund shall not be consolidated by the Group. The cash consideration arising from losing control of the Fund was nil. Any investment gains or losses of the Fund prior to the date of deconsolidation, as well as the gain on deconsolidation of the Fund are recorded under "Net Investment Gains" in the consolidated income statement, the total amount of which is a gain of USD44.33 million (approximately RMB300.17 million).

In connection with the above, potential litigation may arise against the Group's Subsidiaries. The Group recognized a provision of USD58.27 million (approximately RMB394.63 million) in these financial statements as of 30 June 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

13. CREDIT LOSS EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Debt instruments at amortised cost (Note 19)	119,983	37,890
Debt instruments at fair value through other comprehensive income (Note 21)	180,653	39,262
Advances to customers (Note 22)	70,612	(34,507)
Accounts receivable (Note 23)	50,986	4,679
Financial leasing receivables (Note 25)	54,053	10,100
Financial assets held under resale agreements (Note 26)	(30,590)	34,583
Others	18,738	3,493
	464,435	95,500

14. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	1,265,427	1,020,782
Hong Kong Profits Tax	—	1,724
Subtotal	1,265,427	1,022,506
Deferred income tax (Note 33)	(57,334)	(294,190)
	1,208,093	728,316

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15. EARNINGS PER SHARE

The calculation of earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	<u>4,140,017</u>	<u>2,858,276</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>0.54</u>	0.38
– Diluted	<u>0.54</u>	<u>0.38</u>

There were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2019 and 2018, thus, the diluted earnings per share were the same as the basic earnings per share.

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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. PROPERTY AND EQUIPMENT

	Properties and buildings RMB' 000	Electronic and communication equipment RMB' 000	Motor vehicles RMB' 000	Office equipment RMB' 000	Improvements RMB' 000	Construction in progress RMB' 000	Total RMB' 000
<u>Unaudited</u>							
Cost							
As at 1 January 2019	802,786	912,993	126,541	166,129	612,293	1,429,391	4,050,133
Additions	—	33,108	1,673	2,761	6,477	455,428	499,447
Acquisitions of a subsidiary	—	247	—	258	354	—	859
Transfers during this period	741,192	44,483	—	133,696	283,955	(1,884,819)	(681,493)
Disposals/written-off	(465)	(10,672)	(2,701)	(2,888)	(10,814)	—	(27,540)
Effect of foreign currency exchange differences	—	201	22	48	253	—	524
As at 30 June 2019	<u>1,543,513</u>	<u>980,360</u>	<u>125,535</u>	<u>300,004</u>	<u>892,518</u>	<u>—</u>	<u>3,841,930</u>
Accumulated depreciation and impairment							
As at 1 January 2019	369,199	574,135	76,859	120,990	479,137	—	1,620,320
Charge for the period	18,178	79,420	7,440	15,401	32,876	—	153,315
Acquisitions of a subsidiary	—	182	—	153	315	—	650
Transfers during this period	(12,359)	—	—	—	—	—	(12,359)
Disposals/written-off	(269)	(10,626)	(2,703)	(2,826)	(9,595)	—	(26,019)
Effect of foreign currency exchange differences	—	180	13	35	142	—	370
As at 30 June 2019	<u>374,749</u>	<u>643,291</u>	<u>81,609</u>	<u>133,753</u>	<u>502,875</u>	<u>—</u>	<u>1,736,277</u>
Carrying values							
As at 30 June 2019	<u>1,168,764</u>	<u>337,069</u>	<u>43,926</u>	<u>166,251</u>	<u>389,643</u>	<u>—</u>	<u>2,105,653</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. PROPERTY AND EQUIPMENT – continued

	Properties 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
Audited							
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	<u>802,786</u>	<u>912,993</u>	<u>126,541</u>	<u>166,129</u>	<u>612,293</u>	<u>1,429,391</u>	<u>4,050,133</u>
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
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	<u>369,199</u>	<u>574,135</u>	<u>76,859</u>	<u>120,990</u>	<u>479,137</u>	<u>—</u>	<u>1,620,320</u>
Carrying values							
As at 31 December 2018	<u>433,587</u>	<u>338,858</u>	<u>49,682</u>	<u>45,139</u>	<u>133,156</u>	<u>1,429,391</u>	<u>2,429,813</u>

As at 30 June 2019, the Group's property and equipment amounting to RMB391.54 million (31 December 2018: RMB433.59 million) included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, and therefore the entire lease is classified as finance lease and accounted for as property and equipment.

The Group is still in the process of applying for the title certificates for its properties and buildings with a carrying value of RMB791.40 million as at 30 June 2019 (31 December 2018: RMB14.94 million). The directors of the Company consider that this will not have a significant impact on these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

17. INVESTMENTS IN ASSOCIATES

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Cost of unlisted investments in associates	1,560,141	1,833,591
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>2,147,727</u>	<u>2,073,357</u>
	3,707,868	3,906,948
Unlisted investment in an associate at fair value through profit or loss (Note)	<u>232,390</u>	<u>171,115</u>
	<u>3,940,258</u>	<u>4,078,063</u>

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB232.39 million (31 December 2018: RMB171.12 million) held through GF Xinde Capital Management Limited, a venture capital organisation and an indirect 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 30 June 2019. Note 49 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 30.6.2019	As at 31.12.2018	
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 businesses

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. INVESTMENTS IN JOINT VENTURES

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Cost of unlisted investments in joint ventures	2,331,445	1,345,657
Share of post-acquisition profits and other comprehensive income, net of dividends received	4,888	(3,601)
	<u>2,336,333</u>	<u>1,342,056</u>

19. DEBT INSTRUMENTS AT AMORTISED COST

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Debt securities	1,114,587	1,647,452
Entrusted loans	4,771	25,356
Secured loan receivables	360,469	312,420
Unsecured loan receivables	16,007	3,832
Asset management schemes launched by securities companies	404,763	535,224
Less: Allowance for ECLs	149,717	137,766
	<u>1,750,880</u>	<u>2,386,518</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	665,169	1,016,599
Unlisted	1,085,711	1,369,919
	<u>1,750,880</u>	<u>2,386,518</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

19. DEBT INSTRUMENTS AT AMORTISED COST – *continued*

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Current		
Debt securities	1,646,859	3,337,955
Entrusted loans	17,387	35,992
Secured loan receivables	396,706	452,566
Unsecured loan receivables	328,861	62,381
Asset management schemes launched by securities companies	288,622	709,420
Less: Allowance for ECLs	220,420	84,693
	<u>2,458,015</u>	<u>4,513,621</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	837,048	2,968,502
Unlisted	1,620,967	1,545,119
	<u>2,458,015</u>	<u>4,513,621</u>
Total	<u>4,208,895</u>	<u>6,900,139</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

19. DEBT INSTRUMENTS AT AMORTISED COST – continued

Movement of allowance for ECLs during the period/year is as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
At beginning of period/year	222,459	183,548
Acquisition of a subsidiary	27,485	—
Impairment losses for the period/year	119,983	36,345
Effect of foreign currency exchange differences	210	2,566
	<u>370,137</u>	<u>222,459</u>
At 30 June 2019/31 December 2018		

As at 30 June 2019, the allowance for ECLs of Stage 1, Stage 2 and Stage 3 were RMB17.94 million, RMB3.67 million and RMB348.53 million (31 December 2018: 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
China Securities Finance Co., Ltd. ⁽ⁱ⁾	10,767,958	10,070,729
Jilin Aodong Pharmaceutical Group Co., Ltd.	709,892	624,999
E-Capital Transfer	80,000	80,000
Others	17,671	18,282
	<u>11,575,521</u>	<u>10,794,010</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱⁱ⁾	709,892	624,999
Unlisted	<u>10,865,629</u>	<u>10,169,011</u>
	<u>11,575,521</u>	<u>10,794,010</u>

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 period ended 30 June 2019, the Group received dividends in the amount of RMB8.60 million from Jilin Aodong Pharmaceutical Group Co., Ltd.

