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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)**

## **2019 ANNUAL RESULTS ANNOUNCEMENT**

The board of directors of GF Securities Co., Ltd. (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries for the year ended December 31, 2019. This announcement, containing the full text of the 2019 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the information to accompany preliminary announcements of annual results.

The 2019 annual report of the Company and its printed version will be published and delivered to the H shareholders of the Company by the end of April 2020 and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.gf.com.cn](http://www.gf.com.cn).

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

Guangzhou, the PRC  
March 27, 2020

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

## Important Notice

The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm the truthfulness, accuracy and completeness of the contents of this annual report and there is no misrepresentation, misleading statement or material omission from this annual report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein. Mr. Sun Shuming (the Chairman), Ms. Sun Xiaoyan (the Chief Financial Officer) and Ms. Wang Ying (the head of the accounting department of the Company) hereby declare that they confirm the truthfulness, accuracy and completeness of the financial statements contained in this annual report.

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

The 2019 annual financial report of the Company prepared in accordance with the International Financial Reporting Standards has been audited by Ernst & Young, who has issued a standard unqualified audit report. Unless otherwise indicated, the financial data stated in this report is denominated in RMB.

The proposed profit distribution plan of the Company was considered and passed by the Board of Directors: based on the number of the shares as at the dividend distribution registration date, a cash bonus of RMB3.5 (tax inclusive) per 10 shares will be paid to all shareholders.

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

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

## WARNING ABOUT MATERIAL RISK FACTORS

The Company faces various risks in its operations, which mainly include policy risk that may cause adverse effects to the operations of 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, compliance and a comprehensive risk management system to ensure that the Company operates healthily within an extent of predictable, controllable and tolerable risks. Investors are advised to read the "Discussion and Analysis of Operations" as set out in Section 5 of this report carefully and to pay particular attention to the above risk factors.



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<b>Term</b>	<b>Definition</b>
Reporting Period	Year 2019 (January 1, 2019 to December 31, 2019)
The Company, Company, parent company, GF Securities	GF Securities Co., Ltd.
The Group, Group	the Company and its subsidiaries
Jilin Aodong	Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司)
Liaoning Cheng Da	Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司)
Zhongshan Public Utilities	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司)
HKSCC Nominees	HKSCC Nominees Limited
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司)
GF Securities (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券(香港)經紀有限公司)
GF Asset Management (Hong Kong)	GF Asset Management (Hong Kong) Limited (廣發資產管理(香港)有限公司)
GF Investments (Hong Kong)	GF Investments (Hong Kong) Company Limited (廣發投資(香港)有限公司)
GF Capital (Hong Kong)	GF Capital (Hong Kong) Limited (廣發融資(香港)有限公司)
GF Global Capital	GF Global Capital Limited (廣發全球資本有限公司)
GF Futures	GF Futures Co., Ltd. (廣發期貨有限公司)
GF Futures (Hong Kong)	GF Futures (Hong Kong) Co., Limited (廣發期貨(香港)有限公司)
GF Xinde	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司)
GF Qianhe	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司)
GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司)
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
GFFL	Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司)



GF Hexin	GF Hexin Industry Investment Management Co., Ltd. (廣發合信產業投資管理有限公司)
Internet Microfinance	Guangdong GF Internet Microfinance Limited (廣東廣發互聯小額貸款股份有限公司)
Guangdong Equity Exchange	Guangdong Equity Exchange Co., Ltd. (廣東股權交易中心股份有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
ECT	E-Capital Transfer Co., Ltd. (證通股份有限公司)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
The PRC	Mainland China
CSRC	the China Securities Regulatory Commission
CIRC	the former China Insurance Regulatory Commission
Guangdong Bureau of the CSRC	Guangdong Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Company Law	Company Law of the PRC (中華人民共和國公司法)
Securities Law	Securities Law of the PRC (中華人民共和國證券法)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers



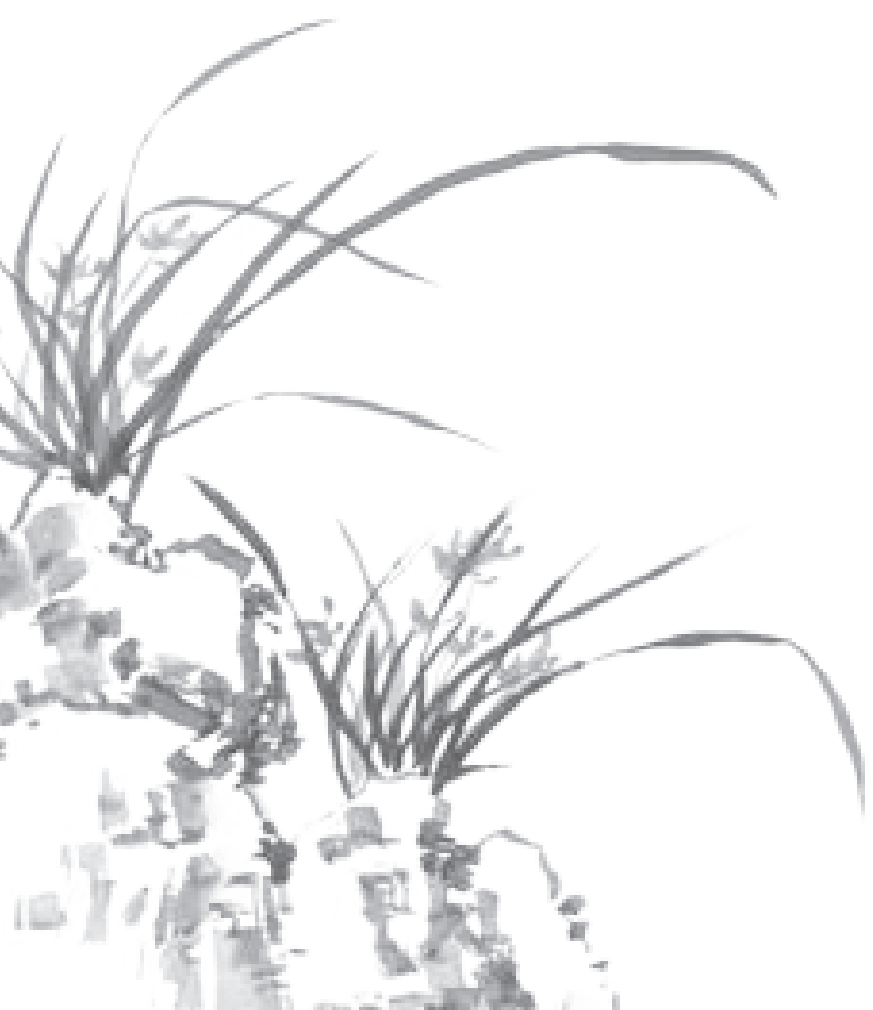
Stock Index Futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
Stock Pledged Repo Transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
Security Transactions with Repurchase Agreement	a transaction in which a qualified customer sells the subject securities at an agreed price to the securities company which is the custodian of such securities, and agrees to purchase the subject securities from the securities company at another agreed price on a future date, and the securities company will return the relevant yields generated by the subject securities during the period pending for repurchase to the customer pursuant to the agreement signed with the customer
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as new third board (新三板)
QDII	Qualified Domestic Institutional Investors
QFII	Qualified Foreign Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
ETF	Exchange Traded Funds, an open index fund available for trading, commonly known as Exchange Traded Fund, which is an open fund listed for trading on a stock exchange with variable portions of the fund components
FICC	Fixed Income, Currencies & Commodities
ISDA Agreements	the standard agreement text and ancillary documents for international OTC derivatives transactions provided by International Swaps and Derivatives Association
GMRA Agreements	Global Master Repurchase Agreement
MSCI index	an index published by Morgan Stanley Capital International
VaR	Value at Risk
A Share(s)	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SZSE and traded in Renminbi



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

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

Section 01 | Company Profile







## I. COMPANY INFORMATION

<b>Stock Name</b>	廣發證券	<b>Stock Code</b>	000776 (SZSE); 1776 (Hong Kong Stock Exchange)
<b>Listing venues of the Shares</b>	SZSE and Hong Kong Stock Exchange		
<b>Name in Chinese</b>	廣發證券股份有限公司		
<b>Short Name in Chinese</b>	廣發證券		
<b>Name in English</b>	GF Securities Co., Ltd.		
<b>Short Name in English</b>	GF SECURITIES		
<b>Legal Representative of the Company</b>	Sun Shuming		
<b>General Manager of the Company</b>	Lin Zhihai		
<b>Registered Address</b>	Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong		
<b>Postal Code of the Registered Address</b>	510555		
<b>Principal Business Address</b>	GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong		
<b>Postal Code of the Business Address</b>	510627		
<b>Place of Business in Hong Kong</b>	29-30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong		
<b>Company Website</b>	www.gf.com.cn		
<b>Company E-mail</b>	gfzq@gf.com.cn		
<b>Tel</b>	020-66338888		
<b>Customer Service Hotline</b>	95575/020-95575		
<b>Registered Capital of the Company</b>	RMB7,621,087,664		
<b>Net Capital of the Company</b>	RMB60,863,537,942.04		

## II. CONTACT PERSONS AND CONTACT INFORMATION

### Secretary of the Board/Securities Affairs Representative

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



### III. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

### IV. CHANGES IN REGISTRATION INFORMATION

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

### V. QUALIFICATIONS OF INDIVIDUAL BUSINESSES

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



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



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



No.	Type of License	Approval Authority	Issue Date
44	Qualification for ETF liquidity service provider business (Bosera S&P 500ETF, E Fund SSE & SZSE 300ETF, HuaAn SSE 180ETF, HuaAn SSE Gold ETF)	SSE	September 2013
45	License for part-time insurance agency	CIRC Guangdong Bureau	November 2013
46	Securities fund consumption payment services for clients	CSRC	December 2013
47	Qualification for the pilot work of comprehensive custody business of private equity	CSRC	January 2014
48	Qualification for pledged repo business authorization	SZSE	April 2014
49	Qualification for pilot work of receipt certificates	Securities Association of China	May 2014
50	Qualification for custody business of securities investment funds	CSRC	May 2014
51	Qualification for pilot work of Internet securities business	Securities Association of China	September 2014
52	Qualification on the Dalian Equity Exchange	Securities Association of China	June 2014
53	Qualification for the mutual swap and central clearing of Renminbi interest rates	Shanghai Clearing House	June 2014
54	Qualification on the Gansu Equity Exchange Center	Securities Association of China	July 2014
55	Qualification for market-making business on the National Equities Exchange and Quotations	National Equities Exchange and Quotations Co., Ltd.	July 2014
56	Qualification for the swap transaction business of OTC equity income	Securities Association of China	July 2014
57	Qualification for Hong Kong Stock Connect business authorization	SSE	October 2014
58	Qualification for agency services business for gold and other precious metal spot contracts and proprietary trading for spot gold contract	CSRC	January 2015
59	Qualification for stock option market-making business	CSRC	January 2015
60	Qualification for options settlement business	China Securities Depository and Clearing Corporation Limited	January 2015
61	Qualification as a stock options trading participant	SSE	January 2015



No.	Type of License	Approval Authority	Issue Date
62	Qualification for the SSE 50ETF options market-making business	SSE	January 2015
63	Qualifications for financing-oriented option exercise business and restricted securities lending business with respect to share incentive schemes of listed companies	SZSE	January 2015
64	Membership certificate of the Shanghai Gold Exchange	Shanghai Gold Exchange	April 2015
65	Member of China Futures Association (ordinary member)	China Futures Association	May 2015
66	Opening accounts through one-way video	China Securities Depository and Clearing Corporation Limited	June 2015
67	Filing Certificate of Private Equity Outsourcing Institutions	Asset Management Association of China	June 2015
68	Qualification as a market maker in the national interbank bond market	PBOC	January 2016
69	Council entity of the National Internet Finance Association of China	National Internet Finance Association of China	August 2016
70	Interbank Market operations clearing membership	Shanghai Clearing House	September 2016
71	Qualification for Hong Kong Stock Connect business authorization under Shenzhen-Hong Kong Stock Connect	SZSE	November 2016
72	Membership of foreign currency funding in interbank funding market	China Foreign Exchange Trading System	March 2017
73	"Bond Connect" quotation bureau qualification	National Interbank Funding Center	July 2017
74	Qualification to issue credit-linked notes	National Association of Financial Market Institutional Investors	August 2017
75	Qualification to issue credit risk mitigation certificates	National Association of Financial Market Institutional Investors	August 2017
76	Core dealer of credit risk mitigation instruments	National Association of Financial Market Institutional Investors	August 2017
77	Qualification for interbank gold inquiry business	Shanghai Gold Exchange	December 2017
78	Member of book-entry government bond underwriting syndicates-Class B	Ministry of Finance	December 2017
79	Pilot cross-border business	CSRC	April 2018



No.	Type of License	Approval Authority	Issue Date
80	Qualification for regular clearing membership for central clearing businesses of credit default swaps	Shanghai Clearing House	June 2018
81	Qualification for sale and purchase of foreign exchange	CSRC	July 2018
82	Qualification as a primary dealer for Over-the-counter options business	Securities Association of China	August 2018
83	Qualification for credit derivative business	CSRC	December 2018
84	Qualification as a dealer for commodity swap business	Dalian Commodity Exchange	December 2018

**The qualifications of individual business that the Company has obtained in 2019 include:**

1	Qualification of core dealer of credit protection contract	SSE	February 2019
2	Qualification for business as lead market maker of listed funds	SSE	February 2019
3	Qualification for membership of the China Banking Association	China Banking Association	September 2019
4	Authorization for opening stock options business	SZSE	December 2019
5	Qualification for primary market maker of CSI 300ETF Options business (SSE)	SSE	December 2019
6	Qualification for primary market maker of CSI 300ETF Options business (SZSE)	SZSE	December 2019
7	Qualification for creating credit protection certificate	SSE	December 2019



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

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





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

**Membership and business qualifications obtained by GFHK and its subsidiaries**

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



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

**Membership and business qualifications obtained by GF Xinde**

1	Membership	Securities Association of China	April 2017
2	Membership	Asset Management Association of China	March 2018

**Membership and business qualifications obtained by GF Fund and its subsidiaries**

1	Permit for Operations of Securities and Futures Business	CSRC	July 2003
2	Client-specific asset management	CSRC	February 2008
3	Qualified Domestic Institutional Investor (QDII)	CSRC	January 2009
4	Entrusted Domestic Investment Manager of NSSF	NSSF	December 2010
5	Type 4: advising on securities	SFC	September 2011
6	Type 9: asset management	SFC	September 2011
7	RMB Qualified Foreign Institutional Investor (RQFII) (1)	CSRC	August 2012
8	Entrusted investment managers of insurance funds	CIRC	October 2012
9	Permit for Operations of Securities and Futures Business (Client-specific asset management)	CSRC	June 2013
10	Entrusted asset management investment managers of Insurance Security Fund	China Insurance Security Fund Co., Ltd.	August 2013
11	Qualified Foreign Institutional Investors (QFII)	CSRC	September 2013
12	Financial Services Commission of South Korea - investment consulting business license (Foreign Investment Adviser)	Financial Services Commission of South Korea	November 2013
13	Type 1: dealing in securities	SFC	March 2014
14	Investment advisory (US Investment Adviser)	U.S. Securities and Exchange Commission (SEC)	May 2014
15	MiFID and UCITS businesses	Financial Conduct Authority (FCA)	October 2015
16	RMB Qualified Foreign Institutional Investor (RQFII) (2)	CSRC	December 2015
17	Basic pension insurance fund securities investment management agency	NSSF	December 2016
18	Hong Kong Shares Investment Advisory Institution	Asset Management Association of China	October 2018



## VI. COMPANY HISTORY AND DEVELOPMENT

With the approval of the PBOC, Guangdong Development Bank (廣東發展銀行) (currently known as China Guangfa Bank Co., Ltd.) established a securities department on April 9, 1991. On May 21, 1993, the Guangdong Administration for Industry and Commerce approved the due establishment of the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部). On January 25, 1994, the Company was converted into Guangdong Guangfa Securities Company (廣東廣發證券公司) whose capital was contributed by Guangdong Development Bank with its own funds.

On December 26, 1996, the Company was converted into a limited liability company and its name was changed to Guangfa Securities Limited Liability Company (廣發證券有限責任公司). On August 26, 1999, the Company was spun off from Guangdong Development Bank as required by the sectorial regulations applicable to the financial industries under the PRC laws. On July 25, 2001, the Company was converted into a joint stock company and its name was changed to GF Securities Co., Ltd. (廣發證券股份有限公司) (the “Original Guangfa”).

On February 12, 2010, the Company became listed on the SZSE by completing a reverse takeover of Yan Bian Road Construction Co., Ltd. (延邊公路建設股份有限公司) (“Yan Bian Road”), a company listed on the SZSE with the stock code of 000776 (the “Reverse Takeover”). The key steps of the Reverse Takeover were as follows:

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

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

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

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

### MAJOR INCREASES IN SHARE CAPITAL

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

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

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

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

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



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

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

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

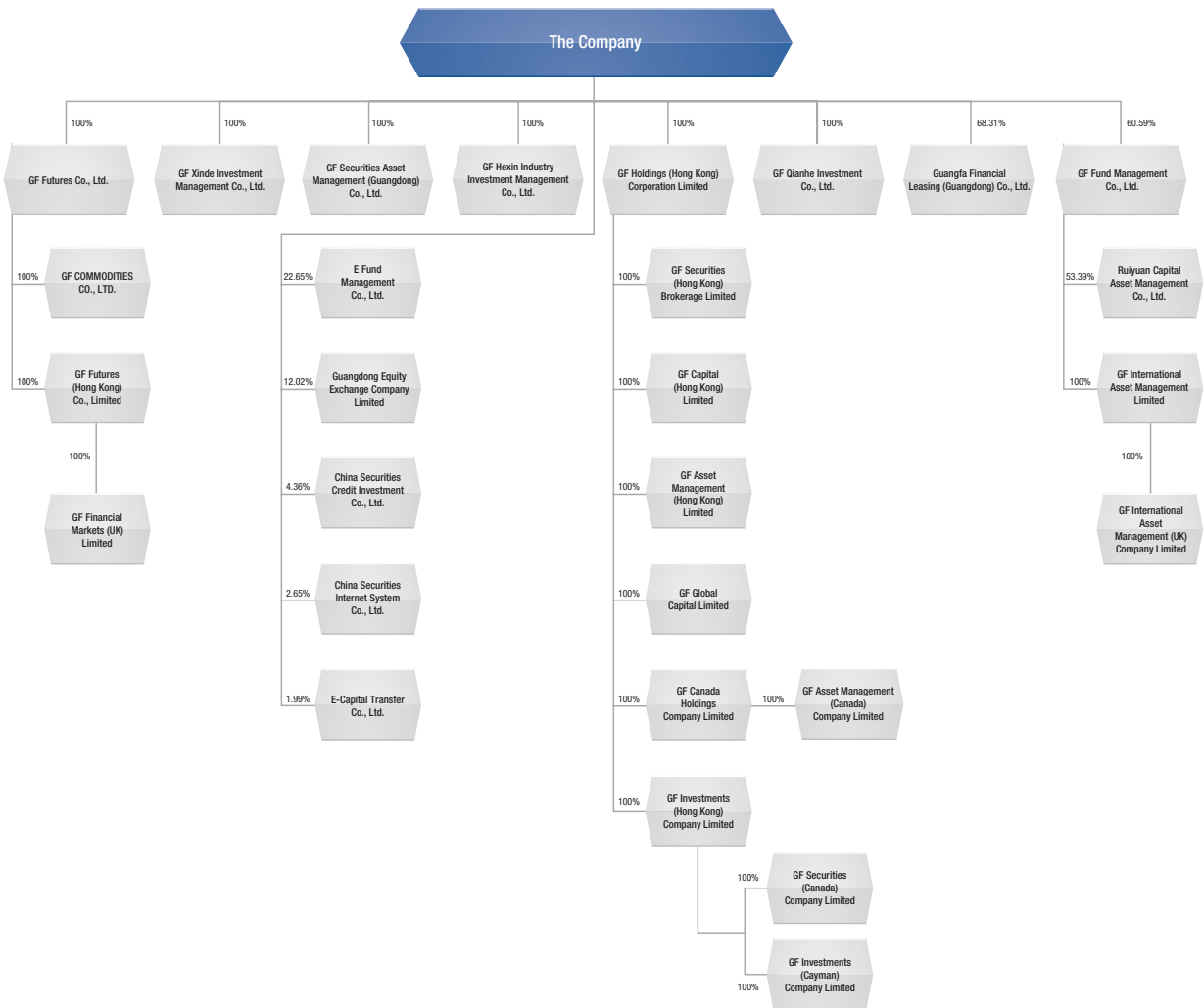
On September 17, 2012, the Company increased its share capital from RMB2,959,645,732 to RMB5,919,291,464 through the capitalization of our capital reserves on the basis of 10 shares for every 10 shares.