As at 30 June 2019, the Group entered into securities lending arrangements with clients that resulted in the transfer of equity instruments at fair value through other comprehensive income ("FVTOCI") with a total fair value of RMB0.32 million (31 December 2018: transfer of equity instrument at fair value through other comprehensive income with a total fair value of RMB0.14 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 49.

- (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Current		
Debt securities	<u>88,389,126</u>	<u>79,513,048</u>
Analysed as:		
Listed in Hong Kong	1,302,474	1,831,391
Listed outside Hong Kong ⁽ⁱ⁾	33,417,322	35,594,179
Unlisted	<u>53,669,330</u>	<u>42,087,478</u>
	<u>88,389,126</u>	<u>79,513,048</u>

Movement of allowance for ECLs during the period/year is as follows:

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
At beginning of period/year	233,826	95,083
Impairment losses for the period/year	180,653	137,151
Effect of foreign currency exchange differences	<u>131</u>	<u>1,592</u>
At 30 June 2019/31 December 2018	<u>414,610</u>	<u>233,826</u>

As at 30 June 2019, the allowance for ECLs of Stage 1, Stage 2 and Stage 3 were RMB117.44 million, nil and RMB297.17 million (31 December 2018: RMB121.05 million, RMB86.24 million and RMB26.54 million).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

22. ADVANCES TO CUSTOMERS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Restricted equity incentive financing	6,806	171,298
Less: Allowance for ECLs	<u>37</u>	<u>581</u>
	<u>6,769</u>	<u>170,717</u>
Current		
Loans to margin clients	48,843,428	45,051,309
Restricted equity incentive financing	129,414	282,237
Less: Allowance for ECLs	<u>222,216</u>	<u>148,957</u>
	<u>48,750,626</u>	<u>45,184,589</u>
Total	<u><u>48,757,395</u></u>	<u><u>45,355,306</u></u>

Movements of allowance for ECLs during the period/year are as follows:

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
At beginning of period/year	149,538	146,149
Impairment losses for the period/year	70,612	(3,506)
Effect of foreign currency exchange differences	<u>2,103</u>	<u>6,895</u>
At 30 June 2019/31 December 2018	<u><u>222,253</u></u>	<u><u>149,538</u></u>

As at 30 June 2019, the allowance for ECLs of Stage 1, Stage 2 and Stage 3 were RMB30.46 million, RMB2.04 million and RMB189.75 million (31 December 2018: RMB53.07 million, RMB17.19 million and RMB79.27 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

23. ACCOUNTS RECEIVABLE

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Accounts receivable from/related to:		
Current		
Commission and fee	1,211,000	966,370
Brokers	453,666	2,672,693
Cash clients	70,182	245,679
Clearing house	55,998	10,518
Others	753,164	486,328
Less: Allowance for ECLs	160,695	109,695
	<u>2,383,315</u>	<u>4,271,893</u>

The following is an aging analysis of accounts receivable net of allowance for ECLs:

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Current		
Within 1 year	2,258,268	4,096,967
Between 1 and 2 years	88,236	128,512
Between 2 and 3 years	7,897	18,153
More than 3 years	28,914	28,261
	<u>2,383,315</u>	<u>4,271,893</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

23. ACCOUNTS RECEIVABLE – continued

Movements of allowance for ECLs during the period/year are as follows:

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
At beginning of period/year	109,695	78,755
Impairment losses for the period/year	50,986	30,779
Amounts written off as uncollectible	(3)	—
Effect of foreign currency exchange differences	17	161
	<hr/>	<hr/>
At 30 June 2019/31 December 2018	160,695	109,695

24. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Receivables arising from sale and leaseback arrangements	240,160	—
Investment prepayments	229,000	—
Other long-term assets	794,759	—
Less: Allowance for ECLs	5,230	—
	<hr/>	<hr/>
	1,258,689	—
Current		
Receivables arising from sale and leaseback arrangements	286,551	—
Other receivables	427,016	418,932
Others	228,518	353,230
Less: Allowance for ECLs/Allowance for impairment	20,722	6,758
	<hr/>	<hr/>
	921,363	765,404
	<hr/>	<hr/>
Total	2,180,052	765,404

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – continued

Movements of allowance for ECLs/allowance for impairment during the period/year are as follows:

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
At beginning of period/year	6,758	6,440
Impairment losses for the period/year	19,338	635
Amounts written off as uncollectible	(145)	(353)
Effect of foreign currency exchange differences	1	36
	<hr/>	<hr/>
At 30 June 2019/31 December 2018	25,952	6,758
	<hr/> <hr/>	<hr/> <hr/>

25. FINANCIAL LEASING RECEIVABLES

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Analysed as:		
Current assets	1,773,428	1,940,896
Non-current assets	2,077,691	2,900,616
	<hr/>	<hr/>
	3,851,119	4,841,512
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25. FINANCIAL LEASING RECEIVABLES – continued

Minimum lease payments to be received and the corresponding present value are as follows:

	As at 30 June 2019		As at 31 December 2018	
	Minimum lease payments RMB' 000 (unaudited)	Present value RMB' 000 (unaudited)	Minimum lease payments RMB' 000 (audited)	Present value RMB' 000 (audited)
Within 1 year	2,021,184	1,845,964	2,180,750	1,964,254
1 to 5 years	2,281,895	2,114,001	3,189,148	2,932,051
Total	4,303,079	3,959,965	5,369,898	4,896,305
Less: Unrealised finance income	343,114	N/A	473,593	N/A
Balance of financial leasing receivables	3,959,965	3,959,965	4,896,305	4,896,305
Less: Allowance for ECLs	108,846	108,846	54,793	54,793
Financial leasing receivables, net	3,851,119	3,851,119	4,841,512	4,841,512

As at 30 June 2019, the effective interest rate is ranged from 5% to 10% (31 December 2018: 5% to 13%) per annum.

Movements of allowance for ECLs during the period/year are as follows:

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
At beginning of period/year	54,793	23,382
Impairment losses for the period/year	54,053	31,411
At 30 June 2019/31 December 2018	108,846	54,793

As at 30 June 2019, the allowance for ECLs of Stage 1, Stage 2 and Stage 3 were RMB27.57 million, RMB35.98 million and RMB45.30 million (31 December 2018: RMB53.74 million, RMB1.05 million and nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Analysed by collateral type:		
Stock ⁽ⁱ⁾	2,230,244	5,459,178
Bond ⁽ⁱⁱ⁾	—	1,132,244
Less: Allowance for ECLs	<u>8,354</u>	<u>35,456</u>
	<u>2,221,890</u>	<u>6,555,966</u>
Analysed by market:		
Stock exchanges	2,221,890	5,423,722
Over the counter	—	1,132,244
	<u>2,221,890</u>	<u>6,555,966</u>
Current		
Analysed by collateral type:		
Stock ⁽ⁱ⁾	12,926,171	17,598,151
Bond ⁽ⁱⁱ⁾	13,885,951	12,837,825
Less: Allowance for ECLs	<u>175,383</u>	<u>178,873</u>
	<u>26,636,739</u>	<u>30,257,103</u>
Analysed by market:		
Stock exchanges	13,046,212	18,493,017
Interbank bond market	12,807,914	11,621,233
Over the counter	<u>782,613</u>	<u>142,853</u>
	<u>26,636,739</u>	<u>30,257,103</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – continued

- (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 RMB50,296.45 million as at 30 June 2019 (31 December 2018: RMB57,067.78 million).
- (ii) Mainly for the 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 RMB17,402.68 million as at 30 June 2019 (31 December 2018: RMB15,399.66 million).

Movements of allowance for ECLs during the period/year are as follows:

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
At beginning of period/year	214,329	144,568
Impairment losses for the period/year	(30,590)	69,372
Effect of foreign currency exchange differences	(2)	389
	<hr/>	<hr/>
At 30 June 2019/31 December 2018	<u>183,737</u>	<u>214,329</u>

As at 30 June 2019, the allowance for ECLs of Stage 1, Stage 2 and Stage 3 were RMB69.98 million, RMB38.86 million and RMB74.90 million (31 December 2018: RMB122.17 million, RMB47.77 million and RMB44.39 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Financial assets held for trading and financial assets measured at FVTPL ⁽ⁱ⁾ :		
Listed equity securities	93,038	96,340
Unlisted equity instruments	5,629,282	5,087,588
Funds	262,322	216,063
Collective trusts	—	1,459
Convertible debt instruments	21,250	30,000
Convertible preference shares	14,926	—
Asset management schemes launched by securities companies ⁽ⁱⁱ⁾	1,012,573	1,005,158
	<u>7,033,391</u>	<u>6,436,608</u>
 Analysed as:		
Listed outside Hong Kong ^(iv)	93,038	96,340
Unlisted ^(v)	6,940,353	6,340,268
	<u>7,033,391</u>	<u>6,436,608</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – continued

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Current		
Financial assets held for trading and financial assets measured at FVTPL ⁽ⁱ⁾ :		
Debt securities	25,922,507	38,131,324
Listed equity securities	5,959,759	6,344,353
Funds	29,905,859	22,382,302
Convertible debt instruments	191,526	258,722
Asset management schemes launched by securities companies ^{(ii),(iii)}	9,093,238	9,904,935
Collective trusts	83,389	261,964
Wealth management products launched by banks ⁽ⁱⁱⁱ⁾	6,467,474	950,347
Other investments ⁽ⁱⁱⁱ⁾	1,901,053	2,898,719
Convertible preference shares	553,296	544,722
	<u>80,078,101</u>	<u>81,677,388</u>
Analysed as:		
Listed in Hong Kong	863,486	1,013,025
Listed outside Hong Kong ^(iv)	17,000,563	22,549,524
Unlisted ^(v)	62,214,052	58,114,839
	<u>80,078,101</u>	<u>81,677,388</u>
Total	<u>87,111,492</u>	<u>88,113,996</u>

As at 30 June 2019, the listed equity securities of the Group included approximately RMB600.73 million of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group from disposing of them within the specified period.

As at 30 June 2019, the Group entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss (“FVTPL”) (including equity securities and exchange traded funds) with a total fair value of RMB419.15 million (31 December 2018: RMB445.91 million) to clients. These securities continued to be recognised as financial assets of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

The fair value of the Group's FVTPL is determined in the manner described in note 49.

- (i) During the period, the Group classified the following FVTPL: 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 other comprehensive income.
- (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 RMB305.51 million as at 30 June 2019 (31 December 2018:RMB2,244.51 million).
- (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 interest in these asset management schemes managed by the Group is 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, convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

28. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2019		As at 31 December 2018	
	Assets RMB' 000 (unaudited)	Liabilities RMB' 000 (unaudited)	Assets RMB' 000 (audited)	Liabilities RMB' 000 (audited)
Interest rate derivatives				
– Interest rate swaps ⁽ⁱ⁾	1,288	15,440	732,083	8,266
– Standard bond forwards ⁽ⁱⁱ⁾	—	—	—	—
Currency derivatives				
– Currency swaps ⁽ⁱⁱⁱ⁾	—	—	—	1,886
– Currency forwards ^(iv)	39	—	6,951,384	7,303,396
– Currency options ^(v)	—	—	9,398,485	11,065,236
Equity derivatives				
– Stock index futures ^(vi)	1,878	2,806	2,789	336
– Over-the-counter options ^(vii)	29,037	13,205	35,629	42,531
– Structured notes ^(viii)	—	9,991	—	5,059
– Exchange-traded options ^(ix)	8,013	14,538	20,509	16,810
Credit derivatives				
– Credit default swaps ^(x)	483	799	786	727,150
Others				
– Treasury bond futures ^(xi)	—	7,080	—	4,241
– Commodity futures ^(xi)	—	—	—	—
– Variance swaps ^(xii)	—	—	393,059	574,568
– Others	1,454	188,954	1,931	129,549
	42,192	252,813	17,536,655	19,879,028

(i) Interest rate swaps: the notional principal amount of the Group's interest rate swaps contracts as at 30 June 2019 was RMB203,632.69 million (31 December 2018: RMB270,766.03 million).

(ii) Standard bond forwards: the notional principal amount of the Group's standard bond forwards contracts was RMB46.50 million as at 30 June 2019 (31 December 2018: RMB19.28 million).

(iii) Currency swaps: the notional principal amount of the Group's currency swaps was nil as at 30 June 2019 (31 December 2018: RMB1,029.33 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

28. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

- (iv) Currency forwards: the notional principal amount of the Group's currency forwards was RMB1.37 million as at 30 June 2019 (31 December 2018: RMB185,603.71 million).
- (v) Currency options: the notional principal amount of the Group's currency options was nil as at 30 June 2019 (31 December 2018: RMB874,557.54 million).
- (vi) 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 30 June 2019 and 31 December 2018. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the period end date. Balances as at 30 June 2019 are the unrealised profits and losses from stock index futures in the U.S., Hong Kong and Singapore. The notional principal amount of the Group's stock index futures contracts was RMB1,791.65 million as at 30 June 2019 (31 December 2018: RMB1,994.58 million).
- (vii) Over-the-counter options: the notional principal amount of the Group's over-the-counter options contracts was RMB9,460.13 million as at 30 June 2019 (31 December 2018: RMB16,257.04 million).
- (viii) The amount represents the fair value of embedded derivatives of structured notes, details of which are set out in notes 35 and 42.
- (ix) Exchange-traded options: the notional principal amount of the Group's exchange-traded options contracts was RMB710.72 million as at 30 June 2019 (31 December 2018: RMB1,150.56 million).
- (x) Credit default swaps: the notional principal amount of the Group's credit default swaps was RMB345.99 million as at 30 June 2019 (31 December 2018: RMB1,233.50 million).
- (xi) 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 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 30 June 2019 and 31 December 2018. Accordingly, the net position of the treasury bond futures contracts and commodity futures contracts in the PRC was nil at the period end date. Balances as at 30 June 2019 are the unrealised losses from treasury bond futures in Hong Kong.
- (xii) Variance swaps: The notional principal amount of the Group's variance swaps was nil as at 30 June 2019 (31 December 2018: RMB62,810.90 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

29. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Deposits with stock exchanges:		
Shanghai Stock Exchange	428,317	358,256
Shenzhen Stock Exchange	134,261	110,524
Hong Kong Stock Exchange	33,395	19,049
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	189,303	247,850
Shanghai Futures Exchange	1,002,502	919,387
Zhengzhou Commodity Exchange	288,161	404,671
Dalian Commodity Exchange	551,125	498,975
China Financial Futures Exchange	1,445,424	1,069,793
Intercontinental Exchange, Inc.	230,241	406,899
China Securities Finance Corporation Limited	175,918	295,638
Shanghai Clearing House	123,261	121,429
Guarantee fund paid to China Financial Futures Exchange	27,370	20,116
China Beijing Equity Exchange	2,774	2,284
LME Clear Limited	1,286,699	747,662
Brokers	1,243,427	1,031,166
Shanghai International Energy Exchange Co., Ltd	16,711	30,549
Others	604	750
	7,179,493	6,284,998

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

30. CLEARING SETTLEMENT FUNDS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Clearing settlement funds held with clearing houses for:		
House accounts	2,643,584	2,165,444
Clients	14,622,043	15,734,443
	<u>17,265,627</u>	<u>17,899,887</u>

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

31. BANK BALANCES

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Bank balances:		
House accounts	24,683,572	20,920,824
Cash held on behalf of customers ⁽ⁱ⁾	62,440,479	39,515,214
	<u>87,124,051</u>	<u>60,436,038</u>

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

- (i) The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 37).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Bank balances – house	22,650,655	19,121,189
Clearing settlement funds – house	2,642,176	2,164,390
	<u>25,292,831</u>	<u>21,285,579</u>

Cash and cash equivalents include bank deposits with original maturity of more than three months held by the Group. As at 30 June 2019, 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 2018: RMB2,000.00 million).

33. 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 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Deferred tax assets	991,658	1,085,526
Deferred tax liabilities	(163,919)	(138,467)
	<u>827,739</u>	<u>947,059</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

33. DEFERRED TAXATION – continued

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

	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	Allowance for impairment losses RMB' 000	Property and equipment RMB' 000	Others RMB' 000	Total RMB' 000
At 1 January 2018(audited)	(244,443)	(456,558)	919,191	111,517	(19,133)	56,433	367,007
Charge/(credit) to profit or loss	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(audited)	<u>270,544</u>	<u>(143,335)</u>	<u>635,625</u>	<u>150,129</u>	<u>(18,149)</u>	<u>52,245</u>	<u>947,059</u>
Acquisition of a subsidiary	—	—	—	5,282	—	—	5,282
Charge/(credit) to profit or loss (Note 14)	(315,157)	45,676	271,166	43,549	492	11,608	57,334
Charge/(credit) to other comprehensive income	(184)	(183,383)	—	—	—	1,631	(181,936)
At 30 June 2019(unaudited)	<u>(44,797)</u>	<u>(281,042)</u>	<u>906,791</u>	<u>198,960</u>	<u>(17,657)</u>	<u>65,484</u>	<u>827,739</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

34. BORROWINGS

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Secured short-term bank loans ⁽ⁱ⁾	535,129	679,001
Unsecured short-term bank loans ⁽ⁱⁱ⁾	2,742,121	4,825,514
	<u>3,277,250</u>	<u>5,504,515</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 30 June 2019, the total market value of securities pledged amounted to RMB2,115.77 million (31 December 2018: RMB3,592.38 million) and the credit facilities utilised amounted to RMB149.91 million (31 December 2018: RMB289.80 million), which bear interest rates of cost of fund rate of lending bank+1.10% (31 December 2018: HIBOR+0.95% or cost of fund rate of lending bank+1.10%) per annum.

The Group obtained several short-term loans amounting to RMB377.94 million (31 December 2018: RMB388.42 million) secured by rights and interests in financial leasing receivables. The loans bear fixed interest rates ranging from 6.10% to 7.00% (31 December 2018: 6.00% to 7.00%).

- (ii) As at 30 June 2019, the Group's unsecured short-term bank loans bear fixed interest rates ranging from 2.94% to 6.96% (31 December 2018: 5.66% to 6.96%), or variable interest rates ranging from LIBOR+1.25% to LIBOR+1.65% (31 December 2018: HIBOR+1.30% to HIBOR+1.65% or LIBOR+1.30%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

35. SHORT-TERM FINANCING PAYABLES

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Unsecured and unguaranteed:		
Short-term bonds (Note 1)	6,275,047	19,552,041
Short-term financing bills (Note 2)	5,012,379	—
Structured notes (Note 3)	6,123,751	4,497,699
	<u>17,411,177</u>	<u>24,049,740</u>

Note 1: Short-term bonds

The details of the short-term bond as at 30 June 2019 are as follows:

Name	Issue amount RMB' 000	Value date	Maturity date	Coupon rate
GF1805	6,000,000	10/07/2018	05/07/2019	4.70%

Note 2: Short-term financing bills

The details of short-term financing bills as at 30 June 2019 are as follows:

Name	Issue amount RMB' 000	Value date	Maturity date	Coupon rate
19GFPC001	1,999,901	13/05/2019	11/08/2019	2.98%
19GFPC002	2,999,852	13/06/2019	11/09/2019	3.07%

Note 3: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interests. The structured notes bear interest at fixed rates or variable rates 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

36. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Non-current		
Equity return swaps	<u>477,654</u>	<u>459,530</u>
Analysed as:		
Unlisted	<u>477,654</u>	<u>459,530</u>
Current		
Stocks	<u>—</u>	<u>107,976</u>
Analysed as:		
Listed in Hong Kong	<u>—</u>	<u>76,451</u>
Listed outside Hong Kong	<u>—</u>	<u>31,525</u>
	<u>—</u>	<u>107,976</u>
Total	<u>477,654</u>	<u>567,506</u>

The fair value of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 49.

37. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

As at 30 June 2019, accounts payable to brokerage clients of approximately RMB7,672.08 million (31 December 2018: RMB5,149.96 million) were related to margin deposits and cash collateral received from clients for margin financing and securities lending arrangements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

38. ACCRUED STAFF COSTS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Other long-term benefits	<u>2,236,228</u>	<u>2,245,763</u>
Current		
Salaries, bonuses and allowances	2,902,716	2,797,430
Short-term social welfares	735	934
Defined contribution plans	4,504	3,630
Others	<u>39,305</u>	<u>45,695</u>
	<u>2,947,260</u>	<u>2,847,689</u>
Total	<u><u>5,183,488</u></u>	<u><u>5,093,452</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

39. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Deposits of financial leasing business	112,650	124,615
Current		
Interest payable	27,145	15,585
Payables for open-ended fund clearing and other clearing	503,421	2,065,064
Payable to R&F ⁽ⁱ⁾	717,264	692,518
Other taxes	595,173	400,858
Commission payable and related accrued expenses for the sale of funds	322,549	418,621
Accrued expenses	235,648	134,889
Futures risk reserve	133,422	128,935
Block trade deposits	100,000	100,000
Funds risk reserve	160,898	136,508
Payables for equipment purchases	393,276	54,871
Payables for securities investor protection fund and futures investor protection fund	112,134	37,152
Project quality deposits ⁽ⁱⁱ⁾	40,000	40,000
Deposits of equity return swaps	30,046	170,220
Others	639,080	387,839
	4,010,056	4,783,060
Total	4,122,706	4,907,675

(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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

40. OTHER LIABILITIES

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Third-party interests in consolidated structured entities	<u>739,099</u>	<u>491,147</u>
Current		
Third-party interests in consolidated structured entities	<u>7,507,867</u>	<u>8,639,515</u>
Total	<u><u>8,246,966</u></u>	<u><u>9,130,662</u></u>

Third-party interests in consolidated structured entities 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 structured entities cannot be predicted with accuracy since the interests of third-party unit holders in consolidated structured are subject to market risk and the actions of third-party investors.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

41. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Current		
Analysed by collateral type:		
Bonds ⁽ⁱ⁾	71,979,598	84,470,267
Rights and interests in financial leasing receivables	—	41,368
Gold leasing ⁽ⁱⁱ⁾	7,836,819	1,121,149
Others	215,439	361,016
	<u>80,031,856</u>	<u>85,993,800</u>
Analysed by market:		
Stock exchanges	29,572,163	36,832,312
Interbank bond market	41,568,342	46,109,597
Shanghai gold exchange	7,836,819	1,221,982
Over the counter	1,054,532	1,829,909
	<u>80,031,856</u>	<u>85,993,800</u>
Total	<u>80,031,856</u>	<u>85,993,800</u>

(i) As at 30 June 2019, included in the balance was an amount of RMB4,162.62 million (31 December 2018: RMB20,911.13 million), which was secured by bonds borrowed from interbank bond market and stock exchange, which are not recognised in the condensed consolidated financial statements as it is the banks rather than the Group that subject to all the risks and returns of the bonds, and the fair value of such bonds is RMB4,320.86 million (31 December 2018: RMB22,384.38 million).

(ii) As at 30 June 2019, the fair value of gold transferred, which is from leasing and is not recognised in the condensed consolidated financial statements, was RMB8,646.83 million (31 December 2018: RMB1,138.40 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

42. BONDS PAYABLE

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Unsecured and unguaranteed:		
Non-current		
Corporate bonds (Note 1)	49,135,761	33,887,271
Subordinated bonds (Note 1)	12,100,000	8,100,000
Structured notes (Note 2)	8,200,988	2,335,536
	<u>69,436,749</u>	<u>44,322,807</u>
Current		
Corporate bonds (Note 1)	13,168,177	6,883,144
Subordinated bonds (Note 1)	10,617,035	15,267,968
Structured notes (Note 2)	2,370,792	2,223,135
	<u>26,156,004</u>	<u>24,374,247</u>
Total	<u><u>95,592,753</u></u>	<u><u>68,697,054</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

42. BONDS PAYABLE – continued

Note 1: Details of bonds as of 30 June 2019 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%
19GF01	3,000,000	01/02/2019	01/02/2022	3.90%
19GF02	4,000,000	21/02/2019	21/02/2022	4.00%
19GF03	7,737,600	01/03/2019	01/03/2022	3.70%
19GF05	3,200,000	15/03/2019	15/03/2022	4.00%
19GF06	3,300,000	24/05/2019	24/05/2022	4.10%
18GF Bond	50,000	19/02/2019	19/02/2020	6.50%
Subordinated bonds				
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%
19GFC1	4,000,000	21/01/2019	21/01/2022	4.15%

Note 2: Structured notes

The amounts represent principals received from investors for subscription of structured notes issued by the Company and accrued interests. As at 30 June 2019, the undue structured notes bear fixed interest rates ranging from 3.60% to 5.10% per annum (31 December 2018: 4.00% to 5.10%). Structured notes maturing within one year as at 30 June 2019 amounting to RMB2,370.79 million (31 December 2018: RMB2,223.14 million) are classified as current liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

43. LONG-TERM LOANS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Non-current		
Unsecured long-term loans ⁽ⁱ⁾	1,351,267	435,686
Secured long-term loans ⁽ⁱⁱ⁾	1,417,467	1,541,628
	<u>2,768,734</u>	<u>1,977,314</u>
Current		
Unsecured long-term loans ⁽ⁱ⁾	267,610	2,356,248
Secured long-term loans ⁽ⁱⁱ⁾	1,169,325	1,139,084
	<u>1,436,935</u>	<u>3,495,332</u>
Total	<u>4,205,669</u>	<u>5,472,646</u>

(i) As at 30 June 2019, the club loan amounting to RMB1,068.50 million (31 December 2018: RMB2,103.89 million) carried interest at variable interest rate of LIBOR+1.48% (31 December 2018: HIBOR +2.09%) per annum, and the interest is repayable monthly and the principal is repayable within three years. The remaining unsecured loans amounted to RMB550.38 million (31 December 2018: RMB688.05 million). The loans bear fixed interest rate from 4.75% to 7.25% (31 December 2018: 4.75% to 7.25%) per annum, with principals amounting to RMB263.93 million (31 December 2018: RMB248.31 million) due within one year, and principals amounting to RMB165.22 million (31 December 2018: RMB204.56 million) due within two years, and the remaining due within five years.

(ii) As at 30 June 2019, the Group obtained several long-term loans amounting to RMB2,586.79 million (31 December 2018: RMB2,680.71 million) which are secured by rights and interests in financial leasing receivables. The loans bear fixed interest rate ranging from 4.75% to 7.36% (31 December 2018: 4.75% to 7.36%) per annum, with principals amounted to RMB1,156.06 million (31 December 2018: RMB1,123.76 million) due within one year, and principals amounting to RMB622.23 million (31 December 2018: RMB1,157.26 million) due within two years, and the remaining due within five years.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

44. DIVIDENDS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Dividends recognised as distribution	<u>—</u>	<u>3,048,435</u>

Pursuant to the resolution the shareholders meeting held on 28 June 2019, the Company would not declare cash dividends for the year ended 31 December 2018.