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



## VII. STRUCTURE OF THE COMPANY

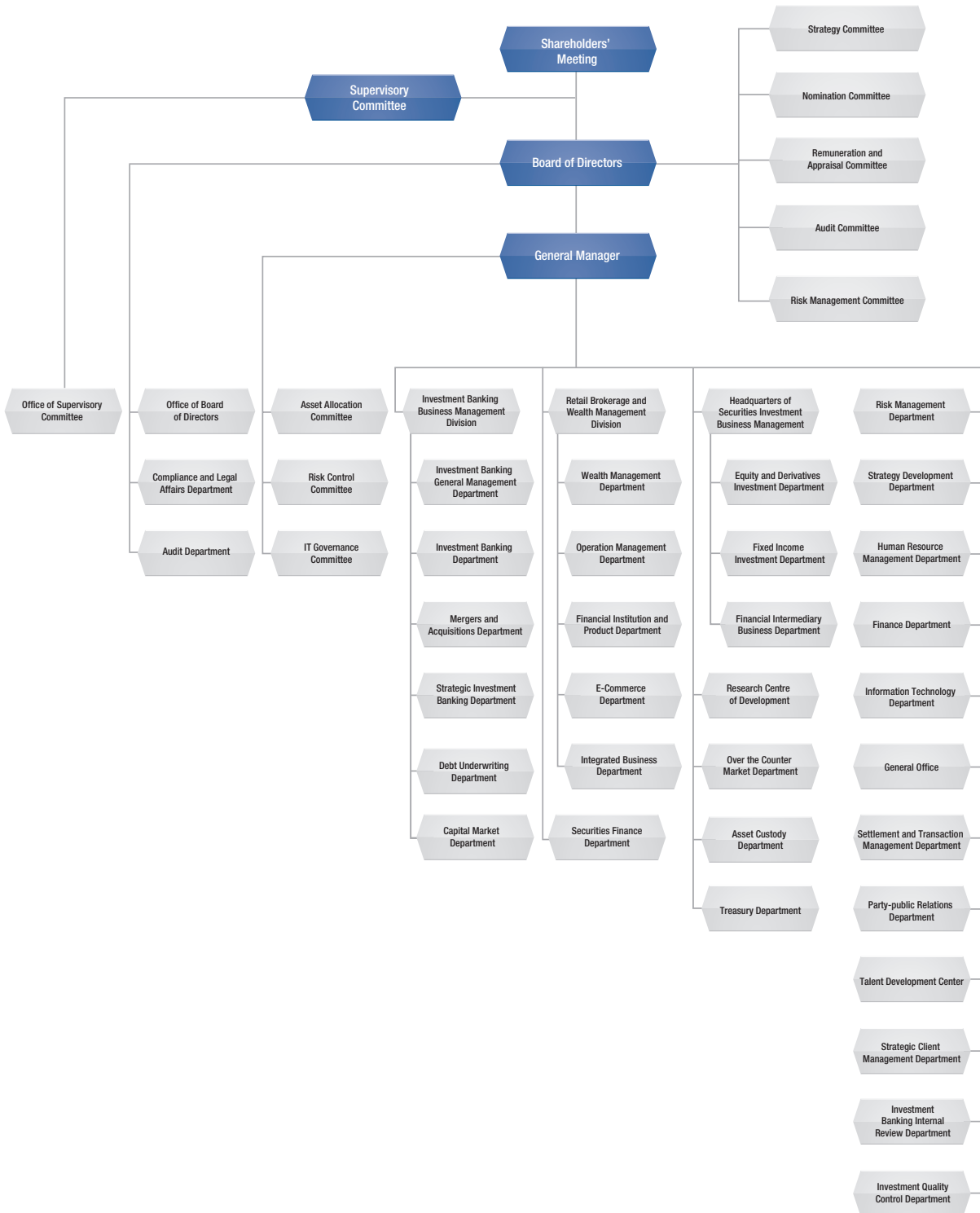
### 1. Organization Structure of the Company (As of December 31, 2019)



Note: At present, the Company and GF Investments (Hong Kong) hold 68.31% and 31.96% equity interest in GFFL, respectively.



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





### 3. Domestic Branch Companies (as of December 31, 2019)

Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Shenzhen Branch	Level 20 and Room 01 & 16 of Level 25, Shum Yip Centre, 5045 Shennan East Road, Luohu District, Shenzhen	July 2009	Jing Jianguo	0755-82083898
GF Securities Co., Ltd. Dalian Branch	478 Zhongshan Road, Shahekou District, Dalian, Liaoning Province	July 2009	Chen Deming	0411-84355166
GF Securities Co., Ltd. Shanghai Branch	Unit 13, 16F, 8 Century Avenue, Shanghai Free Trade Zone, PRC	July 2009	Mei Jiyuan	021-68818808
GF Securities Co., Ltd. Hebei Branch	Room 1401, 14th floor, Wutong Business Center Project, 36 Zhongshan West Road, Qiaoxi District, Shijiazhuang	July 2009	Huang Bin	0311-85278887
GF Securities Co., Ltd. Shandong Branch	West Wing of the 10th Floor and rooms 905 and 908 of the 9th floor, 3 Luoyuan Street, Lixia District, Jinan	July 2009	Zhang Yuqiang	0531-86993666
GF Securities Co., Ltd. Hubei Branch	Rooms 6, 7 and 8, 34th floor, Office Tower of Huijin Plaza, 1268 Jinghan Avenue, Jiangan District, Wuhan	July 2009	Peng Tao	027-82800767
GF Securities Co., Ltd. Guangzhou Branch	North Wing of the 2nd Floor, Industrial Bank Plaza, 101 Tianhe Road, Guangzhou	July 2009	Chen Liming	020-83863518
GF Securities Co., Ltd. Jiangsu Branch	272 Jiqingmen Avenue, Gulou District, Nanjing	August 2009	Li Ping	025-86899227
GF Securities Co., Ltd. Chengdu Branch	Room 1901, Level 19 and Room 2709, Level 27, Building 3, No. 1199, North Section of Tianfu Avenue, Chengdu High-tech Zone, China (Sichuan) Pilot Free Trade Zone	August 2009	Liu Jiezhou	028-85972529
GF Securities Co., Ltd. Zhejiang Branch	Room A201, 41 Qianjiang Road, Shangcheng District, Hangzhou	August 2009	Chen Xiaoyu	0571-86566651
GF Securities Co., Ltd. Xi'an Branch	Units 03 and 05, 12th Floor, COLI Building, 3 Furong South Road, Qujiang New District, Xi'an, Shaanxi Province	August 2009	He Xiaoshe	029-65655877
GF Securities Co., Ltd. Beijing Branch	Level 18, Yuetan Building, 2 Yuetan North Street, Xicheng District, Beijing	August 2009	You Haiyang	010-59136868
GF Securities Co., Ltd. Zhuhai Branch	Room 302, Hengqin Smart Finance Industrial Park, West Side of Building 17, Hengqin Creative Valley, 1889 Huandao East Road, Hengqin New District, Zhuhai	February 2011	Zhong Xiongying	0756-8286229
GF Securities Co., Ltd. Foshan Branch	Flat A1, B, C, J and K, actually 18/F (nominally 20/F), Block 2, Youbang Financial Centre, No. 1, Denghu East Road, Guicheng Street, Nanhai District, Foshan, Guangdong Province	May 2011	Wu Yuemin	0757-83789698
GF Securities Co., Ltd. Changchun Branch	1272 Minkang Road, Nanguang District, Changchun	August 2011	Li Chao	0431-88634077





Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Fujian Branch	Units 03 & 05, Level 34, Yuyang Zhongyang Jinzuo Office Building, 118 Shuguang Road, Taijiang District, Fuzhou, Fujian Province	April 2012	Zhuo Wen	0591-83055872
GF Securities Co., Ltd. Yuedong Branch	5 Haibin Road, Jinping District, Shantou	June 2014	Zhang Haiou	0754-88280098
GF Securities Co., Ltd. Yuexi Branch	Second of 201, 45 Tianchang Road, Pengjiang District, Jiangmen, Guangdong Province	June 2014	Lin Qing	0750-3488001
GF Securities Co., Ltd. Dongguan Branch	Room 508, Building 1, The Innovation and Technology Park, Songshan Lake Hi-tech Industrial Development Zone, Dongguan	June 2014	Kang Shaohua	0769-28331886
GF Securities Co., Ltd. Hainan Branch	Room 203, Level 2, Building A, Incubator of Haikou National Hi-tech Zone, 266 Nantai Avenue, Haikou	September 2015	Li Junhua	0898-66288660
GF Securities Co., Ltd. Liaoning Branch	17th floor, 227 Qingnian Street, Shenhe District, Shenyang, Liaoning Province	November 2019	Chen Deming	0411-84355166

Note: On February 28, 2020, the Company received the Reply Regarding the Approval for Deregistration of Dalian Branch of GF Securities Co., Ltd. (Da Zheng Jian Xu Ke [2020] No. 1) issued by Dalian Regulatory Bureau of the CSRC, which has approved the Company for the deregistration of Dalian Branch. Currently, the Company is in the process of filing the relevant deregistration and cancellation procedures in accordance with the requirements stated in the above reply. For details, please see the relevant announcement of the Company dated February 29, 2020 disclosed on the CNINFO website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and on the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

#### 4. Domestic and Overseas Principal Wholly-owned and Non-wholly-owned Subsidiaries (as of December 31, 2019)

##### (1) Domestic Principal Wholly-owned and Non-wholly-owned Subsidiaries

Company Name	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures	Flat 1002, 12 Junxian Street, Huangpu District, Guangzhou, Guangdong Province	1993.03	RMB140,000	100	Luo Mansheng	020-88800037
GF Xinde	Room 45, Level 3, Office building, Meilijayuan, 545 Kashi West Road, Urumqi Economic and Technological Development Zone, Xinjiang	2008.12	RMB280,000	100	Zeng Hao	020-66336392
GF Qianhe	Room 206, 3 Xingfu West Street, Beifang Town, Huairou District, Beijing	2012.05	RMB360,350	100	Luo Binhua	010-83948182
GF Asset Management	Room 105-285, 6 Baohua Road, Hengqin New District, Zhuhai	2014.01	RMB100,000	100	Kong Weicheng	020-66338260
GF Hexin	Room 105-5649, 6 Baohua Road, Hengqin New District, Zhuhai	2015.08	RMB10,000	100	Ouyang Xi	010-83948029
GFFL	Room 612, 36 Jintao West Street, Nansha District, Guangzhou	2015.06	RMB80,000	68.31	Zhang Wei	020-66335038

Company Name	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Fund	Room 105-49848 (Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2003.08	RMB12,688	60.59	Sun Shuming	020-83936666
E Fund	Room 105-42891 (Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2001.04	RMB13,244.2	22.65	Liu Xiaoyan	020-38797888
Guangdong Equity Exchange Company Limited	Zibian Room 898, 333 Jiufu Jianshe Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong Province	2018.07	RMB31,098.31	12.02	Wang Wensheng	020-82116876
China Securities Credit Investment Co., Ltd.	Room 201, Block A, No.1 Qianwanyulu, Shenzhen – Hong Kong Cooperation Zone, Qianhai, Shenzhen	2015.05	RMB458,598	4.36	Niu Guanxing	0755-84362888
China Securities Internet System Co., Ltd.	Unit B808, Level 8, Building B, 19 Finance Avenue (Lot 5 of Block B in Finance Avenue), Xicheng District, Beijing	2013.02	RMB755,024.45	2.65	Chen Gongyan	010-83897816
ECT	Building 1, 27 Xinjinjiao Road, Shanghai Free Trade Zone, PRC	2015.01	RMB251,875	1.99	Wang Guanrong	021-20538888

Note 1: As of December 31, 2019, GF Investments (Hong Kong) held the remaining 31.69% equity interest in GFFL;

Note 2: E Fund Completed the implementation of an employee stock ownership plan in December 2019, and as a result, the Company's shareholding in E Fund has been reduced from 25% to 22.65%.

GF Futures established GF COMMODITIES CO., LTD..

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF COMMODITIES CO., LTD.	Room A-1088H, 188 Yesheng Road, Shanghai Free Trade Zone, PRC	2013.04	RMB20,000	100	Luo Mansheng	021-50380238

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

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
Ruiyuan Capital Asset Management Co., Ltd.	Room 105-49849 (Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2013.06	RMB7,500	53.39	Duan Xijun	020-89188990

## (2) Overseas Principal Wholly-owned Subsidiaries

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



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

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

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

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

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF International Investment Management Limited	Suite 3503-3505, 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	2010.12	HK\$50,000	100	Shangguan Peng	(852)36952868
GF International Asset Management (UK) Company Limited	First Floor 43 London Wall, London, EC2M 5TF, United Kingdom.	2014.11	GBP700.01	100	Hu Jinming	(44)2038289888



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

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures (Hong Kong) Co., Limited	Units 08, 28th Floor, The Center, 99 Queen's Road Central, Hong Kong	2006.05	HK\$77,700	100	Liu Boya	(852)38937799
GF Financial Markets (UK) Limited	1 Finsbury Square, London, EC2A 1AE, United Kingdom.	1976.02	GBP5,596.9014	100	Zhao Guiping	(44)2073301688

### 5. Numbers and Distribution of Securities Brokerage Branches

As of December 31, 2019, the Company had established 283 securities brokerage branches. The numbers and distribution of securities brokerage branches are set out below:

Province	Number of Brokerage Branches	Province	Number of Brokerage Branches	Province	Number of Brokerage Branches
Guangdong Province (of which: Shenzhen)	122 (12)	Shaanxi Province	7	Guizhou Province	1
Shanghai	22	Henan Province	4	Hunan Province	1
Hubei Province	16	Yunnan Province	3	Ningxia	1
Liaoning Province	15	Hainan Province	3	Gansu Province	1
Hebei Province	13	Chongqing	4	Inner Mongolia	2
Zhejiang Province	10	Jilin Province	3	Qinghai Province	1
Jiangsu Province	12	Sichuan Province	3	Shanxi Province	1
Fujian Province	9	Guangxi Province	2	Anhui Province	2
Beijing	9	Jiangxi Province	3	Xinjiang	1
Shandong Province	7	Tianjin	2	Tibet	1
		Heilongjiang Province	2		



## VIII. OTHER RELEVANT INFORMATION

### (1) Auditors engaged by the Company

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

### (2) Legal Advisors

<b>PRC Legal Advisor</b>	<b>Jia Yuan Law Offices, Beijing</b>
<b>Overseas Legal Advisor</b>	<b>Latham &amp; Watkins LLP</b>

### (3) Share Registrars

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

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

The Company was rated as Class 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.

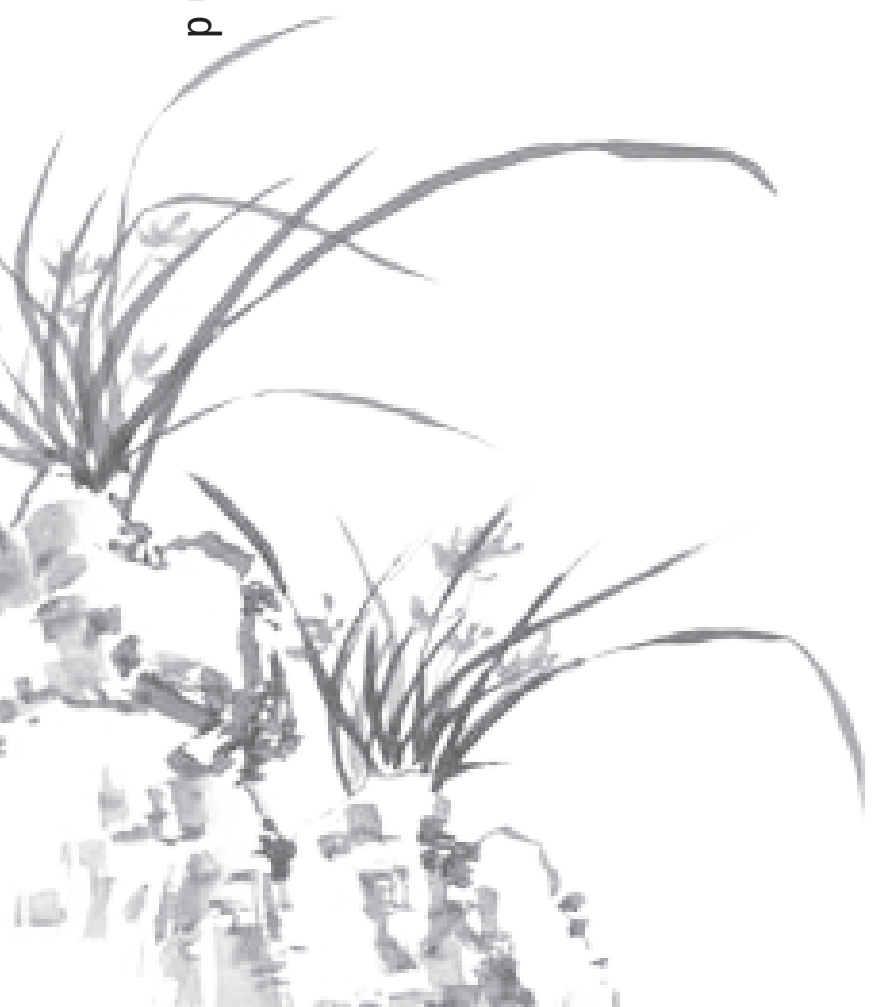
### (5) The sponsor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

Not applicable

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

Not applicable

Section 02 | Key Accounting Data and  
Financial Indicators





## I. KEY ACCOUNTING DATA (CONSOLIDATED STATEMENTS)

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

Unit: RMB in millions

	2019	2018	Variance in comparison with last year	2017
Total revenue and other income	<b>30,077</b>	22,817	31.82%	28,614
Profit before income tax	<b>10,276</b>	6,004	71.15%	11,644
Net profit attributable to owners of the Company	<b>7,539</b>	4,300	75.32%	8,595
Net cash from (used in) operating activities	<b>20,095</b>	40,858	-50.82%	(16,417)
Basic earnings per share (RMB/share)	<b>0.99</b>	0.56	76.79%	1.13
Return on weighted average net assets (%)	<b>8.48</b>	5.07	increase of 3.41 percentage points	10.55

	December 31, 2019	December 31, 2018	Variance in comparison with the end of last year	December 31, 2017
Total assets	<b>394,391</b>	389,106	1.36%	356,905
Total liabilities	<b>300,254</b>	300,477	-0.07%	268,279
Equity attributable to owners of the Company	<b>91,234</b>	85,018	7.31%	84,854
Total share capital	<b>7,621</b>	7,621	–	7,621
Equity per share attributable to owners of the Company (RMB/share)	<b>11.97</b>	11.16	7.26%	11.13
Gearing ratio (%)	<b>70.09</b>	73.20	decrease of 3.11 percentage points	69.64

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



## II. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profits in the years of 2019 and 2018 and the net assets as of December 31, 2019 and December 31, 2018 as stated in the consolidated financial statements of the Company disclosed in accordance with International Financial Reporting Standards (IFRS) are consistent with those in accordance with China's Accounting Standards (CAS).