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 RMB3.05 billion in total for the year ended 31 December 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

45. RELATED PARTY TRANSACTIONS

(1) Shareholders

Holding equity interest in shareholders and their subsidiaries

	As at 30 June 2019		As at 31 December 2018	
	Number of shares /bonds '000 (unaudited)	Carrying amount RMB'000 (unaudited)	Number of shares /bonds '000 (audited)	Carrying amount RMB'000 (audited)
Financial assets at FVTPL – stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	118	1,934	118	1,702
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	4	51	59	613
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	<u>3,833</u>	<u>79,183</u>	<u>4,106</u>	<u>52,512</u>
Financial assets at FVTPL – bonds				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	<u>899</u>	<u>90,819</u>	<u>1,028</u>	<u>98,748</u>
Financial assets at FVTOCI – stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	<u>43,312</u>	<u>709,892</u>	<u>43,312</u>	<u>624,999</u>

* The 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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

45. RELATED PARTY TRANSACTIONS – continued

(1) Shareholders – continued

Cash dividends arising from equity interests in shareholders and their subsidiaries

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd. *	8,687	13,029
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd. *	2,289	1,828

Transactions with a shareholder

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Commission and fee income		
中山公用事業集團股份有限公司 – Zhongshan Public Utilities Group Co., Ltd. *	3,642	3,642

Balances with a shareholder

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
	Other receivables	
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd. *	—	192

* The English names are translated for identification purposes only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

45. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties

Transactions with associates/joint ventures

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Commission and fee income		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	11,796	21,163
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.*	5,447	5,447
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*	1,368	1,368
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*	2,685	2,849
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.*	4,197	8,395
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. *	7,547	11,050
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. *	3,774	3,532
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 Enterprise L.P. *	1,828	1,544
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. *	—	920
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.*	5,283	5,283

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

45. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Transactions with associates/joint ventures – continued

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Commission and fee income – continued		
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.*	1,304	943
廣東股權交易中心股份有限公司		
– Guangdong Equity Exchange Co., Ltd.*	—	96
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.*	702	—
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.*	4,646	—
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.*	1,592	—
	<u>1,592</u>	<u>—</u>
Interest income		
– GHS Investment Management (Cayman) Company Limited	67	—
	<u>67</u>	<u>—</u>
Other income and gains or losses		
– Horizon Partners Fund, L.P.	427	—
	<u>427</u>	<u>—</u>
Interest expenses		
– Global Health Science Fund I, L.P.	313	404
– Global Health Science Fund II, L.P.	3,653	—
– Horizon Partners Fund, L.P.	58	83
	<u>58</u>	<u>83</u>
Other operating expenses		
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.*	1,536	1,543
珠海盈米財富管理有限公司		
– Zhuhai Yingmi Fortune Management Co., Ltd.*	4,545	2,950
	<u>4,545</u>	<u>2,950</u>

* The English names are translated for identification purposes only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

45. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Commission receivable for exchange trading units and distributing financial products		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	<u>6,725</u>	<u>6,246</u>
Custodian fee receivable		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	<u>483</u>	<u>442</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

45. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures – continued

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Fund management fee receivables		
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*	2,900	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
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.*	744	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.*	8,140	140
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.*	4,925	—
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.*	5,774	—
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*	<u>2,846</u>	<u>—</u>

* The English names are translated for identification purposes only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

45. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures – continued

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Amounts due from joint ventures – other receivables		
– GHS Investment Management (Cayman) Company Limited	7,826	7,744
– Global Health Science Fund II, L.P.	2,433	—
	<u> </u>	<u> </u>
Amount due from an associate – other receivable		
– Horizon Partners Fund, L.P.	—	13,725
	<u> </u>	<u> </u>
Amounts due to joint ventures – notes payable		
– Global Health Science Fund II, L.P.	233,847	264,727
– Global Health Science Fund I, L.P.	—	71,126
	<u> </u>	<u> </u>
Amounts due to associates – fund management fee income		
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. *	1,938	—
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. *	4,000	—
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.*	1,382	—
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.*	1,687	—
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.*	5,600	—
	<u> </u>	<u> </u>

* The English names are translated for identification purposes only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

45. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures – continued

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Amounts due to associates – notes payable and other payables		
– Horizon Partners Fund, L.P. 珠海盈米财富管理有限公司	3,718	3,653
– Zhuhai Yingmi Fortune Management Co., Ltd. *	<u>2,481</u>	<u>1,754</u>

* The English names are translated for identification purposes only.

(3) Key management personnel

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

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Short-term benefits		
– Salaries, allowance and bonuses	12,191	20,849
Post-employment benefits		
– Employer's contribution to pension schemes/annuity schemes	<u>363</u>	<u>750</u>
Total	<u>12,554</u>	<u>21,599</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

46. CAPITAL COMMITMENTS

	As at 30 June 2019 RMB' 000 (unaudited)	As at 31 December 2018 RMB' 000 (audited)
Capital expenditure in respect of acquisition of property and equipment: – Contracted but not provided for	<u>54,656</u>	<u>606,975</u>

47. OPERATING LEASE COMMITMENTS

	As at 31 December 2018 RMB' 000 (audited)
Within one year	271,657
In the second to fifth years, inclusive	356,657
Over five years	<u>39,293</u>
Total	<u><u>667,607</u></u>

48. FINANCIAL RISK MANAGEMENT

48.1 Risk management policies and organisation structure

(1) Risk management policies

The objective of risk management of the Group is to strike for an appropriate balance between risks and revenue and to minimise 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 maximise 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 analyse the risks with which the Group are 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 focuses on specific aspects; and be people-oriented", and follow the Five Basic Principles, "comprehensive management; objectiveness and fairness; checks and balance; separate and clear duties and power; and openness and transparency".

The risks that the Group 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 indicators, risk limits, risk policies and internal control processes. The Group also manages risks with information system on a continuous monitoring basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

48. FINANCIAL RISK MANAGEMENT – *continued*

48.1 Risk management policies and organisation structure – *continued*

(2) *Structure of the risk-management organisation*

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 organisations have been set up in all major business departments of the Company. Organisations and staffs of all levels perform their authorised 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, performs risk assessment before the projects are implemented, and performs 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.

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, money laundering 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. 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, organising and carrying out money laundering risk management, prevention and control in accordance with the Company’s anti-money laundering management policy, 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 checking, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedure, and operating management performance.

48. FINANCIAL RISK MANAGEMENT – *continued*

48.2 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 that the Group is exposed to mainly relates to the following assets: (i) fixed income financial assets; and (ii) financing businesses such as margin financing, financial leasing receivables and financial assets held under resale agreements (mainly refer to security transactions with repurchase agreement and stock-pledged repo).

Fixed income financial assets include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions, accounts receivable 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.

The credit risk of 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 over-the-counter derivative transactions, the Group applies measures such as using Central Counterparty (CCP) settlement, collaterals, guarantees, netting agreements, credit derivatives, etc. to mitigate or even eliminate counterparty risks, and adopts the credit rating management, establishment of client admission criteria, credit limit control, authorisation setting for a single transaction, investment limit control and other measures to manage related counterparty credit risks.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

48. FINANCIAL RISK MANAGEMENT – *continued*

48.2 Credit risk – *continued*

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 facility management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conduction 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 period, the Group's impairment assessment are based on an expected credit loss model. The Group applies simplified approach to measure ECLs on accounts receivable, other accounts receivable, other receivables and prepayments, contract assets 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, debt instruments at amortised cost and financial leasing receivables as well as debt instruments accounted for at FVTOCI. Under the simplified approach, the Group measures the allowance at an amount equal to the lifetime ECL. Under the general approach, the Group measures the allowance of financial assets in 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 Condensed Consolidated Financial Statements*For the six months ended 30 June 2019***48. FINANCIAL RISK MANAGEMENT – continued****48.2 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 forward-looking 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 date of the statement of financial position 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

- At the reporting 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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

48. FINANCIAL RISK MANAGEMENT – *continued*

48.2 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, has 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; and
- 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.

48. FINANCIAL RISK MANAGEMENT – *continued*

48.2 Credit risk – *continued*

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.

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 based 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

Both the assessment of a significant increase in credit risk and the calculation of ECL 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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

48. FINANCIAL RISK MANAGEMENT – *continued*

48.3 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 risks.

The management of the Group determines the policy for the maximum market exposure the Group is willing to assume, and 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 managing market risks through the combination of investment transaction control, Value at Risk, sensitivity analysis, stress testing, risk assessment and monitoring of profit and loss, concentration and liquidity.

The risk management department of the Group (“Risk Management Department”), which is independent from business departments, performs comprehensive assessment, monitoring and management on the overall market risk of the Group, and reports the assessment and monitoring results to each business department, the 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.

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 case are estimated through stress testing.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

48. FINANCIAL RISK MANAGEMENT – *continued*48.3 Market risk – *continued**Interest rate risk*

Interest rate risk is the risk of fluctuation in the Group's financial position and 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 government bonds, financial 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 indicators (duration, convexity and DV01, etc.) to measure and monitor the interest rate risk of fixed income investment portfolio on a daily basis.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. Assuming interest-bearing assets and liabilities outstanding at the end of the respective reporting period were outstanding for the whole period and other variables held constant, the analysis is performed to show the impact on profit before income tax and other comprehensive income before income tax due to a 100 basis points increase or decrease in the relevant interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Profit before income tax for the period		
Increase by 100bps	(427,913)	(842,663)
Decrease by 100bps	467,469	876,691
	Six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Other comprehensive income before income tax		
Increase by 100bps	(1,038,623)	(651,396)
Decrease by 100bps	1,072,865	672,380

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

48. FINANCIAL RISK MANAGEMENT – *continued*

48.3 Market risk – *continued*

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. As the overseas net operating assets derived from which only account for a small proportion of the Group's net assets, the currency risk of the Group is relatively manageable.

Price risk

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instruments 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 derivative financial instruments. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, risk sensitivity indicators, stress testing indicators of investment profiles calculated by independent risk management department in daily risk monitoring.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

48. FINANCIAL RISK MANAGEMENT – continued

48.3 Market risk – continued

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 by 10% in the prices of equity securities, funds, derivatives and collective asset management schemes, etc., with 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.

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Profit before income tax for the period		
Increase by 10%	1,171,311	1,109,298
Decrease by 10%	(1,174,844)	(1,135,576)

	Six months ended 30 June	
	2019 RMB' 000 (unaudited)	2018 RMB' 000 (unaudited)
Other comprehensive income before income tax		
Increase by 10%	1,149,552	1,176,838
Decrease by 10%	(1,149,552)	(1,176,838)

48.4 Liquidity risk

Liquidity risk of a security company refers to the risk of failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay the debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out businesses in the ordinary course. During the Group's ordinary course of business, the triggers of liquidity risk include the followings: poor operations, lack of asset liquidity, significant mismatch of asset and liability terms, limitation on financing channels, unreasonableness of financing liability term structure, insufficiency of market liquidity, adverse impacts on the Group's reputation and effects of other risk types to liquidity risk. Liquidity risk events have strong diffusion and wide spread. Once liquidity risk events occur, the Group must respond in a short time to make emergency decisions and disposal.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

48. FINANCIAL RISK MANAGEMENT – *continued*

48.4 Liquidity risk – *continued*

As at 30 June 2019 and 31 December 2018, cash, bank deposits and clearing settlement funds held by the Group amounting to RMB102.31 billion and RMB76.49 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounting to RMB32.96 billion and RMB24.57 billion, respectively, provided a strong capability of quick liquidation to meet the demands on financing liabilities and businesses. Therefore, the Group considers the exposure to liquidity risk as insignificant.

The Group 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. Measures for liquidity risk management include: 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; asset 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 reserve management investment, 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 optimising financial strategies, implementing liquidity management during daytime and taking initiative to prevent liquidity risks. The risk management department is responsible for performing independent identification, evaluation, measuring and monitoring of liquidity risks of the Group together with management of market risks and credit risks, and paying attention on an on-going basis to the conversion of other types of risk to liquidity risk. The Group uses concentration control, trading limit control and monitoring the market liquidity of financial instruments held by Group to address the liquidity risk of financial instruments. In order to meet the regulatory requirements, the Group has set up a multi-level, omni-directional and information-based management system to monitor and control the overall liquidity risk.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Fair value hierarchy

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 market 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;

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

There were no significant transfers between Level 1 and 2 as at 30 June 2019 and 31 December 2018.

As at 30 June 2019

(unaudited)

	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	32,761,485	55,281,764	345,877	88,389,126
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	709,892	11,951	80,000	801,843
– Other investments	—	10,773,678	—	10,773,678
Financial assets at fair value through profit or loss				
– Equity instruments	3,772,433	2,009,577	6,468,291	12,250,301
– Debt instruments	5,341,143	19,723,032	1,071,108	26,135,283
– Funds	29,594,182	505,250	68,749	30,168,181
– Other investments	—	18,104,510	453,217	18,557,727
Other investment				
– Unlisted investment in an associate	—	232,390	—	232,390
Derivative financial assets	9,891	15,637	16,664	42,192
Total	72,189,026	106,657,789	8,503,906	187,350,721
Financial liabilities:				
Financial liabilities at fair value through profit or loss	—	—	(477,654)	(477,654)
Derivative financial liabilities	(24,424)	(210,970)	(17,419)	(252,813)
Other liabilities	(271,445)	(958,581)	(637,776)	(1,867,802)
Total	(295,869)	(1,169,551)	(1,132,849)	(2,598,269)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(1) Fair value hierarchy – continued

As at 31 December 2018

(audited)	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	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	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
Other investment				
– Unlisted investment in an associate	—	171,115	—	171,115
Derivative financial assets	23,297	6,963,573	10,549,785	17,536,655
Total	68,228,246	109,010,346	18,890,232	196,128,824
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)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. 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 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 30 June 2019 and 31 December 2018.

	As at 30 June 2019 (unaudited)			Fair value hierarchy
	Carrying amount RMB' 000	Fair value RMB' 000	Difference RMB' 000	
Bonds payable - corporate bonds	62,303,938	62,668,890	364,952	Level 2
Bonds payable - subordinated bonds	22,717,035	22,768,220	51,185	Level 2
	As at 31 December 2018 (audited)			
	Carrying amount RMB' 000	Fair value RMB' 000	Difference RMB' 000	Fair value hierarchy
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

(3) Basis for recurring fair value measurement categorised within Level 1

For the measurement for Level 1, the Group adopts the closing price in active markets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

(4) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised 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 bond pricing system on the valuation date is measured using the latest valuation results published by 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 techniques. 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 derivative financial instruments, 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 determined by using the bid prices made by market dealers.

During the period ended 30 June 2019, there were no significant 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 categorised 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 was not significantly sensitive to a reasonable change in these unobservable inputs.