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

Unit: RMB

Item	December 31, 2019	December 31, 2018	Variance in comparison with the end of last year
Core net capital	<b>55,763,537,942.04</b>	53,592,866,172.70	4.05%
Supplementary net capital	<b>5,100,000,000.00</b>	4,970,000,000.00	2.62%
Net capital	<b>60,863,537,942.04</b>	58,562,866,172.70	3.93%
Net assets	<b>80,830,878,464.88</b>	75,861,369,149.18	6.55%
Total risk capital reserves	<b>26,081,558,023.48</b>	26,290,432,486.64	-0.79%
Total on- and off-balance sheet assets	<b>287,683,392,171.01</b>	279,822,177,425.17	2.81%
Risk coverage ratio	<b>233.36%</b>	222.75%	increase of 10.61 percentage points
Capital leverage ratio	<b>19.73%</b>	19.51%	increase of 0.22 percentage points
Liquidity coverage ratio	<b>322.27%</b>	404.53%	decrease of 82.26 percentage points
Net stable funding ratio	<b>159.77%</b>	139.77%	increase of 20.00 percentage points
Net capital/Net assets	<b>75.30%</b>	77.20%	decrease of 1.90 percentage points
Net capital/Liabilities	<b>30.46%</b>	30.36%	increase of 0.10 percentage points
Net assets/Liabilities	<b>40.46%</b>	39.33%	increase of 1.13 percentage points
Proprietary equity securities and securities derivatives/Net capital	<b>27.59%</b>	29.35%	decrease of 1.76 percentage points
Proprietary non-equity securities and securities derivatives/Net capital	<b>250.55%</b>	240.67%	increase of 9.88 percentage points





At the end of the year, the parent company had net capital of RMB60,864 million and total risk capital reserves of RMB26,082 million. Risk coverage ratio, net capital/net assets ratio and net capital/liabilities ratio were 233.36%, 75.30% and 30.46%, well above the regulatory requirements of 100%, 20% and 8%. The Company has solid asset quality. Each risk control indicators is in compliance with the relevant requirements under the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》).

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

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

##### 1. Earnings (Unit: RMB' 000)

	2019	2018	2017	2016	2015
Total revenue and other income	30,076,891	22,816,996	28,614,334	27,487,923	42,732,815
Total expenses	20,265,060	17,435,709	17,431,273	17,185,727	25,216,915
Profit before income tax	10,276,222	6,004,338	11,644,026	10,705,060	17,805,712
Net profit attributable to owners of the Company	7,538,921	4,300,126	8,595,399	8,030,107	13,201,014

##### 2. Assets (Unit: RMB' 000)

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total assets	394,391,064	389,105,946	356,904,639	359,801,354	419,097,015
Total liabilities	300,254,468	300,476,772	268,279,057	278,448,018	339,276,186
Equity attributable to owners of the Company	91,233,985	85,018,016	84,854,203	78,530,210	77,519,274
Share capital	7,621,088	7,621,088	7,621,088	7,621,088	7,621,088

##### 3. Key financial indicators

	2019	2018	2017	2016	2015
Basic earnings per share (RMB/share)	0.99	0.56	1.13	1.05	1.85
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A	1.85
Return on weighted average net assets (%)	8.48	5.07	10.55	10.29	21.14
Gearing ratio (%)	70.09	73.20	69.64	70.32	73.48
Equity per share attributable to owners of the Company (RMB/share)	11.97	11.16	11.13	10.30	10.17

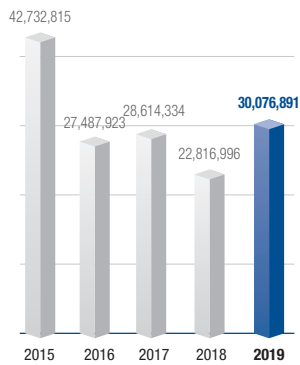
Notes: 1. Gearing ratio = (Total liabilities-Accounts payable to brokerage clients)/(Total assets-Accounts payable to brokerage clients)

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



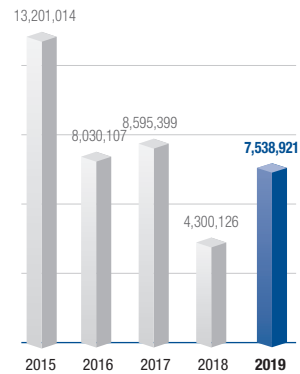
### Total revenue and other income

(Unit: RMB'000)



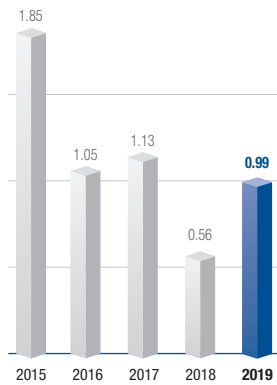
### Net profit attributable to owners of the Company

(Unit: RMB'000)

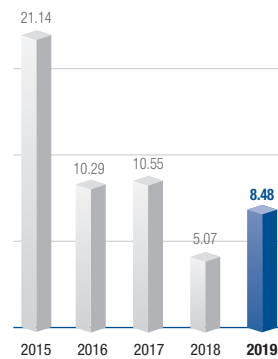


### Basic earnings per share

(RMB/share)

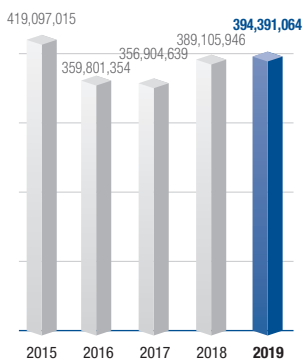


### Return on weighted average net assets (%)



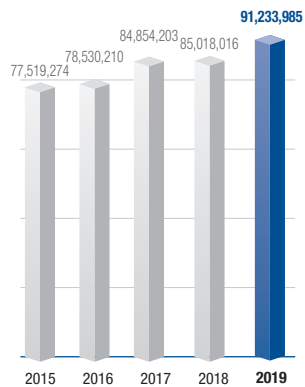
### Total assets

(Unit: RMB'000)

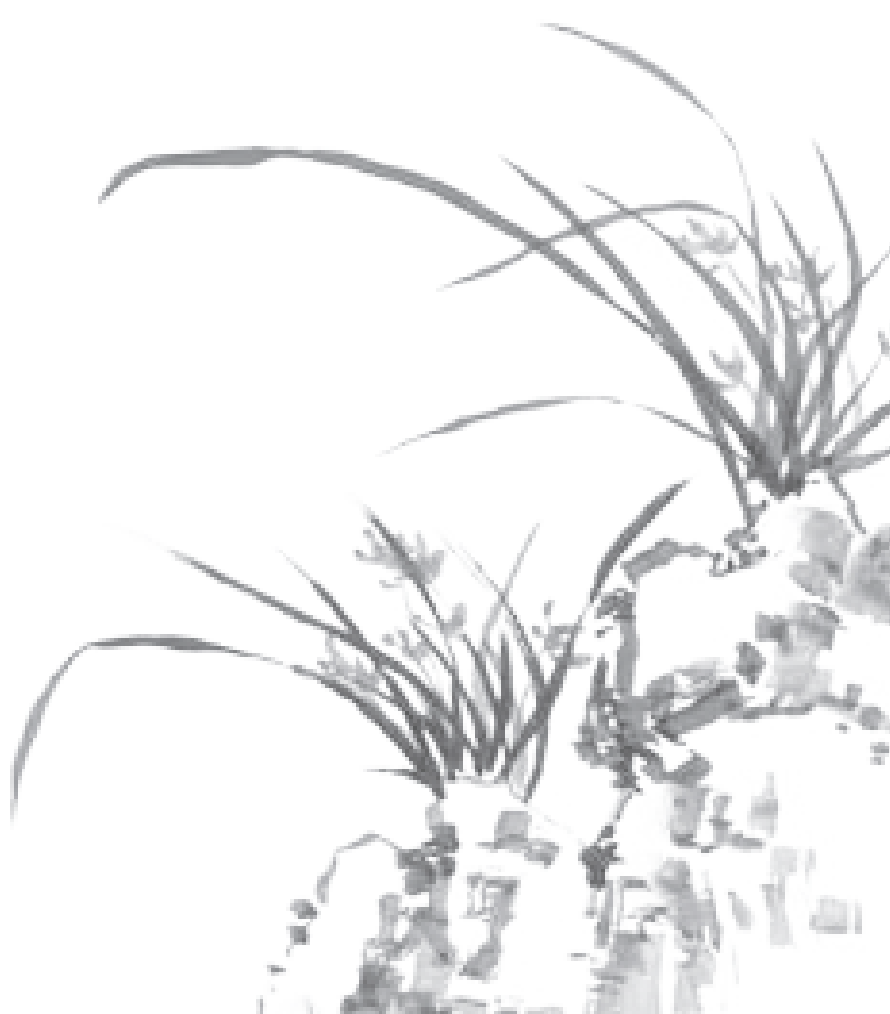


### Equity attributable to owners of the Company

(Unit: RMB'000)



Section 03 | Chairman's Statement





2019 was the 70th anniversary of the founding of the PRC. Over the year, the global economic growth continued a slowdown and showed fluctuation in trade negotiation amongst China and the US. Facing the complicated internal and external environments, China insisted on the focus of the supply-side reform and maintained a path of stable growth and high-quality development, which made a remarkable achievement. Over the year, China's capital market embraced "Reform" as the main theme and "Openness" as the new chapter. The launching of the STAR Market, amendments in the Securities Law and fully promoting of deepening the reforms in 12 core works of the capital market by the CSRC, have comprehensively proved our beliefs and capabilities in deepening reforms of China's capital market; "12 new measures to open up its financial sectors" issued by the CBIRC and "9 practical measures for overseas openness" issued by the CSRC have indicated our willingness and determination to further open up our market to the globe. The eco-system of our capital market has been experiencing a profound change, while the strategic advantage of high-quality economic development of service entities has been enhancing continuously.

In 2019, GF Securities followed the firm footsteps of the development of China and grasped new opportunities for the development of the capital market, while striding forward in the loud horns of the new era. Under the accurate leadership and decision-making process by the Board, the management of the Company has cultivated with all staff in a cohesive way. Along with the consolidation of our traditional business advantages, we deepened the promotion of business transformation and significantly cultivated our middle-high end customer base, which made certain new achievements. We insisted on the top-down research on significant investment deployment and proactively built up our investment capabilities in various categories, which achieved a remarkable investment performance. We continued to build up our research business brand, and again, was awarded as the first place of "Best Local Research Team" by New Fortune. This move has maintained our leading position in the industry. We adhered to the customer-centered approach and perceived the realization of customer assets' preservation and appreciation as our targets and product deployment as our means, to promote the stable development of our wealth management business. We continued to enlarge our investments in financial technology by helping the transformation of traditional businesses and maintain their leading edge in financial technology continuously.

In 2019, the Company continued to maintain our favorable development momentum with overall good operating performance, and achieved a significant increase in key financial indicators, such as operating revenue and net profit. The respective key operational indicators continued to stand at the top of the industry. As such, I, on behalf of the Board and the management of the Company, hereby express our heartfelt gratitude to our customers, shareholders, business partners and the society, who showed great supports to the Company's development, and meanwhile, express our great gratitude to all diligent staff from GF Securities.

The year 2019 was also a "year of enhancement of compliance and risk control". Facing the risk challenges, all staff from GF Securities stuck together to cope with the difficulties. Over the year, the Company has commenced the risk inspections and self-check rectification, enhanced the awareness of compliance and risk control of all staff, made amendments to the relevant systems and guidance, optimized the operation procedures, and further solidify and improve the compliance and risk control systems of the Company.

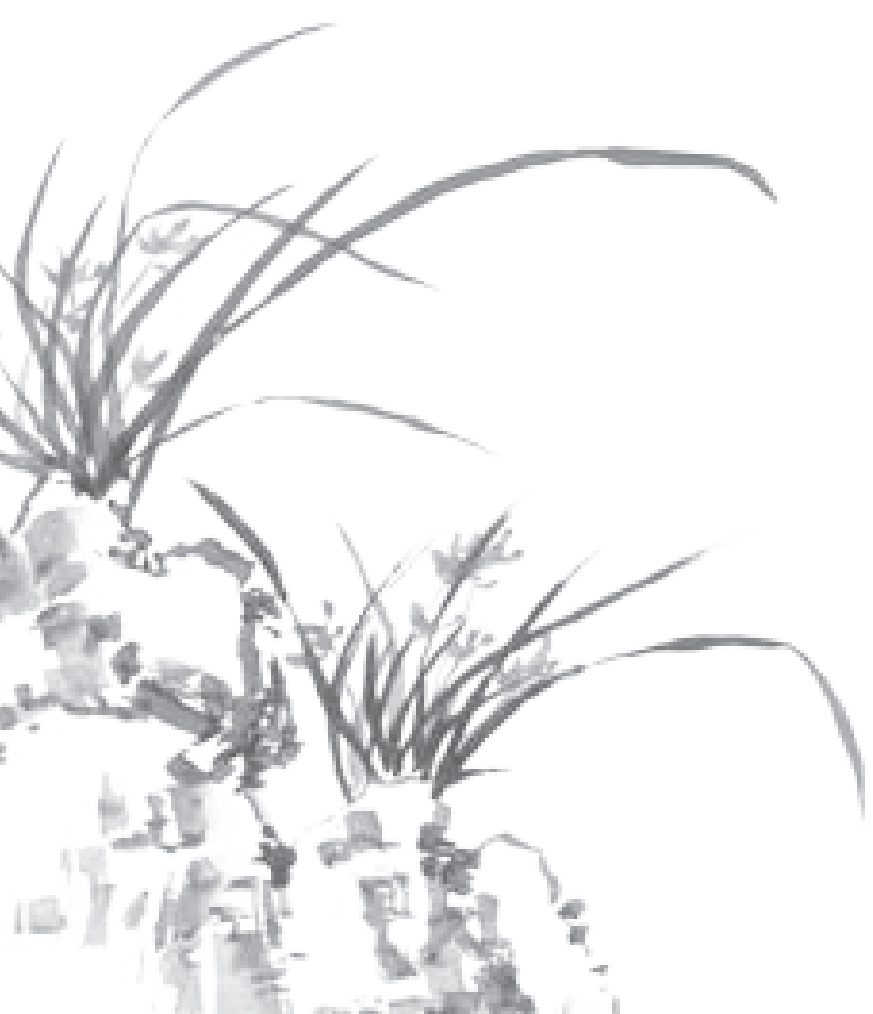


The year 2020 is a decisive year for building China into a moderately prosperous society, the last year of China's 13th Five-year Plan, and a critical year for poverty alleviation. Facing the sudden outbreak of novel coronavirus disease at the beginning of the year, the country is committed to fighting against the disease, while the Company responded quickly with assistances including from capital and resources to financial services. We proactively fulfilled our social responsibilities as a corporate citizen. We firmly believe that, the impact of the epidemic to the China's economy is temporary, as China's economy is resilient with great potential. The impact of the epidemic will not change the fundamentals of China's long-term sound and high-quality development.

In 2020, China's capital market will enter a new era of in-depth reform and open up policy. The Central Economic Working Conference has clearly stated that "it will accelerate the reform of financial mechanism, improve the fundamental system of capital market, increase the quality of listed companies, consolidate the exit mechanism and steadily promote the reforms of ChiNext Market and NEEQ". The implementation of new Securities Law will enable the fundamental system of capital market and ancillary regulatory measures further improve. Further implementation of open up measures will generate new energy and create new opportunities, while bringing new challenges. For the coming year, the Company will further uphold the philosophy of a robust operation, strengthen our internal control management, and firmly adhere to the bottom line of compliance and risk control management as the lifeline; We will continue to deepen the promotion of transformation of investment banking, wealth management, trading and institutions, investment management businesses, establish our branding and professionalism, build up our core competitive edge in the new era. We will further insist on the people-oriented approach to enhance our formation of talent team and train up an aggressive elite team of GF Securities. At the meantime, as a leading securities dealer in the industry, the Company will prudently implement the overall requirements of "leading the healthy development of the industry with cultural construction" by the regulatory authorities, promote the upgrading of corporate culture, further increase our cultural soft power of the Company, and take on more important historical mission.

Amid the fierce competition, those who strive for the best are the first. In the new year, GF Securities will take part in the journey days and nights, weather the storm, continue to make breakthroughs, and be determined to move forward, always keep our original intention of "creating values to realize the dream of serving the country with financial services", and move towards "to become a modern investment bank with international competitiveness, brand influence and systemical significance".

Section 04 | Directors' Report





The directors of the Company (the “Directors”) present the annual report and the audited consolidated financial statement of the Company and the Group for the year ended December 31, 2019. Contents of relevant section in this report mentioned in the cross references in the Directors’ Report forms part of the Directors’ Report.

## I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

### (I) The Group’s Main Business Type

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

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

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

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

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

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



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

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

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

The principal businesses of the Group have developed steadily in light of various driving factors, which mainly include the following aspects: (1) The report of the 19th National Congress of the Communist Party of China clearly put forward the need to strengthen financial services for the real economy, raise the proportion of direct financing, and promote the healthy development of the multi-level capital markets, which reflects that the state attaches importance to the development of the capital market and securities industry. Recently, the regulators stated that they intend to build aircraft carrier-sized leading securities companies. The regulatory thinking of “supporting the best while restricting the bad” in the securities industry and the competitive landscape of “the strong staying strong forever” are becoming blindingly obvious. (2) Important reforms, such as the establishment of the STAR Market and the launch of the pilot registration system, demonstrate the determination of the state to reform the system. The new Securities Law expressly states that the registration system shall be fully implemented, which will further improve the efficiency of direct financing of enterprises. In addition, new regulations on refinancing and mergers and acquisitions also provide policy support to securities firms for developing their businesses. (3) The profit pattern of securities firms is gradually enriching and improving, and the source of income is more diversified. The proportion of revenue from proprietary trading, credit and OTC derivatives may further increase, and the demands for capital and talent will also increase. (4) With the gradual increase in the proportion of institutional investors, the institutional investors will become the mainstream of the market. With the robust development of private funds, the degree of participation of institutional investors, such as offshore funds and insurance funds, has increased, which will generate new income sources and diversified business opportunities for securities industry. (5) The internationalization of capital markets and the full opening of the financial industry are accelerating. With massive overseas capital inflow into China’s capital market, foreign rating agencies permitted to enter into the market in China, and the controlling interest in securities companies open to foreign capital, the competitive landscape of the domestic capital market will be changed, which brings new opportunities and challenges to local securities companies. (6) The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area expressly stated establishing an international financial hub, putting great efforts on the development of the featured financial industry, orderly promoting the interconnectivity of the financial markets and providing support to optimize the modern financial service system, which will allow the Group to leverage on regional advantages to take a lead in the Guangdong-Hong Kong-Macao Greater Bay Area through forward-looking strategic arrangements.