During the period ended 30 June 2019, there were no significant changes of valuation techniques for Level 3.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised 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		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2019 RMB' 000 (unaudited)	31 December 2018 RMB' 000 (audited)			
1) Financial assets					
Debt instruments	212,776	288,722	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	1,204,209	1,158,748	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability	Default Probability	The higher the probability, the lower the fair value
Equity instruments	770,719	1,212,626	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	5,777,572	5,058,584	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Funds	68,749	—	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Other Investments	453,217	621,766	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
Interest rate swaps	—	726,870	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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – continued

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2019 RMB' 000 (unaudited)	31 December 2018 RMB' 000 (audited)			
1) Financial assets – continued					
Currency forward	—	26	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	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	16,335	30,811	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	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	329	533	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>8,503,906</u>	<u>18,890,232</u>			

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – continued

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2019 RMB' 000 (unaudited)	31 December 2018 RMB' 000 (audited)			
2) Financial liabilities					
Equity return swaps	477,654	459,530	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	2,000	200	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	15,419	3,945	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	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	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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – continued

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2019 RMB' 000 (unaudited)	31 December 2018 RMB' 000 (audited)			
2) Financial liabilities – continued					
Equity swaps	—	7,049	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	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	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
Third-party interests	637,776	—	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
	<u>1,132,849</u>	<u>12,838,488</u>			

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(6) Reconciliation of Level 3 fair value measurements

For the six months ended 30 June 2019

	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	Other liabilities RMB' 000
At 1 January 2019	8,260,447	80,000	(459,530)	10,549,785	(12,378,958)	—
Total gains/losses	82,308	—	(18,124)	(14,681)	(4,425)	(43,331)
– Profit or loss	82,308	—	(18,124)	(14,681)	(4,425)	(43,331)
Additions	270,906	—	—	—	(2,000)	(636,807)
Settlements/disposals	(656,187)	—	—	(10,518,440)	12,367,964	42,362
Transfers into level 3	1,373,232	345,877	—	—	—	—
Transfers out of level 3	(1,269,341)	—	—	—	—	—
As at 30 June 2019	<u>8,061,365</u>	<u>425,877</u>	<u>(477,654)</u>	<u>16,664</u>	<u>(17,419)</u>	<u>(637,776)</u>
Total unrealised gains/losses for the period for assets/liabilities held as at 30 June 2019						
– Included in profit or loss	<u>18,318</u>	<u>—</u>	<u>(18,124)</u>	<u>(14,681)</u>	<u>(4,425)</u>	<u>(43,331)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

49. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(6) Reconciliation of Level 3 fair value measurements – continued

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 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)
Additions	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 held as at 31 December 2018					
–Included in profit or loss	<u>(940,181)</u>	<u>—</u>	<u>(3,362)</u>	<u>424,429</u>	<u>(766,400)</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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

50. CHANGE OF SCOPE OF CONSOLIDATION**50.1 Business combination**

In May 2019, the Company's wholly-owned subsidiary, GF Qianhe Investment Co., Ltd. ("GF Qianhe") acquired 22% equity interest in Guangdong GF Internet Microfinance Limited ("GF Internet Microfinance"), the then associate of the Group, from Puning Xinhong Industrial Investment Co., Ltd. The approval of this transaction has been announced in the 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》). Upon the completion of the transaction, GF Qianhe held 335,000,000 shares of GF Internet Microfinance, representing 67% of the issued share capital of GF Internet Microfinance. Since then, GF Internet Microfinance became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of GF Internet Microfinance as at the date of acquisition were as follows:

	RMB' 000
Assets	
Property and equipment	210
Other intangible assets	801
Debt instruments at amortised cost	615,035
Financial assets at fair value through profit or loss	78,738
Other accounts receivable, other receivables and prepayments	3,201
Deferred tax assets	5,282
Bank balances	39,139
	<u>742,406</u>
Liabilities	
Borrowings	(150,701)
Accrued staff costs	(1,235)
Other accounts payable, other payables and accruals	(5,978)
Current tax liabilities	(3,651)
Bonds payable	(50,365)
	<u>(211,930)</u>
Non-controlling interests	<u>(175,057)</u>
Total acquired identifiable net assets at fair value	<u>355,419</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

50. CHANGE OF SCOPE OF CONSOLIDATION – continued

50.1 Business combination – continued

The fair values of the identifiable assets and liabilities of GF Internet Microfinance as at the date of acquisition were as follows: – *continued*

	RMB' 000
Consideration	
Cash	100,000
Other accounts payable, other payables and accruals	10,000
Fair value of Qianhe's equity interest in GF Internet Microfinance held before the business combination	238,714
	348,714
Other income and gains on acquisition	6,705
Analysis of cash flows on acquisition:	
Net bank balances acquired	39,139
Cash paid	(100,000)
Net cash flow on acquisition	(60,861)

The post-acquisition financial results of GF Internet Microfinance had no significant impact on the Group's consolidated revenue or profit for the six months ended 30 June 2019.

50.2 Newly consolidated structured entities

During the reporting period, the Group has newly consolidated three structured entities. For those structured entities where the Group is involved as manager or as investor, the Group has significant variable interests in them and the Group is able to exercise control over their operations.

Notes to the Condensed Consolidated Financial Statements*For the six months ended 30 June 2019***50. CHANGE OF SCOPE OF CONSOLIDATION – continued****50.3 Deconsolidated structured entities**

During the reporting period, the Group has deconsolidated five structured entities. The Group assessed whether or not it controls a structured entity when facts and circumstances indicate that there are changes to the elements of control, and concluded that it has lost control over these five structured entities. The Group therefore did not consolidate these structured entities at the end of the reporting period.

50.4 Deconsolidated subsidiaries

During the reporting period, the Group has liquidated Zhuhai GF Xinde Aodong Fund Management Co., Ltd., which was a non-wholly owned subsidiary of GF Xinde Investment Management Co., Ltd..

During the reporting period, new partners have contributed into Guangdong Xindongneng Equity Investment Partnership L.P. (“Xindongneng”) and obtained joint control over Xindongneng. As a result, Xindongneng was deconsolidated and became a joint venture of the Group.

51. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (1) As at 5 July 2019, the Company has completed the issuance of an 85-day short-term financing bill 19GFCP003 (Security Code: 07190059), amounting to RMB3.00 billion, with an annual interest rate of 2.55%.
- (2) As at 23 July 2019, the Company has completed the issuance of a 3-year financial bond 19GF Financial Bond 01 (Security Code: 09090012), amounting to RMB5.00 billion, with an annual interest rate of 3.63%.
- (3) As at 15 August 2019, the Company has completed the issuance of a 90-day short-term financing bill 19GFCP004 (Security Code: 07190080), amounting to RMB3.00 billion, with an annual interest rate of 2.75%.
- (4) As at 29 August 2019, the Board proposed the cash dividends of RMB2.00 (tax inclusive) per 10 ordinary shares distributed to all the shareholders based on the number of shares held as at the record date. The proposal is subject to the approval of the shareholders at the coming general meeting. The proposed dividend are not recognised as a liability as at 30 June 2019.

52. COMPARATIVE FIGURES

Certain comparative figures in the Condensed Consolidated Financial Statements have been reclassified to conform with current period’s presentation.

Section 11 Documents Available for Inspection

- (I) Text of the review report of interim financial information (H share).
- (II) The original copies of all corporate documents and announcements publicly disclosed on websites designated by the CSRC during the Reporting Period.
- (III) Other relevant materials.