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

## II. BUSINESS REVIEW

Business operations and business review of the Group for the year ended December 31, 2019 are set out in "Discussion and Analysis of Operations", which forms part of the Directors' Report, in Section 5 of this report.

## III. ANALYSIS ON CORE COMPETITIVENESS

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

The Company has no controlling shareholder and de facto Controller. Over the past 20 years, the top three shareholders of the Company have been Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all public listed companies) (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non-registered shareholders of H Shares). As of December 31, 2019, the shareholding percentages of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 17.45%, 16.42% and 10.34%, respectively, forming a stable shareholding 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's maintenance of its market operation mechanism in long run, which facilitates the Company to achieve sustained and healthy development.

### 2. Excellent corporate culture and stable management team

With the core value of "**inquisitiveness, integrity, client focus and teamwork**", the Company has carried out the management philosophy of "**stable growth, continual innovations, performance-driven culture and business strategies**" to seek sustained, healthy and stable development. Sound corporate culture will boost the Company's cohesion and momentum. The Company has a highly stable management team and a core business team with low turnover rate of talent. The management team members have an average of more than 26 years of managerial experience in securities and finance and relevant sectors and have served an average term of over 19 years. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees are approximately 1.5% and 3.1%, thus greatly boosting client confidence, the continuity and stability of the operation of various business lines.



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

The Company is one of the first batch of pilot compliance management brokerages selected by the CSRC, one of the first brokerages to implement a comprehensive risk management strategy in the industry, and one of four major brokerages which has not received investment or restructuring due to operating losses among the first batch of brokers established from the end of the 80's to the early 90's. Under the philosophy of "stable growth", the Company has firmly conforming to the compliance base line and continued to solidify the risk control life-line. The Company has set up and continued to improve the comprehensive risk management system with effective coverage of compliance and risk culture, governance structure, mechanism and practice, and infrastructure facilities to cover various risks, businesses, departments, sub-branches and controlling subsidiaries of the Company. Over the years, the Company's asset quality has been excellent, the main risk control indicators have been continually complying with the regulatory requirements, and the safety margin of leverage regulatory indicators is relatively huge, with a strong ability to resist risks. 2019 was the "year of compliance and risk control enhancement" of the Company. The Company continued to raise the awareness of compliance and risk control for all employees through various forms, such as lectures, studies and examinations.

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

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

**Rankings of the Main Operating Indicators of the Company from 2017 to 2019**

Items	2019/Year End	2018/Year End	2017/Year End
Total assets	5	4	5
Net assets	5	5	4
Net capital	6	6	4
Operating revenue	5	5	4
Net profit	5	6	5

Note 1: Source: WIND Info, China Securities Industry Association, 2020;

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



While seeking economic benefits and market position, both reputation and brand of the Company have been enhancing persistently. From 2015 to 2019, the Company ranked top securities firms in China in “Hurun Brand List” for five consecutive years. The Company actively fulfilled the social responsibility, focusing on the two areas of helping the poor and providing student loan to promote education through “GF Securities Social Charity Foundation in Guangdong Province”. The Company took initiative to fulfill its social responsibility. The reputation and brand influence of the Company have continued to improve.

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

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

**6. Leading scientific and technological financial model in the industry**

The Group attaches high importance to technological innovation in the long-term and sustainable development of the Company, and empowers each aspect of management, business and service through financial technology to promote its business development and enhance competitiveness. In 2019, the Company 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 underlying assets in the CMBS commercial property special plan, implemented the strategic idea of data center and intelligent center and made continuous effort to optimize the big data and artificial intelligence open platform (GF-SMART), developed the technical application of intelligent warning, intelligent recommendation, intelligent calling and knowledge map, established real-time, penetrating and continuous risk tracking and measurement to provide an integrated compliance and risk control capability coverage for the entire group and business, constantly pushed on the cloud evolution of the Company's own infrastructure, integrated the idea of micro-service and DevOps at the platform level and laid a solid foundation for our business development. As of the end of the Reporting Period, the Company has in aggregate applied for 29 invention patents, 3 utility model patents and 12 software copyrights; among them, the Company has obtained 1 utility model patent and 12 software copyrights.



#### **IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND**

The formulation and implementation details of the Company's cash dividends policy and the profit distribution proposal for 2019 are set out in "I. Profit Distribution of Ordinary Shares and Conversion of Capital Reserves into Share Capital of the Company" and "II. Profit Distribution and Conversion of Capital Reserves into Share Capital during the Reporting Period" of Section 6 "Significant Events" in this report.

#### **V. SHARE CAPITAL CHANGES AND MATTERS RELATING TO BONDS**

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

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

For details on the issuance of corporate bonds, subordinated bonds, short-term corporate bonds and short-term financing bills by the Company, please refer to Section 12 "Corporate Bonds" in this report.

#### **VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY**

For details of the composition of the Directors, Supervisors and senior management of the Company, its changes and biographies during the Reporting Period, please refer to Section 10 "Particulars about Directors, Supervisors, Senior Management and Employees" in this report.

#### **VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

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

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



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

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

## IX. SHARE PURCHASE RIGHTS OF DIRECTORS AND SUPERVISORS

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

## X. PERMITTED INDEMNITY PROVISION

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

## XI. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

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

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

Mr. Qin Li, our Executive Director, was nominated to act as a director of E Fund, which is a fund management company in China, in which we held 22.65% equity interest as of December 31, 2019. E Fund provides asset management services to insurance companies, finance companies, corporate annuities, other institutional investors, high net worth individuals and NSSF. Since E Fund is primarily engaged in fund management business, it competes or may compete, directly or indirectly, with certain aspects of our business.

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

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



### XIII. MANAGEMENT CONTRACTS

For the year ended December 31, 2019, no contract has been entered into for the management and administration of the entire business or any material part of the business of the Group.

### XIV. MAJOR CUSTOMERS

The Company provides diversified businesses and services to satisfy the diverse needs of customers, such as enterprises, individuals and institutional investors, financial institutions and the government. Our major customers are based in the PRC. With further progress in internationalization and the development of international business, the Company will provide services to more overseas customers. In 2019, income generated from the five largest customers of the Company contributed 0.97% to the total revenue and other income of the Company.

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

### XV. CHARITABLE DONATIONS

During the Reporting Period, the Group's total expenditure on social charity was RMB12.5064 million. The GF Securities Social Charity Foundation in Guangdong Province (廣東省廣發證券社會公益基金會) established by the Group actively organized activities for poverty relief and provided financial support for education. The total expenditure on social charity for the full year was RMB20.2377 million.

### XVI. RESERVES AND RESERVES FOR PROFIT DISTRIBUTION

For particulars about changes in reserves and reserves for profit distribution, please refer to the "Consolidated Statement of Changes in Equity" of Financial Statements and Notes 57 and 58 of the Notes to the Consolidated Financial Statements in this report.

### XVII. EMPLOYEES

Human resources is one of the greatest assets of the Group. The Company is committed to increase effort in building its talents pool by enhancing training and improving the quality of employees. Please refer to "V. Information of the Staff of the Company" in Section 10 "Particulars about Directors, Supervisors, Senior Management and Employees" in this report.



## XVIII. PRE-EMPTIVE RIGHT

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

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

Regarding the performance of social responsibilities of the Company, please see “XV. Social Responsibilities” of Section 6 “Significant Events” in this report. For environmental policy and performance, the Company cares about environmental and ecological development, promotes low carbon environmental protection, advocates green business and green office ideas, upgrades video conferencing system, paperless meeting system, teleconferencing system, conference room reservation system etc., continues printing and copying outsourcing development, minimizes energy consumption, optimizes resources allocation, and actively contributes to the sustainable development of the society. The Company has complied with the “comply or explain” provisions as set out in the Environmental, Social and Governance Reporting Guide during the year, for details, please see “GF Securities Co., Ltd. 2019 Social Responsibility Report” published by the Company.

Regarding the governance of the Company, please see Section 11 “Corporate Governance” in this report. The Company has been improving the internal control management system and gradually enhancing the maturity, reasonability and effectiveness of internal control; the Company has further established and refined its rules and regulations, and each governance department of the Company has been fully performing their duties, complying with all provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules and achieving most of the requirements of recommended best practices provided in the aforesaid rules.

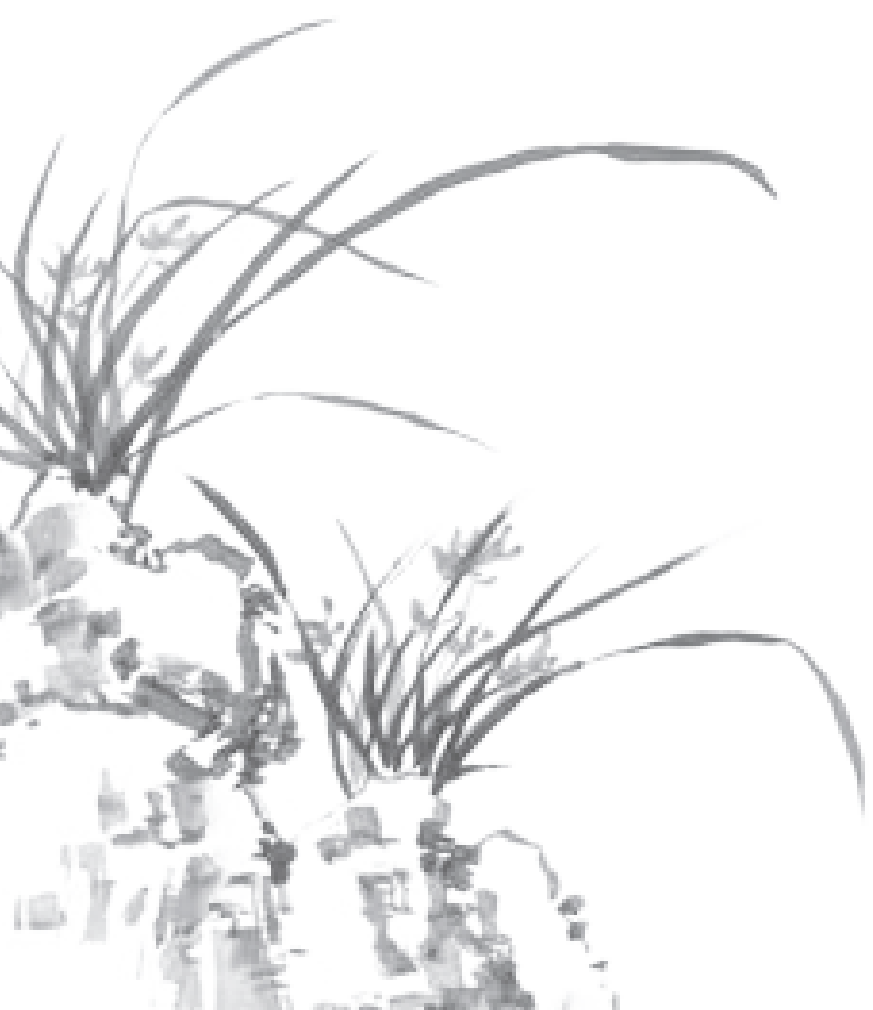
## XX. REVIEW OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The financial statements of the Company for the year ended December 31, 2019 have been reviewed by the Audit Committee of the Board of Directors of the Company.

By Order of the Board  
**Sun Shuming**  
*Chairman*

Guangzhou  
March 27, 2020

Section 05 | Discussion  
and Analysis of  
Operations







## I. OVERVIEW

In 2019, the capital market reform was fully advanced: the establishment of the STAR Market and the piloted registration-based IPO system were successfully implemented, further strengthening the multi-level capital market system; regulatory authorities continued to deepen the two-way opening of markets, institutions and products, steadily enhancing the opening level of capital market; the revised Securities Law was adopted and fully implemented from March 2020, further improving the construction of the basic institutions in the capital market. A number of reform initiatives were advanced in a comprehensive and orderly manner, which had a significant impact on the development of the capital markets and the securities industry.

During the Reporting Period, under the guidance of the Board of Directors, the management led all staff to forge ahead. While strengthening the construction of compliance and risk control, the Company continued to promote business development, optimize customer structure and deepen the reform of resource allocation. Various main operating indicators continued to rank among the top in the industry.

## II. ANALYSIS ON PRINCIPAL BUSINESS

### (I) Overview

In 2019, the national economy continued to maintain a sound overall development with steady growth, and the annual GDP increased by 6.1% over the previous year. At present, the growth of the world economy and trade is slowing down, sources of turbulence and points of risks are increasing and downward pressure on domestic economy remains high (Source: National Bureau of Statistics, 2020).

Based on the statistics from the Securities Association of China (unaudited financial statements), the total assets, net assets, net capital, customers' transaction settlement fund amount in the whole industry and the total principal sum of funds under management of 133 securities firms were RMB7.26 trillion, RMB2.02 trillion, RMB1.62 trillion, RMB1.3 trillion and RMB12.29 trillion as of the end of 2019, representing an increase 15.97%, an increase of 6.88%, an increase of 3.18%, an increase of 38.30% and a decrease of 12.90% as compared to the end of 2018, respectively. In 2019, 120 of 133 securities firms in the industry were profitable with total operating revenue of RMB360.483 billion, representing a year-on-year increase of 35.37%. Specifically, net income from the securities trading agency service business was RMB78.763 billion, representing a year-on-year increase of 26.34%; net income from the securities underwriting and sponsorship business was RMB37.744 billion, representing a year-on-year increase of 46.03%; net income from the financial advisory service business was RMB10.521 billion, representing a year-on-year decrease of 5.64%; net income from the investment advisory service business was RMB3.784 billion, representing a year-on-year increase of 20.05%; net income from the asset management business was RMB27.516 billion, representing a year-on-year increase of 0.06%; income from the securities investment (including changes in fair value) business was RMB122.160 billion, representing a year-on-year increase of 52.65%; net interest income was RMB46.366 billion, representing a year-on-year increase of 115.81%; net profit for the year was RMB123.095 billion, representing a year-on-year increase of 84.77% (Source: Securities Association of China, 2020).



As of December 31, 2019, total assets of the Group amounted to RMB394,391 million, representing an increase of 1.36% as compared to the end of 2018 and equity attributable to owners of the Company was RMB91,234 million, representing an increase of 7.31% as compared to the end of 2018. During the Reporting Period, the total revenue and other income of the Group was RMB30,077 million, representing a year-on-year increase of 31.82%; the total expenses were RMB20,265 million, representing a year-on-year increase of 16.23%; the net profit attributable to owners of the Company was RMB7,539 million, representing a year-on-year increase of 75.32%.

## (II) Analysis of Principal Businesses

The principal businesses 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 business segment mainly comprises of equity financing business, debt financing business and financial advisory business.

#### (1) *Equity financing business*

In 2019, with the successful implementation of the establishment of the STAR Market and the piloted registration-based IPO system in China, the equity financing business of securities firms ushered in new development opportunities. Meanwhile, it had a significant impact on the operation model of their equity financing business. A total of 572 equity financing projects (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance included acquisitions of assets by issuing shares)) were issued in A-share market in 2019, with a total amount of RMB1,449.237 billion, representing a year-on-year increase of 21.44% and 25.47% respectively from the previous year. The number and scale of financing of IPOs in 2019 amounted to 203 and RMB253.248 billion respectively, representing an increase of 93.33% and 83.76% respectively, while the number and scale of refinancing in 2019 amounted to 369 and RMB1,195.989 billion respectively, representing an increase of 0.82% and 17.57% respectively (Source: WIND, 2020).



In 2019, the Company continuously improved the operation mechanism of investment banks by adhering to the customer-centric orientation to promote the transformation and development of investment banking business; continuously improved the internal control system of investment banks by strictly controlling project risks and insisting on stable and balanced development; meanwhile, actively responding to the national strategic deployment and regulatory requirements, the Company focused on the projects in the STAR Market and endeavored to develop, cultivate and recommend the listing of projects in the STAR Market. During the Reporting Period, the Company completed 34 equity financing projects for which the Company acted as a lead underwriter, ranking 4th in the industry; the equity financing lead underwritten amount was RMB26.614 billion, ranking 8th in the industry. Among these projects, the Company acted as a lead underwriter for 16 IPOs, ranking 4th in the industry and the lead underwritten amount was RMB8.96 billion, ranking 5th in the industry (Source: WIND, statistics of the Company, 2020). Details of the Company's equity underwriting and sponsorship business in 2019 are set forth in the table below:

Item	2019		2018	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial public offering (IPO)	89.60	16	37.95	7
Refinancing offering	176.54	18	90.41	13
Total	<u>266.14</u>	<u>34</u>	<u>128.36</u>	<u>20</u>

Source: Statistics of the Company, 2020

## (2) Debt financing business

In 2019, against the backdrop of slowing global economic growth and tortuous trade frictions between China and the United States, in order to hedge the risk of liquidity pressure and downward macro-economy resulted from financial deleveraging, China strengthened macro counter-cyclical regulation and central bank adjusted the monetary policy toward neutral and loosening direction. In 2019, the offering of credit bonds recovered on the whole and interest rate of the offering tended to decline and the offering size increased as compared with 2018. In 2019, the offering size of corporate bonds throughout the market was RMB2,543.863 billion, representing a year-on-year increase of 53.47%; the offering size of enterprise bonds was RMB362.439 billion, representing a year-on-year increase of 49.87% (Source: WIND, 2020).

During the Reporting Period, the Company continued to speed up the strategic transformation of the customer structure and continually expanded and reserved large customers with high quality. Meanwhile, in light of frequent defaults and credit risk events in bond market in 2019, the Company endeavored to improve the level of the quality control and subsequent supervision and management by putting the risk prevention in a more important place, and properly handled credit risk events to effectively prevent and mitigate potential risks. In 2019, the Company acted as the lead underwriter for 166 bonds, with a total underwritten amount of RMB135.929 billion, representing a year-on-year increase of 41.13%. Details of bond deals underwritten by the Company as the lead underwriter in 2019 are shown in the table below:

Item	2019		2018	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	280.33	40	48.00	7
Corporate bonds	423.34	73	638.48	103
Debt financing instruments of non-financial enterprises	145.78	28	132.90	34
Financial bonds	504.84	24	142.80	16
Exchangeable bonds	5.00	1	0.98	1
<b>Total</b>	<b>1,359.29</b>	<b>166</b>	<b>963.16</b>	<b>161</b>

Source: Statistics of the Company, 2020

### (3) *Financial advisory business*

The Company's financial advisory business mainly comprises of M&A and restructuring of listed companies and NEEQ listings.

During 2019, affected by multiple factors such as slowing economic growth and continuous deleveraging, the M&A market continued to show a downward trend. The number and size of trading in the M&A market experienced a year-on-year decrease. The number and size as reported in the market of the M&A and restructuring in 2019 were 10,992 and RMB2,679.977 billion, representing a year-on-year decrease of 10.44% and 21.22%, respectively (Source: WIND, 2020).



In 2019, the Company focused on asset restructuring and mergers and acquisitions for industrial integration. During the Reporting Period, the Company acted as a financial advisor for 1 material asset restructuring with a trading size of RMB417 million (Source: Statistics of the Company, 2020).

In 2019, affected by slowing economic growth, lack of liquidity of stocks on NEEQ, transfer of some NEEQ companies to IPO and other factors, the number of enterprises listed on NEEQ continued to decrease significantly. As of the end of 2019, the number of enterprises listed on the NEEQ was 8,953, representing a decrease of 1,738 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 services for valued customers. As of the end of 2019, the Company sponsored a total of 64 companies listed on the NEEQ as the lead brokerage, of which there were 12 innovative enterprises (Source: NEEQ, Statistics of the Company, 2020).

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 15 deals by acting as lead underwriter (including IPO, refinancing and bond offering) and financial advisers.

## 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, re-purchase 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.

At the end of 2019, the SSE Composite Index, SZSE Component Index and the ChiNext Index increased by 22.30%, 44.08% and 43.79% respectively as compared to the end of 2018, while the trading volume of stocks and funds was RMB136.58 trillion, representing a year-on-year increase of 35.98% (Source: WIND, 2020).

During the Reporting Period, taking wealth management, institutional brokerage, technological finance and integration as the four driving forces, the Company firmly promoted the change and transformation of retail business, comprehensively deepened compliance risk control, and strived to create new competitive advantages in retail business. In 2019, the Company made good progress in promoting the transformation of its business model to digitalization and intelligence and the transformation of its business lines from brokerage to wealth management, expanding institutional brokerage business and comprehensive business and other aspects.



In 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 27.20 million, representing an increase of approximately 23% as compared to the end of last year; the number of subscribers of the Company's WeChat account was over 3.00 million; during the Reporting Period, the sales and transfer amount of financial products of the Yitaojin E-commerce platform amounted to RMB366.2 billion (including GF Golden Cash Return Collective Asset Management Scheme(廣發金管家現金增利集合資產管理計劃)); the Betanew (貝塔牛) smart investment advisory system served over 800,000 customers accumulatively with sale amount of financial products of RMB22.8 billion.

From January to December 2019, the trading volume of stocks and funds of the Company was RMB11.07 trillion (bilateral statistics), representing a year-on-year increase of 33.37%.

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

Item	2019		2018	
	Trading volume as agent (RMB100 million)	Market share (%)	Trading volume as agent (RMB100 million)	Market share (%)
Stocks	105,462.14	4.14	78,723.64	4.37
Funds	5,253.60	2.87	4,284.26	2.09
Bonds	207,845.60	4.22	229,423.42	4.84
<b>Total</b>	<b>318,561.35</b>	<b>4.16</b>	<b>312,431.32</b>	<b>4.63</b>

Note 1: The data is from the statistics of SSE, SZSE and WIND, 2020;

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 type of securities to the total trading volume of such type of securities traded on the SSE and SZSE in the same period.

The financial products agency sales of the Company in 2019 are shown in the table below:

Unit: RMB100 million

Type	Total sales amount for the period	Total redeemed amount for the period
Fund products	286.65	252.16
Trust products	189.03	227.76
Other financial products	5,875.77	5,871.15
<b>Total</b>	<b>6,351.45</b>	<b>6,351.07</b>

Note: The total sales and redeemed amount in this table include the subscription, application, redemption and targeted investment of OTC products and on-market products, as well as the sales of asset management products issued by GF Asset Management.



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

## **(2) Margin financing and securities lending business**

In 2019, structural repairs appeared in the secondary market, market participants' risk appetite enhanced, and the size of margin financing and securities lending business increased. As at the end of 2019, the balance of margin financing and securities lending in SSE and SZSE was RMB1,019.285 billion, representing an increase of 34.88% as compared to the end of 2018 (Source: WIND, 2020).

In 2019, the Company optimized business process, enhanced customers' service experience and strengthened refined management of margin financing and securities lending business to ensure the sustainable high-quality development of its financing and securities lending business. As at the end of 2019, the closing balance of the Company's margin financing and securities lending business was RMB50.004 billion, representing a year-on-year increase of 25.40% as compared to the end of 2018; and the market share was 4.91%.

## **(3) Repurchase transaction business**

In 2019, the overall stock pledged business of brokerages showed a contraction. Since 2019, the stock pledged business of the Company continued to decrease steadily under the constant strengthening of risk control access of stock pledged business and optimizing of the project structure. As at the end of 2019, the balance of the exchange traded Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB12.195 billion, representing a decrease of 45.34% as compared to the end of 2018.

## **(4) Financial leasing business**

To enhance the stickiness of our customers and enhance the comprehensive financial services capability, the Company conducted financial leasing business through GFFL, our subsidiary.

In 2019, affected by macroeconomic fluctuations, the credit risk of the real economy increased. Accordingly, the development pressure on industry increased, which led to a fiercer market competition.

During the Reporting Period, GFFL continued to strengthen the construction and optimization of its comprehensive risk management system. As of the end of 2019, the net financial leasing receivables amounted to RMB3.583 billion.



### 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 shares, equity linked financial products and equity derivative products.

A shares market fluctuated significantly in 2019. As of the end of 2019, the SSE Composite Index, SZSE Component Index, SSESME Composite Index and the ChiNext Index rose by 22.30%, 44.08%, 41.03% and 43.79%, respectively as compared to the end of 2018. In the derivatives market, policies relating to stock index futures trading continued to be loosened, and the SSE, SZSE and China Financial Futures Exchange introduced new types of financial options, respectively.

During the Reporting Period, the Company adhered to the idea of value investment and focuses on blue chip stocks investments, which contributes to better yields. Meanwhile, the Company obtained the 2019 AA (highest) rating in terms of the SSE's 50ETF market maker business.

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

The fixed income sales and trading of the Company consists mainly of sales of underwritten bonds to institutional clients, and market-making and trading of financial products and interest rate derivatives with fixed income. The institutional clients of the Company mainly include commercial banks, insurance companies, fund companies, financial companies, trust companies and qualified foreign investors who are approved to invest in China's capital market by the CSRC.

The Company conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market making services, such as government bonds, policy-based financial bonds, 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 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 indirect wholly-owned subsidiary. In 2019, the Company ranked No. 9 among securities firms in terms of the trading volume of bonds in China (Source: [www.chinabond.com.cn](http://www.chinabond.com.cn), 2020).

During the Reporting Period, the Company properly managed the duration, leverage and investment scale of the bond investment portfolio, seized the staged market opportunities, and achieved good investment performance.





**(3) OTC sales and trading business**

The Company designs and sells a variety of OTC products, including non-standard products, structured notes and OTC derivatives. Meanwhile, the Company provides liquidity support to non-standard products and structured notes products through OTC.

As at the end of 2019, the Company has issued 15,080 OTC products in aggregate with an aggregate amount of approximately RMB727.948 billion. The market value of the products as at the end of the Reporting Period was approximately RMB51.031 billion. Specifically, the Company issued 4,744 new OTC products with an aggregate amount of RMB103.948 billion during 2019.

As of the end of 2019, the Company provided market-making services for 102 NEEQ enterprises. In 2019, the Company was recognized as “Excellent Market Maker of the Year (年度優秀做市商)” and “Excellent Market Maker of the Year in Market-making Size (年度優秀做市規模做市商)” by NEEQ.

**(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.

In 2019, GF Qianhe focused on the industries such as consumer, artificial intelligence, technology and pharmaceuticals. During the Reporting Period, GF Qianhe completed 19 new equity investment projects with a total investment of RMB0.806 billion. As of the end of 2019, GF Qianhe has completed 117 equity investment projects.

**(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 Group’s equity research covers nearly 700 A shares listed companies in the PRC in 28 industries, and nearly 110 companies listed on the Hong Kong Stock Exchange.



The outstanding research capacity of the Company enjoys a high reputation in the industry. The Company received numerous honors in 2019: 1st in the “New Fortune’s Domestic Best Research Teams (新財富本土最佳研究團隊)”, 2nd in the “New Fortune’s Most Influential Research Institution (新財富最具影響力研究機構)”, “Top 5 Golden Bull Research Team (五大金牛研究團隊)” award by “China Securities Industry Analyst Golden Bull Award (中國證券業分析師金牛獎)” for the sixth consecutive year, 2nd in the “Best Analyst Team (最佳分析師團隊)” by “Institutional Investors • Caixin Capital Market Analyst Achievement Award (機構投資者 • 財新資本市場分析師成就獎)”. Currently, the Company is actively promoting the internationalization of research brands 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, commercial banks and their wealth management subsidiaries, private equity fund managers and various other asset management institutions.

In 2019, the private equity fund industry continued to develop in a standardized manner: market resources were gradually gathered to medium and large high-quality private equity fund managers; new publicly-offered funds adopted a brokerage settlement model to provide service opportunities for the asset custody business of brokerages; the custody outsourcing business for bank wealth management products was gradually opened to brokerages.

In 2019, the Company actively expanded the market, strengthened infrastructure construction, improved comprehensive service capabilities and enhanced risk control system to consistently improve customer satisfaction. As at the end of 2019, the total asset scale of asset custody and fund service business provided by the Company was RMB217.365 billion, representing a year-on-year increase of 16.44%, of which the scale of trust products was RMB95.146 billion, and the scale of fund service products provided was RMB122.219 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 its subsidiaries, namely GF Asset Management, GF Futures and GF Asset Management (Hong Kong).



2019 is the first year of industry reform after the new asset management regulations were promulgated. The regulatory systems, regulatory standards and rules of various asset management institutions and products were gradually unified. In the new round of industry competition, the head effect of the asset management industry has become increasingly prominent.

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. In 2019, being influenced by the new regulations on the asset management industry, the AUM (asset under management) of GF Asset Management recorded decrease as compared to 2018. During the Reporting Period, GF Asset Management consistently improved its operating mechanism, strengthened infrastructure construction and improved the internal control level, achieving overall good operating results. It has consistently enhanced its core capabilities in active management, assets allocation, products design and innovation and channel marketing. To comply with the requirements of the new asset management regulations, the Company's asset management scale decreased year-on-year; the Company conducted an orderly rectification of traditional products and successfully issued two products transferred from large collectives to public offerings. GF Asset Management continued to develop new businesses and new products, further improving the layout of its product lines.

As of the end of 2019, the scale of collective asset management schemes, targeted asset management schemes and specific asset management schemes of GF Asset Management decreased by 31.89%, 20.02% and increased by 37.79% respectively as compared with the end of 2018 and the total scale decreased by 22.08% as compared with the end of 2018. The asset management scale of GF Asset Management in 2019 is as follows:

	<b>Net asset management scale (RMB100 million)</b>	
	<b>December 31, 2019</b>	December 31, 2018
Collective asset management business	<b>1,230.97</b>	1,807.25
Targeted asset management business	<b>1,416.85</b>	1,771.48
Specific asset management business	<b>324.32</b>	235.38
Total	<b><u>2,972.14</u></b>	<u>3,814.11</u>

Source: Statistics of the Company, 2020; the sum of the sub-items may be deviated from the aggregated data, which is caused by rounding.



As of the end of 2019, the scale of regulatory entrusted fund of GF Asset Management ranked 9th (source: the Securities Association of China, 2020) and the average monthly scale of active asset management ranked 5th (source: the Asset Management Association of China, 2020) in the securities industry.

The Group carries out futures asset management business mainly through GF Futures. In the area of overseas asset management business, the Group provides advising on securities and asset management services to its customers mainly through GF Asset Management (Hong Kong), its indirectly wholly-owned subsidiary. GFHK is one of the first financial institutions in Hong Kong with the PRC background granted with RQFII qualification.

## **(2) Public fund management service**

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

In 2019, the public fund management industry developed steadily, and investors achieved good returns; the scale of public fund management further increased, with capital in the market gathered to high-performing products and clear styled products. The public fund management industry constantly moved towards a professional and stable direction.

As at the end of 2019, the Company held 60.59% 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 capital market in the form of RQFII through its wholly-owned subsidiary GF International Investment Management Limited. As at the end of 2019, the publicly offered funds managed by GF Fund have reached RMB502.56 billion, representing an increase of 7.28% as compared to the end of 2018, and the total fund size excluding money market funds and short-term wealth management bond funds was RMB278.46 billion, ranking seventh in the industry (Source: China Galaxy Securities Fund Research Center, 2020).

As at the end of 2019, the Company held 22.65% interest in E Fund, was 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 and 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 2019, the publicly offered funds managed by E Fund have reached RMB730.870 billion, representing an increase of 11.75% as compared to the end of 2018, and the total fund size excluding money market funds and short-term wealth management bond funds was RMB405.086 billion, ranking first in the industry (Source: China Galaxy Securities Fund Research Center, 2020).

**(3) Private fund management services**

The Group mainly engages in private fund management business through its wholly-owned subsidiary GF Xinde.

In 2019, GF Xinde focused on industries such as biomedicine, intelligent manufacturing and corporate services.

During the Reporting Period, the funds under the management of GF Xinde have completed a number of equity investment deals, with the investment amount up to approximately RMB1 billion; as at the end of 2019, GF Xinde and the funds under its management completed approximately 250 equity investment projects. As at the end of 2019, GF Xinde set up and managed nearly 40 private funds. The total size of customers' assets under management was near to 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 investment mainly in fields of new energy, TMT and life science. Some investment projects have been listed on the stock exchanges of Hong Kong and the United States or exited by way of mergers and acquisitions.

**III. ANALYSIS ON FINANCIAL STATEMENTS****(I) Analysis on Consolidated Statement of Profit or Loss****1. Revenue composition**

Item	Unit: RMB'000			
	2019	2018	Amount of increase/decrease	Percentage of increase/decrease
Commission and fee income	10,044,403	8,912,400	1,132,003	12.70%
Interest income	10,844,582	11,938,696	-1,094,114	-9.16%
Net investment gains	6,873,042	181,570	6,691,472	3,685.34%
Other income and gains	2,314,864	1,784,330	530,534	29.73%
Total revenue and other income	<u>30,076,891</u>	<u>22,816,996</u>	<u>7,259,895</u>	<u>31.82%</u>

In 2019, total revenue and other income of the Group was RMB30,077 million, representing an increase of 31.82% as compared with RMB22,817 million for 2018.

### Commission and fee income

Unit: RMB'000

Item	2019	2018	Amount of increase/decrease	Percentage of increase/decrease
Securities brokerage business commission and fee income	<b>4,099,301</b>	3,344,375	754,926	22.57%
Asset management and fund management fee income	<b>3,910,623</b>	3,742,910	167,713	4.48%
Underwriting and sponsorship fee income	<b>1,296,418</b>	956,118	340,300	35.59%
Futures brokerage business commission and fee income	<b>320,380</b>	336,022	-15,642	-4.66%
Consultancy and financial advisory fee income	<b>250,775</b>	347,112	-96,337	-27.75%
Others	<b>166,906</b>	185,863	-18,957	-10.20%
<b>Total commission and fee income</b>	<b><u>10,044,403</u></b>	<u>8,912,400</u>	<u>1,132,003</u>	<u>12.70%</u>

The change in total revenue and other income was reflected in the commission and fee income of RMB10,044 million in 2019 which has increased by RMB1,132 million or 12.70% as compared with 2018, mainly due to (1) increased trading volume of stock and fund by our brokerage clients which resulted in an increase in securities brokerage business commission and fee income of RMB755 million in 2019 over 2018; (2) the increase in the size of investment banking business which resulted in an increase in underwriting and sponsorship fee income of RMB340 million in 2019 over 2018; and (3) the increase in asset management and fund management fee income of RMB168 million in 2019 over 2018.

**Interest income**

Item	Unit: RMB' 000			
	2019	2018	Amount of increase/decrease	Percentage of increase/decrease
Margin financing and securities lending	<b>3,575,485</b>	4,086,163	-510,678	-12.50%
Debt instruments at fair value through other comprehensive income	<b>3,233,746</b>	2,919,217	314,529	10.77%
Deposits with exchanges and financial institutions	<b>2,155,897</b>	2,059,219	96,678	4.69%
Financial assets held under resale agreements	<b>1,282,742</b>	1,756,919	-474,177	-26.99%
Debt instruments at amortized cost	<b>241,699</b>	666,090	-424,391	-63.71%
Others	<b>355,013</b>	451,088	-96,075	-21.30%
Total interest income	<b><u>10,844,582</u></b>	<u>11,938,696</u>	<u>-1,094,114</u>	<u>-9.16%</u>

The change in total revenue and other income was also reflected in the interest income of RMB10,845 million in 2019 which has decreased by RMB1,094 million or 9.16% as compared with 2018, mainly attributable to a decrease in the interest income from margin financing and securities lending and financial assets held under resale agreements of RMB985 million in 2019 over 2018.

### Net investment gains

Item	Unit: RMB' 000			
	2019	2018	Amount of increase/decrease	Percentage of increase/decrease
Net realized gains from disposal of financial instruments at fair value through other comprehensive income	121,965	112,420	9,545	8.49%
Net realized gains from disposal of financial instruments at fair value through profit or loss	1,956,385	-1,425,531	3,381,916	-237.24%
Dividend income and interest income from financial instruments at fair value through profit or loss	2,780,029	3,156,084	-376,055	-11.92%
Dividend income from financial instruments at fair value through other comprehensive income	685,544	893,796	-208,252	-23.30%
Net realized gains from derivatives and others	-3,612	28,957	-32,569	-112.47%
Unrealized fair value changes of financial instruments at fair value through profit or loss	1,332,731	-2,584,156	3,916,887	-151.57%
<b>Total net investment gains</b>	<b>6,873,042</b>	<b>181,570</b>	<b>6,691,472</b>	<b>3,685.34%</b>

The change in total revenue and other income was mainly reflected in the net investment gains in 2019 was RMB6,873 million, representing an increase of RMB6,691 million or 3,685.34% as compared with 2018, mainly attributable to the increase in unrealized fair value changes of financial instruments at fair value through profit or loss and the increase in net realized gains from disposal of financial instruments.





## 2. Expenses composition

Unit: RMB'000

Item	2019	2018	Amount of increase/decrease	Percentage of increase/decrease
Depreciation and amortization	650,193	340,049	310,144	91.21%
Staff costs	6,418,921	4,763,017	1,655,904	34.77%
Commission and fee expenses	283,635	293,783	-10,148	-3.45%
Interest expenses	7,434,170	7,866,380	-432,210	-5.49%
Other operating expenses	4,796,930	3,869,156	927,774	23.98%
Credit loss expense	679,676	303,293	376,383	124.10%
Impairment losses	1,535	31	1,504	4,851.61%
Total expenses	<u>20,265,060</u>	<u>17,435,709</u>	<u>2,829,351</u>	<u>16.23%</u>

In 2019, total expenses of the Group was RMB20,265 million, representing an increase of 16.23% as compared with RMB17,436 million in 2018. The change in total expenses was mainly reflected in the increase in staff costs of RMB1,656 million in 2019 over 2018, primarily attributable to the increase in the provision on salaries, bonuses and allowances for the year.

In 2019, the Group realized net profit attributable to owners of the Company of RMB7,539 million, representing a year-on-year increase of 75.32%; basic earnings per share were RMB0.99, representing a year-on-year increase of 76.79%; return on weighted average net assets was 8.48%, representing a year-on-year increase of 3.41 percentage points.

## (II) Analysis on Consolidated Statement of Financial Position

Unit: RMB' 000

	December 31, 2019	Composition	December 31, 2018	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
<b>Non-current assets</b>	<b>32,766,922</b>	8.31%	38,752,871	9.96%	-5,985,949	-15.45%
Of which: Equity instruments at fair value						
through other comprehensive income	11,386,054	2.89%	10,794,010	2.77%	592,044	5.48%
Investments in associates	4,173,537	1.06%	4,078,063	1.05%	95,474	2.34%
Property and equipment	2,044,528	0.52%	2,429,813	0.62%	-385,285	-15.86%
Financial assets held under resale agreements	382,617	0.10%	6,555,966	1.68%	-6,173,349	-94.16%
Investment in joint ventures	2,745,489	0.70%	1,342,056	0.34%	1,403,433	104.57%
Financial assets at fair value through profit or loss	6,821,485	1.73%	6,436,608	1.65%	384,877	5.98%
Financial leasing receivables	1,537,281	0.39%	2,900,616	0.75%	-1,363,335	-47.00%
Debt instruments at amortized cost	332,004	0.08%	2,386,518	0.61%	-2,054,514	-86.09%
<b>Current assets</b>	<b>361,624,142</b>	91.69%	350,353,075	90.04%	11,271,067	3.22%
Of which: Bank balances	80,707,188	20.46%	60,436,038	15.53%	20,271,150	33.54%
Advances to customers	54,786,938	13.89%	45,184,589	11.61%	9,602,349	21.25%
Financial assets at fair value through profit or loss	74,091,687	18.79%	81,677,388	20.99%	-7,585,701	-9.29%
Debt instruments at fair value through other comprehensive income	98,597,038	25.00%	79,513,048	20.43%	19,083,990	24.00%
Clearing settlement funds	19,548,482	4.96%	17,899,887	4.60%	1,648,595	9.21%
Financial assets held under resale agreements	20,305,993	5.15%	30,257,103	7.78%	-9,951,110	-32.89%
Deposits with exchanges and non-bank financial institutions	6,646,320	1.69%	6,284,998	1.62%	361,322	5.75%
Debt instruments at amortized cost	1,948,128	0.49%	4,513,621	1.16%	-2,565,493	-56.84%
<b>Total assets</b>	<b>394,391,064</b>	100.00%	389,105,946	100.00%	5,285,118	1.36%



	December 31, 2019	Composition	December 31, 2018	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
<b>Current liabilities</b>	243,187,534	80.99%	250,717,129	83.44%	-7,529,595	-3.00%
Of which: Accounts payable to						
brokerage clients	79,680,645	26.54%	58,445,148	19.45%	21,235,497	36.33%
Financial assets sold under						
repurchase agreements	95,396,421	31.77%	85,993,800	28.62%	9,402,621	10.93%
Short-term financing payables	14,880,673	4.96%	24,049,740	8.00%	-9,169,067	-38.13%
Other liabilities	5,704,495	1.90%	8,639,515	2.88%	-2,935,020	-33.97%
Due to banks and other						
financial institutions	2,984,030	0.99%	11,667,619	3.88%	-8,683,589	-74.42%
Bonds payable	32,353,680	10.78%	24,374,247	8.11%	7,979,433	32.74%
<b>Net current assets</b>	<u>118,436,608</u>		<u>99,635,946</u>		<u>18,800,662</u>	<u>18.87%</u>
<b>Non-current liabilities</b>	57,066,934	19.01%	49,759,643	16.56%	7,307,291	14.69%
Of which: Bonds payable	50,325,973	16.76%	44,322,807	14.75%	6,003,166	13.54%
Long-term loans	2,025,776	0.67%	1,977,314	0.66%	48,462	2.45%
<b>Total liabilities</b>	<u>300,254,468</u>	100.00%	<u>300,476,772</u>	100.00%	<u>-222,304</u>	<u>-0.07%</u>
<b>Total equity</b>	<u>94,136,596</u>		<u>88,629,174</u>		<u>5,507,422</u>	<u>6.21%</u>

As of December 31, 2019, total assets of the Group were RMB394,391 million, representing an increase of RMB5,285 million or 1.36% over the end of 2018; total liabilities were RMB300,254 million, substantially flat with that at the end of 2018. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 25.42%, 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 48.41%, the proportion of advances to customers to total assets was 13.89%, and the proportion of financial assets held under resale agreements to total assets was 5.25%.

As of December 31, 2019, non-current assets were RMB32,767 million, representing a decrease of 15.45% over the end of 2018, which was mainly attributable to the decrease in financial assets held under resale agreements; current assets were RMB361,624 million, representing an increase of 3.22% 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, partly offset by the decrease in derivative financial assets; current liabilities were RMB243,188 million, representing a decrease of 3.00% 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 amounts due to banks and other financial institutions, partly offset by the increase in accounts payable to brokerage clients and financial assets sold under repurchase agreements; the non-current liabilities were RMB57,067 million, representing an increase of 14.69% 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 December 31, 2019 were RMB91,234 million, representing an increase of RMB6,216 million or 7.31% over the end of 2018. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of December 31, 2019 was 70.09%, representing a decrease of 3.11 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 December 31, 2019, total borrowings and debt financing of the Group amounted to RMB102,132 million. The following table sets forth details of the Group's borrowings and debt financing:

	December 31, 2019	December 31, 2018
Short-term borrowings	1,038,013	5,504,515
Short-term financing payables	14,880,673	24,049,740
Bonds payable	82,679,653	68,697,054
Long-term loans	3,533,362	5,472,646
<b>Total</b>	<b>102,131,701</b>	<b>103,723,955</b>

Unit: RMB'000

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 43, 44, 53 and 54 to the Financial Statements attached below.

Apart from borrowings and debt financing instruments, the Company also raised funds through inter-bank lending, brokers lending as well as on-market and OTC repurchase, with balance due to banks and other financial institutions and financial assets sold under repurchase agreements amounting to RMB2,984 million and RMB95,396 million, respectively at the end of the Reporting Period.

The aforesaid debts totaled RMB200,512 million, of which, debts with financing terms less than one year (one year included) were RMB114,299 million and debts with financing terms more than one year were RMB86,213 million, representing 57.00% and 43.00% of the aforesaid total debts, respectively.

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



### (3) Analysis on the Consolidated Statement of Cash Flow

As of December 31, 2019, cash and cash equivalents of the Group amounted to RMB21,303 million, representing an increase of 0.08% as compared with RMB21,286 million as at the end of 2018. Of which, the net cash from operating activities in 2019 was RMB20,095 million, representing a decrease of 50.82% as compared to RMB40,858 million in 2018, mainly due to the increase in net cash outflow from advances to customers and amounts due to banks and other financial institutions, partially offset by the increase in net cash inflow from financial assets at fair value through profit and loss; the net cash used in investing activities in 2019 was RMB10,128 million, representing a decrease of 33.86% as compared to RMB15,313 million in 2018, mainly due to the decrease in net cash outflow from the purchase of financial instruments at fair value through other comprehensive income; and the net cash used in financing activities in 2019 was RMB9,977 million, representing a decrease of 37.86% as compared to RMB16,055 million in 2018, mainly due to the increase in net cash inflow from the issuance of bonds during the Reporting Period.

### (4) Explanation of changes in the consolidation scope of financial statements

#### 1. *Subsidiaries excluded from the scope of consolidation during the Reporting Period*

Zhuhai GF Xinde Aodong Fund Management Co., Ltd. and Shanghai GF Yongxu Capital Investment Management Co., Ltd., subsidiaries of GF Xinde Investment Management Co., Ltd., were deregistered during the period, therefore they were not included in the scope for consolidation as at the end of the period.

Zhuhai Qianheng Investment Management Co., Ltd., a subsidiary of GF Qianhe Investment Co., Ltd., was deregistered during the period, therefore it was not included in the scope for consolidation as at the end of the period.

GF NaZheng (Shanghai) Asset Management Co., Ltd., a subsidiary of GF Fund Management Co., Ltd., was deregistered during the period, therefore it was not included in the scope for consolidation as at the end of the period.

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

#### 2. *Other changes to the scope of consolidation*

Investment in Guangdong GF Internet Microfinance Limited by GF Qianhe Investment Co., Ltd. increased to 67% in May 2019. There was control over Guangdong GF Internet Microfinance Limited, and it was included in the scope of consolidation. In November 2019, investment in Guangdong GF Internet Microfinance Limited by GF Qianhe Investment Co., Ltd. dropped to 16.5%. As there was no longer control over Guangdong GF Internet Microfinance Limited, it has been deconsolidated.

#### 3. During the current period, 7 structured entities were newly included in the scope of consolidation, and 7 structured entities were excluded from the scope of consolidation.



**(5) Change in principal accounting policies and accounting estimates**

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

**(6) Restricted asset rights as of the end of the Reporting Period**

	<b>December 31, 2019 RMB</b>	December 31, 2018 RMB
Financial assets at fair value through profit or loss pledged for pledge-style repo business	<b>9,441,607,346.03</b>	11,277,062,838.88
Of which: Financial assets at fair value through profit or loss pledged for bond pledged quoted-repo business	<b>203,810,430.29</b>	284,616,681.41
Financial assets at fair value through other comprehensive income (FVTOCI) pledged for pledge-style repo business	<b>71,814,113,880.04</b>	49,689,392,801.12
Of which: Financial assets at FVTOCI pledged for bond pledged quoted-repo business	<b>28,714,804.80</b>	18,719,615.38
Debt instruments at amortized cost pledged for pledge-style repo business	<b>800,521,966.12</b>	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	<b>102,938,300.00</b>	2,033,254,715.64
Financial assets at fair value through profit or loss transferred for buyout repo business	<b>497,913,207.00</b>	697,675,688.80
Financial assets at FVTOCI transferred for buyout repo business	<b>3,594,147,939.75</b>	1,632,686,673.43
Financial assets held under resale agreements transferred for buyout repo business	<b>1,392,511,046.41</b>	-
Financial assets at fair value through profit or loss transferred for margin financing and securities lending business	<b>276,959,909.74</b>	445,909,306.65
Financial assets at FVTOCI transferred for margin financing and securities lending business	<b>42,978.00</b>	142,857.00
Financial assets at FVTOCI pledged for refinancing business	<b>700,479,181.08</b>	611,489,085.48
Financial assets at fair value through profit or loss pledged for bond lending business	<b>4,181,260,040.26</b>	3,561,104,452.99
Financial assets at FVTOCI pledged for bond lending business	<b>4,060,664,522.40</b>	11,615,616,677.67



	<b>December 31, 2019 RMB</b>	December 31, 2018 RMB
Debt instruments at amortized cost pledged for bond lending business	<b>112,309,479.71</b>	379,257,118.94
Financial assets held under resale agreements pledged for bond lending business	<b>237,252,334.45</b>	799,655,160.00
Rights and interests in financial leasing and sale and leaseback receivables restricted for bank borrowings	<b>2,963,606,315.17</b>	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	<b>129,594,468.81</b>	10,885,142.02
Financial assets at fair value through profit or loss pledged for due to banks and other financial institutions business	<b>383,056,709.85</b>	39,858,942.15
Financial assets at FVTOCI pledged for due to banks and other financial institutions business	<b>293,306,397.26</b>	181,992,936.00
Total	<b><u>100,982,286,022.08</u></b>	<u>93,237,161,273.92</u>

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

##### (1) Financing channels of the Company

Financing instruments of the Company include equity financing instruments and debt financing instruments, of which the debt financing instruments is divided into short-term and mid-and-long term instruments. The short-term debt financing instruments include credit lending in the interbank market, and bond repurchases, margin refinancing of securities and financial companies, short-term financing bonds, short-term corporate bonds income certificates and structured financing instruments (such as derivatives) in interbank and exchange markets. The mid-and-long term financing instruments include corporate bonds, non-public corporate bonds, subordinated bonds, financial bonds and asset backed securities.

In 2019, the Company raised funds by means of various financing instruments, including credit lending, bond repurchase, issuance of four tranches of non-public corporate bonds, one tranche of corporate bonds, one tranche of financial bonds and one tranche of subordinated bonds.



## (2) Liability structure of the Company

At the end of the Reporting Period, the ratio of net assets to liabilities of the Company was 40.46%, and the ratio of net capital to liabilities of the Company was 30.46%.

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

## (3) Liquidity management measures and policies

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

## (4) Analysis on financing capacity

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

## (5) Contingencies and their influence

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





## V. INVESTMENT CONDITIONS

### 1. General

<b>Investment in the Reporting Period (RMB)</b>	<b>Investment of the same period of last year (RMB)</b>	<b>Change</b>
1,890,000,000.00	990,000,000.00	90.91%

Note: Investment in the Reporting Period is the investment made by the Company to GF Fund and 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) Security investment

Unit: RMB '0,000

Securities type	Securities code	Securities short name	Securities short name	Investment cost	Accounting Measurement mode	Book value at the beginning of the period	Profit and loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Fund source
Fund	003281	Guangfa Huoqibao B	Guangfa Huoqibao B	351,251.37	Measured at fair value	86,159.56	0.00	0.00	382,741.65	118,889.37	3,577.73	351,267.48	Held for trading	Self-owned
Fund	002183	GF Tianianhong B	GF Tianianhong B	333,831.97	Same as above	221,533.61	0.00	0.00	199,446.54	83,009.55	6,815.07	333,839.89	Held for trading	Self-owned
Fund	000662	Yinhua Live Money F	Yinhua Live Money F	106,450.87	Same as above	120,023.78	0.00	0.00	29,180.43	42,707.47	3,001.58	106,469.31	Held for trading	Self-owned
Fund	003474	Southern Tiantianli B	Southern Tiantianli B	86,815.20	Same as above	411.60	0.00	0.00	86,811.95	411.60	1,099.08	86,822.08	Held for trading	Self-owned
Bond	170209	17 CDB 09	17 CDB 09	82,799.31	Same as above	85,334.14	0.00	1,190.71	0.00	0.00	3,703.60	85,032.17	Other debt investments	Self-owned
Fund	002758	CCB Fund Cash Return Monetary Fund	CCB Fund Cash Return Monetary Fund	85,001.87	Same as above	101,365.38	0.00	0.00	83,672.33	100,000.00	3,643.13	85,008.52	Held for trading	Self-owned
Bond	190207	19 CDB 07	19 CDB 07	80,155.78	Same as above	0.00	149.84	287.01	233,560.36	153,384.25	661.30	82,177.44	Held for trading/other debt investments	Self-owned
Bond	190212	19 CDB 12	19 CDB 12	80,020.10	Same as above	0.00	84.94	0.00	90,027.28	10,007.18	935.30	80,977.20	Held for trading	Self-owned
Bond	019562	17 Treasury Bond 08	17 Treasury Bond 08	72,918.60	Same as above	74,791.04	0.00	446.40	0.00	0.00	2,606.06	74,973.54	Other debt investments	Self-owned
Bond	170205	17 CDB 05	17 CDB 05	69,928.58	Same as above	72,618.83	0.00	391.81	0.00	0.00	2,939.58	72,220.12	Other debt investments	Self-owned
Other securities investments held at the end of the period				17,658,901.88	--	19,540,658.37	147,510.09	90,450.38	N/A	N/A	1,024,150.72	17,985,294.08	--	--
Total				19,008,075.53	--	20,302,896.31	147,744.87	92,766.31	N/A	N/A	1,053,135.15	19,344,081.83	--	--

Note: Other securities investments include the investment by the Company in the special account of the CSF. Pursuant to the relevant contract entered into between the Company and CSF, the special account will be under the united operation of CSF, with the investment risks and investment income shared by us based on the investment ratio. As at the end of the Reporting Period, the balance of the Company's investment in such special account was RMB10.31 billion and the Company has determined the book value of the investment in such special account based on the asset report provided by CSF to be RMB10,573 million.



(2) *Derivative investment conditions*

N/A

**5. Use of proceeds**

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

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

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

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

As of December 31, 2019, RMB12.504 billion out of the proceeds raised from the issuance of H Shares was used for the wealth management business to mainly develop margin financing and securities lending business and build a strategic Internet financial platform and wealth management platform; RMB4.986 billion was used for the investment management business, investment banking business and transaction and institution business to mainly increase the asset size under the investment management, increase input into the seed funds, innovate and develop investment management products, and participate in various financial products markets as a market maker and provide liquidity support; RMB3.443 billion was used for the international business to mainly increase input into the investment management, transaction and institution businesses in Hong Kong; the remaining RMB4.126 billion was temporarily used to replenish the working capital and develop short-term investment business. Upon approval from relevant regulatory authorities, the Company will apply the remaining proceeds raised from the H Share issuance to the businesses including the international business of the Company in accordance the use of proceeds as disclosed in the Company's H Share prospectus.

**VI. SALE OF MAJOR ASSETS AND EQUITY**

**1. Sale of major assets**

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

**2. Sale of major equity**

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

## VII. 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 (RMB)	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sale.	RMB1,400,000,000	15,569,974,066.01	2,351,284,051.27	204,970,832.35
GF Xinde	Subsidiary	Equity investment; providing financial advisory services on equity investment to clients and other businesses approved by CSRC.	RMB2,800,000,000	7,027,430,391.41	5,110,681,057.74	218,914,775.92
GFHK	Subsidiary	Investment holding, undertaking investment banking, sale and transactions, asset management, equity investment and other businesses approved by the SFC through professional subsidiaries.	HKD5,600,000,000	15,574,862,089.72	4,656,772,219.24	-267,917,475.88
GF Qianhe	Subsidiary	Project investment; investment management.	RMB3,603,500,000	4,905,428,156.08	4,774,577,096.21	300,149,058.39
GF Asset Management	Subsidiary	Securities asset management business.	RMB1,000,000,000	12,627,134,117.47	5,481,447,739.79	943,286,642.07
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).	RMB800,000,000	3,993,394,983.34	918,299,855.14	-73,084,525.72
GF Hexin	Subsidiary	Investment management, asset management, fund management, equity investment, investment consulting.	RMB100,000,000	126,782,293.11	111,756,657.84	8,855,164.32
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB126,880,000	9,579,557,441.66	7,030,937,029.25	1,186,213,004.84
E Fund	Participating stock company	Publicly offered securities investment fund management, fund sale, asset management for specific customers.	RMB132,442,000	14,675,389,245.01	10,096,094,600.14	1,726,333,755.44

### Explanation on the status of principal subsidiaries:

GF Fund recorded net profit of RMB1,186 million, representing a year-on-year increase of 161.23%, which was mainly due to the increase in revenue of financial assets held for trading and income of fund management fee. GF Asset Management recorded net profit of RMB943 million, representing a year-on-year increase of 1.62%, which was mainly due to the increase in income of asset management fee. GFHK incurred losses, the reasons for which was set out in point 2 of the section 6 headed "XVII. Significant Matters for the Subsidiaries of the Company".

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

For details, please refer to "(4) Explanation of changes in the consolidation scope of financial statements" in "III. Analysis on Financial Statements" of section 5 in this report.



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

### 1. Relevant matters about bankruptcy reorganization

N/A

### 2. Merger or separation of the Company

N/A

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

#### (1) *Relocation of business departments*

As of December 31, 2019, the Company has 21 branch companies and 283 securities brokerage branches, covering 31 provinces, municipalities directly under the Central Government and autonomous regions in Mainland China. From January 1 to December 31, 2019, the relocation of 14 securities brokerage branches of the Company in the same cities have been completed.

No.	Name of Securities Brokerage Branches after Relocation	Name of Securities Brokerage Branches before Relocation
1	Securities Business Department of GF Securities Co., Ltd. at Pudong South Road, Shanghai	Securities Business Department of GF Securities Co., Ltd. at Chengshan Road, Shanghai
2	Securities Business Department of GF Securities Co., Ltd. at Xueyuan Road, Hangzhou	Securities Business Department of GF Securities Co., Ltd. at Tianmushan Road, Hangzhou
3	Securities Business Department of GF Securities Co., Ltd. in Meilin Jiye Building at Huacheng Avenue, Guangzhou	Securities Business Department of GF Securities Co., Ltd. in Metro Plaza at Tianhe North Road, Guangzhou,
4	Securities Business Department of GF Securities Co., Ltd. at Nanfeng Road, Shanghai	Securities Business Department of GF Securities Co., Ltd. at Nanfeng Road, Shanghai
5	Securities Business Department of GF Securities Co., Ltd. at Airport Road, Panzhihua	Securities Business Department of GF Securities Co., Ltd. at Panzhihua Avenue, Panzhihua
6	Securities Business Department of GF Securities Co., Ltd. at Wenguan Road, Chenghai District, Shantou	Securities Business Department of GF Securities Co., Ltd. at Chengjiang Road, Chenghai District, Shantou
7	Securities Business Department of GF Securities Co., Ltd. at Taishan Road, Panjin	Securities Business Department of GF Securities Co., Ltd. at Shiyu Street, Panjin
8	Securities Business Department of GF Securities Co., Ltd. at Gongyuan East Street, Xingtai	Securities Business Department of GF Securities Co., Ltd. at Gongyuan East Street, Xingtai
9	Securities Business Department of GF Securities Co., Ltd. at Guicheng, Nanhai District, Foshan	Securities Business Department of GF Securities Co., Ltd. at Tianyou Road (Section 3), Nanhai District, Foshan



No.	Name of Securities Brokerage Branches after Relocation	Name of Securities Brokerage Branches before Relocation
10	Securities Business Department of GF Securities Co., Ltd. at Haichen Road, Huludao	Securities Business Department of GF Securities Co., Ltd. at Longwan Avenue, Huludao
11	Securities Business Department of GF Securities Co., Ltd. at Xinsongjiang Road, Shanghai	Securities Business Department of GF Securities Co., Ltd. at Xinsongjiang Road, Shanghai
12	Securities Business Department of GF Securities Co., Ltd. at Caoxi North Road, Shanghai	Securities Business Department of GF Securities Co., Ltd. at Wuxing Road, Shanghai
13	Securities Business Department of GF Securities Co., Ltd. at Hongwei South Road, Honghu	Securities Business Department of GF Securities Co., Ltd. at Hongwei South Road, Honghu
14	Securities Business Department of GF Securities Co., Ltd. in Sanxiang, Zhongshan	Securities Business Department of GF Securities Co., Ltd. in Sanxiang, Zhongshan

**(2) Establishment of branch companies and securities brokerage branches during the Reporting Period**

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 are allowed to set up one securities brokerage branch in each of Xiamen of Fujian Province, Zhuhai of Guangdong Province, Jiangyin of Jiangsu Province, Changzhou of Jiangsu Province, Chengdu of Sichuan Province, Shangrao of Jiangxi Province, Wuhu of Anhui Province, Baotou City of Inner Mongolia Autonomous Region, Chongqing and Shanghai, respectively; two securities brokerage branches in Xian of Shaanxi Province, Guangzhou of Guangdong Province and Beijing, respectively; three securities brokerage branches in Shenzhen of Guangdong Province, with a total of 19 securities brokerage branches; and one branch company is allowed to set up in Liaoning Province, bringing a total of 20 branches.

As of the date of this report, all the aforesaid 20 branches have been established and put into operation.

**(3) For the change in subsidiaries, please see “(iv) Explanation of changes in the consolidation scope of financial statements” in “III. Analysis on Financial Statements” of section 5 in this report.**



#### 4. Structured entities controlled by the Company

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 December 31, 2019, there were a total of 19 products consolidated into the consolidated financial statements of the Group.

As at December 31, 2019, the net assets of the consolidated structured entities were RMB11,568,043,861.71 (as at the beginning of the period: RMB13,075,779,635.25). The book value of the Group's interests was RMB5,066,657,735.58 (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 RMB6,501,386,126.13 (as at the beginning of the period: RMB8,620,365,189.53).

#### 5. Major asset disposal, acquisition, replacement and divestment

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

On January 22, 2020, as considered and approved at the 25th meeting of the 9th session of the Board of the Company, GF Fund (a controlled subsidiary of the Company) was allowed to acquire a land parcel situated at AH040248, Zone A, Pazhou, Haizhu District, Guangzhou and a land parcel situated at No. ⑩-2 Joint Buildings at intercrossed municipal roads, Pazhou Internet Innovation Industry Cluster, Haizhu District, Guangzhou, and the buildings on ground and underground and the construction in progress on the aforesaid two parcels of land, held by Kangmei Healthcare Industry Investment Co., Ltd ("Kangmei Healthcare", a wholly-owned subsidiary of Kangmei Pharmaceutical) at a consideration of no more than RMB1.13 billion. Please refer to "XIII. Major Related Transactions" in section 6 of this report for details.

#### 6. Restructuring of other companies

N/A



## IX. OUTLOOK OF THE COMPANY

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

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

With the PRC economy entering a new era of high-quality growth, the real economy's demands for financial services have been experiencing a fundamental change and the development and expansion of the direct financing market will become the key to the supply-side reform of the financial industry. It is emphasized in the report of the 19th National Congress that the reform of the financial system shall be deepened to increase the proportion of direct financing and promote the sound development of the multi-level capital market. It was pointed out at the Economic Work Conference of China held at the end of 2019 that it was necessary to accelerate the reform of the financial system, improve the basic systems for the capital markets, enhance the quality of listed companies, optimize market exit mechanisms and promote the stable reform of the ChiNext Market and the New Third Board. In February 2019, during the 13th collective learning of the Political Bureau of the Central Committee of the CPC, Xi Jinping, the general secretary of the CPC, pointed out that the focus of deepening the supply-side reform of the financial industry shall be placed on the optimization of the structure of the financial system to optimize financing structure and financial institution system, market system and product system in order to provide higher quality and more efficient financial services for the development of real economy. The implementation of significant reform initiatives such as establishment of the STAR Market of SSE and pilot registration system, further review of reforms of the ChiNext Market of SZSE, growing institutional investors and gradual increase in inflow of foreign funds have indicated that the capital markets in China have strong growth potential. Accordingly, against the background of serving real economy and developing direct financing market, the securities industry will shoulder greater responsibilities and mission and will also embrace a favorable strategic development period.

#### 2. The two-way openness of the capital market will bring new opportunities for the development of the securities industry

In February 2019, Xi Jinping, the general secretary of the CPC, emphasized during the 13th collective learning of the Political Bureau of the Central Committee of the CPC that the global competitiveness of the financial industry shall be improved, high-level and two-way opening up of finance shall be expanded, economic and financial management capacity and risk prevention and control capacity under open conditions shall be improved and capacity to participate in international financial governance shall be improved. Since 2019, the capital markets of China has continued its two-way openness progress: in May 2019, MSCI expanded its weightiness on A shares by increasing the percentage of the large cap China A shares in the MSCI Emerging Markets Index to 10% from 5%; on June 17, Shanghai-London Stock Connect commenced operation, creating a new model for connection and exchange between exchanges; on June 21, FTSE Russell announced the





inclusion of A shares in its Global Equity Index Series, which took effect at the opening on June 24. At the Shanghai Lujiazui Forum, Yi Huihan, the Chairman of the CSRC, announced 9 measures to further open the capital market. With further connection and exchange between the capital markets of China and overseas markets, more overseas investors, especially long-term investors, would participate in the capital markets of China. Therefore, under the trend of two-way openness of the capital market, the internationalization level of the securities industry will be improved continuously and improvement of business capacity and development of overseas markets will bring new opportunities for the development of the securities industry.

### **3. Implementation of the new Securities Law and related regulatory measures will guide stable and healthy development of the securities industry in the long-term**

The Securities Law officially came into effect on March 1, 2020. The amendments to the new Securities Law have optimized the system for the issuance of securities and significantly increased the costs for non-compliance. The new Securities Law also has a specific chapter on protection of investors, further intensified requirements for information disclosure and optimized the system for securities trading by abolishing various administrative permissions, regulating the performance of obligation of intermediary institutions and establishing a multilevel capital market system, providing institutional foundation for promotion of the long-term stable and healthy development of the capital markets and securities industry of China.

Since 2019, with increasing importance of the capital markets, a series of significant measures has been introduced: including the establishment of the STAR Market and the pilot registration system, expansion of derivatives, expansion of pilot for stocks and futures, the start of pilot for investment and consultation for public offering of funds, start of comprehensive development of the NEEQ, acceleration of the development of securities lending business, to guide financial institutions for long-term stable and healthy development and better serving real economy under the premise that there will be no systemic risk.

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

In 2019, the regulatory authorities further increased the investment quota of QDII and canceled restrictions on the investment quota of QFII and RQFII to encourage insurance funds to increase their holdings of quality listed companies' stocks and maintain the stable development of the capital markets in the long run. With the rapid growth of the number and scale of institutional investors, the investment demand has become more complex and diversified. It provides a huge potential for the development of securities companies' businesses, such as transaction, custody, operation outsourcing, investment and research, wealth management and capital intermediary. The business institutionalization trend will become more obvious. At the same time, under the classified regulatory rating system and the circumstance that the percentage of heavy assets is increasing, the competition in the industry will show a concentration trend. Recently, regulatory authorities have expressed their intention to encourage the development of leading securities firms. The regulating intention of "supporting the stronger and restricting the weaker" and the competition landscape of "the stronger remains stronger" have become more obvious.



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

**1. Due to severe business homogenization of securities firms, the charge level of traditional businesses continues to decline, which raises more requirements for the comprehensive service ability of securities firms**

At present, the agency services for sale and purchase of securities, investment banking business and asset management business of securities firms still have a very high degree of homogeneity and they do not have sufficient innovative service capacity for customers, resulting in a declining trend on the charge level of securities firms. Under the impact of Internet account opening and the policy of one client with multiple accounts, the industry commission rate is still showing a slow downward trend. In the process of transformation from agency service to wealth management service, the comprehensive capability of securities firms, including their products, investing advisory and platforms, shall be further enhanced. In the underwriting business, especially the bond underwriting business, many securities firms adopt low-price competitive strategy, which brings pressure on the commission rate of underwriting. With the implementation of the registration system by step, investing banking business raises more requirements for the comprehensive service capability, capital capability, pricing capability, research capability and institution sales capability of securities firms.

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

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

On the other hand, under the effect of overseas regulatory environment, capital market rules and culture differences, securities companies also face challenge when tapping into the overseas developed market.



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

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

#### (III) The Company's development strategy

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

#### (IV) Annual business plan in 2020

In 2020, the Company will stick to its stable and healthy operation and insist on the business transformation to improve the synergy mechanism of institutional business, cultivate and enhance its professional competence based on the future trends of reform and development for capital markets. The Company will also promote its business innovation and digitalization strategy to establish core competitiveness for a modern investing bank. The Company will focus on the enhancement of internal control, solid transformation, improvement of synergy mechanism and accelerating establishment of new competitive strength.



#### (V) Fund demand of the development

Taking into account the prospective strategy in the future, according to the business requirement of the Company, the Company will timely seize the market opportunities, appropriately raise various equity capital or debt capital in various ways, optimize the Company's capital structure and constantly enhance the capital strength so as to guarantee that the Company's capital strength matches its market-leading position.

#### (VI) Risk factors and counter-measures

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

##### (1) Policy risk

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

##### (2) Liquidity risk

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



### (3) Market risk

Market risk refers to the risk of loss in the Company's businesses resulting from adverse changes in the market price (price of equity securities, interest rates, exchange rates, 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 rates, exchange rates, commodity and derivative price, etc. The market risks faced by the Company mainly concentrate on equity price risk, interest rate risk and derivative price risk, which are mainly reflected in the Company and subsidiaries' proprietary investment in equity securities, proprietary investment in fixed-income securities, transactions of derivatives in exchange-traded and OTC markets and market making on the New Third Board, etc. with their own fund. With the promotion of the Company's course of internalization, as well as the acceleration to open the capital markets of China, various market risks to be borne by the Company are increasing due to the rapid expansion of its business scope and the transfer of risks from the cross-border flow of capital. As a result, it becomes more challenging for the Company to manage its market risks. In particular, domestic derivative market is still at the beginning stage, so corresponding market mechanisms are not perfect and the risk hedging instruments are insufficient. Hence, as a major market maker and risk hedger in the derivative market, the rapid development of the derivative market has increased the market risk exposure to be borne by the Company. Overseas derivative markets have been well developed with the characteristics of complex product structure, highly fluctuating income and uneven liquidity, which makes it more difficult for the Company to manage market risks.

### (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 concentrates on transactions of bond investment, OTC transactions of derivatives, margin trading, agreed repurchase business, repurchase business on stock pledge, investment in non-standardized debt assets 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 by securities 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 direct or indirect loss caused by imperfect or problematic internal procedures, personnel, systems and external events. Each department and business line of securities firms (including front business department and the back office supporting department) face operational risk, characterized by wide coverage and diversity, frequent occurrence but difficult to control, including daily business process flaws with high occurring frequency but relatively low loss, and unexpected events with low frequency of occurrence and significant loss. Meanwhile, as the Company's innovative businesses constantly increase, the business process becomes increasingly complicated. If the Company fails to timely identify the operational risks in each of its business lines and daily operations and to take effective mitigation measures, it may materialize operational risks and suffer financial and reputation losses due to unclear setting and ineffective design or implementation of risk control measures. Therefore, the management of operational risk is a vital stage for securities firms to realize comprehensive risk management objectives.

**(7) Risk of information technology**

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

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

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

In recent year, based on external regulatory requirements and internal risk management requirements, the Company has continuously established and optimized overall risk management system and conducted risk management work by focusing on some key factors, such as "risk management culture, risk management governance framework, risk management mechanism and implementation and risk management infrastructure". At present, the Company's risk management has covered each type of risks, each business line, each department and each subsidiary. Relevant mechanism and process for the identification and analysis, assessment and measurement, monitoring and reporting, response and address of risks are in effective operation.



## (2) *Specific management for various risks*

### ① Policy risk management

The Company pays close attention to the change of various policies and makes timely response and 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 regularly monitors 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 provides basis for management at all levels to make operational decisions on the basis of elaborated analysis and monographic study; 3) The Company regularly conducts perspective discussions about macroscopic and supervision policy change and formulates specific countermeasures.

### ② Liquidity risk management

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



③ Market risk management

The Company sets its market risk tolerance based on principles of active management and quantization orientation in accordance with risk preference of the Company and guarantees market risk undertaken by the Company is within the risk tolerance set by the Company through identification, evaluation, measuring, monitoring and management. With development of the FICC business, derivative products business and overseas business of the Company, the Company has enhanced effectiveness and efficiency of risk management through the following measures to cope with more complicated market risk: 1) The Company refines market risk limits for various businesses with a top-down and bottom-up mechanism according to its market risk appetite and risk tolerance, and actual demand of each business line; 2) The Company establishes multi-dimensional sensitivity index limit and stress test index limit for key investment business and complex derivatives business based on traditional risk index limit and continues to improve the scientificity and effectiveness of the market risk limit system; 3) The Company actively studies the advanced and mature market risk measurement models, explores the application of indicators such as ES and SVaR and establishes a multi-level risk quantification indicators system; 4) The Company continues to independently research and develop industry-leading risk management system to achieve centralized management of full-position market risk covering various types of investment businesses of the Company; 5) The Company continues to improve pricing and risk measurement model risk management framework through policy revision and process optimization, covering rating, development, verification, realization, examination, utilization, monitoring and review of the model, and realizes the online management of the entire process of model risk management through the model base.

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 sticks to the following basic principles for credit risk management: 1) The Company shall identify and manage credit risk exposed to 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 clients, 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 sound authorization mechanism and segregation of duties, optimized system and process, well-established IT system, strict operation discipline and subsequent supervision and inspection etc.. For the purpose of adapting to the complicated internal and external environment and in response to the operational risks featuring with various factors and broad aspects, the Company has improved the level and effect of operational risk control mainly through the following measures: 1) The Company has improved the operational risk management system and operational mechanism, strengthened the joint coordination between the three lines of defense of the operational risk management, and enhanced the in-depth analysis and rectification tracking of the operational risk related issues; 2) The Company has improved tool system for operational risk management, and further improved the operational risk identification, evaluation, monitoring and reporting mechanism through continuous improvement and further promotion of risk and control self-assessment, key risk indicators and loss data collection, with new business assessment and IT system establishment process embedded; 3) The Company has been gradually achieving the systematization and standardization of the operation risk management through continuous optimization of the operational risk management system; 4) The Company continues to enhance the management of operational risks of its subsidiaries through traditional tools for operational risk management and new business assessment and system establishment; 5) Considering requirements for the construction of operational risk management system, the Company has been continuing to improve the assessment system, review scope and assessment process for new products and new business and enhance the tracking management mechanism for new business through reducing entry barrier by lowering criteria for new business, promoting online inspection and acceptance of new business and reviewing the status of business operation.

#### 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 implementing various relevant requirements, optimizing the organizational structure of compliance management, organizing the compliance management personnel in place, strengthening the first-line compliance management and establishing 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 “Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies” (《證券公司和證券投資基金管理公司合規管理辦法》) and the “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, initiating the streamline of “formulation, modification, repealing” of the internal rules and regulations of the Company when appropriate, and realizing 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 improving the establishment of the compliance management information system, and improving the effectiveness of compliance management through high-tech and intelligent means.

⑦ Information technology risk management

In 2019, the Company has completed the construction of the five-in-one assurance system of “assurance of on-going business, safety assurance, quality assurance, information platform and cloud platform” and realized online operation of the assurance system through platform to achieve the close-cycle before-event, event and after-event management of IT risks. 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 effectively supporting the regulated development of the Company’s business.

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

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

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



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

The Company regards stress test tools as significant tools of risk assessment and management of the Company and regularly and from time to time carries out comprehensive and special stress test evaluations to provide support for business decision making and operation management in accordance with requirements of “Guidelines for Stress Test of Securities Companies” (《證券公司壓力測試指引》) and in combination with business development situation and risk management demand. In 2019, the Company has carried out comprehensive stress test and submitted reports in accordance with requirements of the Securities Association of China. The Company has carried out special stress test analysis for the Company’s important decisions, such as application of innovative business, major business scale adjustment and profit distribution, and continuously improved risk factor and scenario design, optimized model and method of parameter setting to optimize the effectiveness of stress test results.

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

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

## 4. Compliance with risk control indicators during the Reporting Period

In 2019, the Company’s core risk control indicators were in good operation and complied with regulatory standards. As of December 31, 2019, the net asset of the parent company was RMB80,831 million and the net capital of the parent company was RMB60,864 million, of which supplementary net capital was RMB5,100 million and core net capital was RMB55,764 million. As at the end of 2019, the Company maintained a relatively high security margin for various risk control indicators, which have reserved spacious room for business development.



## XI. RISK MANAGEMENT

### (I) Implementation of comprehensive risk management by the Company

The Company has always attached importance to risk management and regarded risk management as its lifeline. Under the guidance of the Group's overall development strategy planning, the Company takes comprehensive risk management as its supporting system strategy and adheres to the Three Ideas about Risk Management, "to manage risks cautiously; the three defence lines cooperate with each other and each focus on specific aspects; be people-oriented", and follow the Five Basic Principles, "comprehensive management; objectiveness and fairness; checks and balance; separate and clear duties and power; openness and transparency". The Company continuously constructs and implements powerful, independent, and precise management and control system, constructs effective overall risk management strategy, organization, system, technology and personnel system, promotes the effective utilization of group risk resources, controls the risks within the scope which matches with the Group's risk preferences, and supports steady development of the Group's business. The Company's comprehensive risk management can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

In 2019, the Company conducted further comprehensive risk identification and rectification within the entire system and significantly increased the effectiveness of the Company's risk management through all-round self-inspection and rectification, effective risk management and elimination.

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

The Company attaches great importance to the investment in compliance and risk control and information technology. The investment in compliance and risk control and information technology in 2019 is as follows: the investment in compliance and risk control in 2019 is RMB326 million, and the investment in information technology in 2019 is RMB805 million<sup>1</sup>.

<sup>1</sup> Compliance and risk control Investment includes compensation of compliance and risk control staff, investment in the construction of relevant compliance and risk control system, day-to-day operation expenses for compliance and risk control work; IT investment includes compensation of IT staff, capital expenditure and IT expenses. Such amount excludes the overlapping investment in compliance and risk control and IT. Such statistics are based on the parent company's data.



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

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

Reception time	Reception method	Type of participants	Participants	Basic particulars of the research
From January 1, 2019 to December 31, 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	Operation and 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



Reception time	Reception method	Type of participants	Participants	Basic particulars of the research
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
July 4, 2019	Results roadshow	Institutions	The investors who were invited to attend the Citi Greater China Corporate Day	Strategic and business development of the Company
July 5, 2019	Field research	Institutions	Industrial Securities	Operation and development of the Company
July 11, 2019	Field research	Institutions	China Galaxy Securities	Operation and development of the Company
July 18, 2019	Telephone communication	Institutions	ICBC International	Operation and development of the Company
July 26, 2019	Field research	Institutions	TF Securities, Ping An Fund, Pramerica Fosun Life Insurance	Operation and development of the Company
August 30, 2019	Results roadshow	Institutions	The analysts and investors who were invited to attend GF Securities' 2019 Interim Results Announcement Conference	Strategic and business development of the Company
September 12, 2019	Telephone communication	Institutions	DBS Vickers Securities	Operation and development of the Company



Reception time	Reception method	Type of participants	Participants	Basic particulars of the research
November 1, 2019	Telephone communication	Institutions	M&G Prudential	Operation and development of the Company
November 5, 2019	Results roadshow	Institutions	Investors invited to the Chinese Investment Summit sponsored by Citibank	Strategic and business development of the Company
November 14, 2019	Field research	Institutions	Guotai Junan Securities	Operation and development of the Company
November 19, 2019	Results roadshow	Institutions	The investors who were invited to attend 2020 Annual Capital Market Conference of CITIC Securities	Strategic and business development of the Company
December 11, 2019	Field research	Institutions	CICC	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](http://www.szse.cn)) and the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

Number of reception	22
Number of institutional participants	Over 200
Number of individual participants	No onsite visit by individual investors
Number of other participants	None
Whether or not disclose, reveal or leak undisclosed significant information	No

In 2019, the Company organized two local and overseas results presentations and answered 148 questions raised by investors via the EasyIR platform of SZSE.

### XIII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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



#### XIV. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

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

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

None of the Directors of the Company has any interest in any business that competes with our business.

#### XVI. PERFORMANCE OF SOCIAL RESPONSIBILITIES

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

#### XVII. TAX CONCESSION

##### (I) Holders of A-shares

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

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

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





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

## (II) Holders of H Shares

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



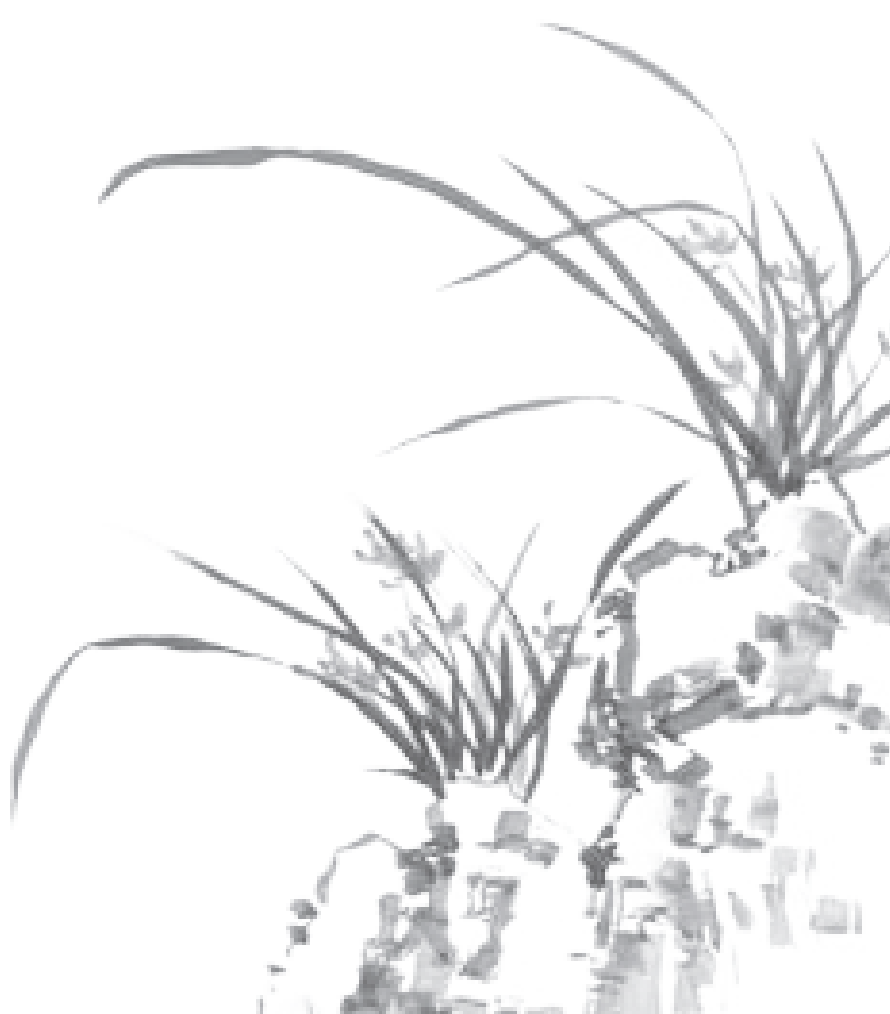
In accordance with provisions of the “Notice on Relevant Issues that PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Enterprise Shareholders of H-shares and Withhold and Remit Enterprise Income Tax” (GSH [2008] No. 897) 《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)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

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

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

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

## Section 06 | Significant Events





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

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

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

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

### Specific Particulars of Cash Dividend Policy

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



2. The Company's Cash Dividends of Ordinary Shares in the Latest Three Years (including the Reporting Period)

Unit: RMB

Year of Dividend	Amount of Cash Dividends (tax inclusive)	Amount of Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements of the Year of Dividend	Percentage of Amount of Cash Dividends to Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements	Percentage of Amount of Cash Dividends Otherwise Distributed to Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements	
				Amount of Cash Dividends Otherwise Distributed	Shares in the Listed Company in the Consolidated Statements
2019	2,667,380,682.40	7,538,921,643.02	35.38%	-	-
Mid-2019	1,524,217,532.80	4,140,017,091.62	36.82%	-	-
2018	-	4,300,126,341.29	-	-	-
2017	3,048,435,065.60	8,595,399,060.76	35.47%	-	-

Taking into account the Company's 2019 profit distribution plan and 2019 interim profit distribution plan, the Company's total annual cash dividend distribution amounted to RMB4,191,598,215.20, accounting for 55.60% of net profit attributable to owners of the parent company in the Company's 2019 consolidated statements.

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

N/A

## 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)	3.5
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)	2,667,380,682.40
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)	2,667,380,682.40
Distributable profits (RMB)	21,130,589,692.84
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 RMB3.5 (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 RMB2,667,380,682.40, and the remaining undistributed profit of RMB18,463,209,010.44 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 2019, the net profit attributable to owners of the parent company was RMB7,538,921,643.02; the net profit of the parent company was RMB5,929,392,511.11 and the distributable profit for the year was RMB22,909,808,224.73.

Having considered the requirements under the Company Law, the Securities Law, 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 profit distribution for the year of 2019 in the interest of the shareholders and the development of the Company:

In 2019, the parent company of GF Securities achieved net profit of RMB5,929,392,511.11, 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 RMB592,939,251.11 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 RMB400,778.56 was appropriated to the general risk reserve for asset custodian business, and the remaining distributable profit amounted to RMB21,130,589,692.84.

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 RMB21,130,589,692.84.

The Profit Distribution Plan of GF Securities in 2019 《(廣發證券2019年度利潤分配預案)》 was considered and approved at the 26th 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 legitimate interests of minority investors. The independent directors of the Company have provided their view in the Independent Opinions on Profit Distribution Plan in 2019 《關於2019年利潤分配預案的獨立意見》. After being considered and approved by the Annual General Meeting, the Profit Distribution Plan of the Company in 2019 will be implemented within two months from the date when it is being considered and approved at the general meeting.



### III. IMPLEMENTATION OF COMMITMENTS

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

Cause of Commitment	Undertaking party	Type of Commitment	Details of Commitment	Date of Commitment	Term of Commitment	Performance
Share conversion undertakings/undertakings made in acquisition report or equity changes report/undertakings made in asset restructuring	The Company and its shareholders, directors, supervisors and senior management	Others	<p>1. GF Securities and its Directors, Supervisors and senior management have made undertakings that upon completion of this transaction, GF Securities, as a public company, will strictly perform its obligations in information disclosure and investor education. After listing, in addition to meeting the requirements for information disclosure by listed companies in general, GF Securities will make sufficient disclosure in regular reports on information regarding customer asset protection, risk control, compliance inspection, commencement of innovative business and risk management according to its own characteristics to enhance the unveiling of risks for investors. 2. GF Securities and its Directors, Supervisors and senior management have made undertakings that they will strictly comply with the requirements of the Administrative Measures for Risk Indicators of Securities Companies, enhance the risk management system, improve the risk monitoring mechanism, establish a real-time risk monitoring system, strengthen dynamic monitoring of risks and enhance capabilities in identifying, measuring and controlling risks to enhance the level of risk management. 3. To avoid peer competition with the surviving company after share conversion and merger by absorption and regulate possible related transactions, Liaoning Cheng Da and Jilin Aodong have made the following undertakings: ① Being the largest and second largest shareholders of the surviving company after share conversion and merger by absorption, they have undertaken not to operate the same business as that operated by the surviving company, and not to indirectly operate or participate in the investment of enterprises which compete or may compete with the business of the surviving company. At the same time, they have also warranted that they will not use their capacity as shareholders to harm the proper interest of the surviving company and other shareholders. In addition, they will procure their wholly-owned subsidiaries or subsidiaries in which they have more than 50% equity interest or relative controlling interest to comply with the above undertakings. ② With respect to related transactions conducted by Liaoning Cheng Da and Jilin Aodong and their respective related parties with the surviving company in future, the decision-making procedure for related transactions of listed companies will be strictly performed and the market pricing principles will be observed to ensure fairness, impartiality and equity and the legitimate interest of minority shareholders will not be prejudiced. 4. Liaoning Cheng Da and Jilin Aodong have issued the Undertakings on Maintaining the Independence of the Yan Bian Road Construction Co., Ltd. respectively and warrant to realize staff independence, asset independence, business independence, financial independence and organization independence with the Company.</p>	February 6, 2010	Nil	All undertaking parties have strictly performed the undertakings.



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 on risk indicators, the Company has provided GF Asset Management with additional net capital guarantee undertakings of up to RMB3 billion (RMB3 billion inclusive), among which, net capital guarantee undertakings of RMB2.5 billion were provided for a term from the date on which the same was considered and approved by the board of directors until September 30, 2016; and net capital guarantee undertakings of RMB0.5 billion were provided for a term until its net capital was able to satisfy the requirements of the regulatory authority on an ongoing basis.	July 18, 2016	Net capital guarantee undertakings of RMB2.5 billion were provided for a term from the date on which the same was considered and approved by the board of directors until September 30, 2016; and net capital guarantee undertakings of RMB0.5 billion were provided for a term until its net capital was able to satisfy the requirements of the regulatory authority on an ongoing basis.	GF Securities strictly performed the undertakings.
Whether the undertakings were performed timely?						Yes

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

N/A

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

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





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

N/A

## VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

### 1. Currently Appointed Accounting Firms

PRC Accounting Firm	Ernst & Young Hua Ming LLP
Audit remuneration of PRC Accounting Firm (RMB)	2.25 million
Continuous term of auditing service of PRC Accounting Firm	2 years
Name(s) of certified public accountant(s) of the PRC Accounting Firm	Zhao Ya, He Yanyi
Continuous term of auditing service of certified public accountant(s) of PRC Accounting Firm	2 years
International Accounting Firm	Ernst & Young
Audit/review remuneration of International Accounting Firm (RMB)	1.35 million
Continuous term of auditing service of the International Accounting Firm	2 years
Name(s) of certified public accountant(s) of the International Accounting Firm	Benny Bing Yin Cheung
Continuous term of auditing service of certified public accountant(s) of the International Accounting Firm	2 years

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

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

In 2019, the Company appointed Ernst & Young Hua Ming LLP as accounting firm for internal control audit with auditing fees at RMB340,000.

### 3. Changes on Accounting firms

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



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

N/A

## VIII. SIGNIFICANT LITIGATION AND ARBITRATION

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

As of December 31, 2019, the Company (including its wholly-owned and holding subsidiaries) was involved in 81 litigation and arbitration cases (including those initiated by and against the Group) pending for final judgment or ruling and completed execution, involving a total amount of claims at approximately RMB2,120 million.

## IX. PENALTY AND RECTIFICATION

1. On March 25, 2019, the Company received the Decision on the Order of 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 failed to effectively manage its overseas subsidiary and has not effectively supervised the overseas 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 the Order of 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 and taken rectification measures as required, 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 effective 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》(Letter of Decision of Administrative Regulatory Measures of the China Securities Regulatory Commission [2019] No. 15).



4. On August 5, 2019, due to the Company's lack of effective 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》 (Letter of Decision of 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.

In this regard, the Company has attached great importance and proactively taken rectification, organized a comprehensive investigation of risk hazards in various business lines and resolved it in a timely manner, continuously optimized the construction of the group's internal control system and risk management level, and in particular strengthened the risk management and compliance management of subsidiaries, and urged the subsidiaries to strengthen risk management and control.

5. On October 16, 2019, due to inadequate due diligence in acting as a company's initial public offering and listing sponsor representative, the verification of the issuer's customers, suppliers, and equity transfers was inadequate, which violated Article 4 of the Administrative Measures for Sponsorship Business of Issuance and Listing of Securities 《證券發行上市保薦業務管理辦法》, Liu and Yuan, the company's sponsor representatives, received the Decision on adopting supervisory talks against Liu and Yuan 《關於對劉某、袁某採取監管談話措施的決定》 from the CSRC (China Securities Regulatory Commission Letter of Decision on Administrative Regulatory Measures [2019] No. 40).

In this regard, the Company has attached great importance and arranged relevant personnel to accept supervisory talks as required and conduct internal accountability of relevant responsible personnel, organized training and study on internal and external due diligence rules and regulations, and continuously strengthened investment bank project management and personnel practicing management.

6. On November 21, 2019, during the process of sponsoring a company's initial public offering of shares and listing on the ChiNext Market of SZSE, the sponsor representatives failed to prudently practice and was not diligent and responsible, and failed to urge the issuer to fully disclose its related parties and related transactions, which violated Article 4 of the Administrative Measures for the Sponsorship Business of Issuance and Listing of Securities, Xuan and Du, the Company and related sponsor representatives, received the Decision on Adopting Supervision Measures for Issuing Warning Letters to Xuan and Du, GF Securities Co., Ltd. and Sponsor Representatives 《關於對廣發證券股份有限公司及保薦代表人玄某、杜某採取出具警示函監管措施的決定》 from the CSRC (China Securities Regulatory Commission Letter of Decision on Administrative Regulatory Measures [2019] No. 50).

In this regard, the Company has attached great importance, and organized relevant departments to conduct in-depth investigations, conducted internal accountability treatment of relevant responsible personnel, and proactively taken rectification, requiring investment banking business personnel to comply with regulations and practice diligence, and effectively prevent the company and individuals from being exposed to such risks.



7. On December 10, 2019, as the information technology personnel of the Company's securities brokerage branch of Wuhan Luoshi Road engaged in marketing activities, which violated Article 4(1) of the Provisions on Strengthening the Management of Securities Brokerage Business (《關於加強證券經紀業務管理的規定》), the securities brokerage branch received the "Decision on the Issuance of a Warning Letter to Wuhan Luoshi Road Securities Brokerage Branch of GF Securities Co., Ltd. (《關於對廣發證券股份有限公司武漢珞獅路證券營業部採取出具警示函措施的決定》) from Hubei Securities Regulatory Bureau (Hubei Securities Regulatory Bureau Decision on Administrative Regulatory Measures [2019] No. 41).

In this regard, the Company has attached great importance and conducted the internal accountability of the person in charge of the sales department, and at the same time, organized various branches to conduct self-inspection to regulate and rectify non-compliance issues.

8. On December 17, 2019, due to problems such as the number of compliance personnel in the compliance department having more than 3 years of work experience in related fields accounting for less than 1.5%, and salaries of some compliance personnel less than the company's average level, etc., which violated the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》), the Company received the Decision on Issuing Warning Letter Measures to GF Securities Co., Ltd. (《關於對廣發證券股份有限公司採取出具警示函措施的決定》) from the CSRC (China Securities Regulatory Commission Decision on Administrative Regulatory Measures [2019] No. 57).

In this regard, the Company has attached great importance and sorted out the existing problems and researched and proposed rectification plans, which will be implemented as required.

## X. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

Please refer to "V. Qualifications for Individual Businesses" in Section 1 of this report.

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

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

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



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

N/A

## XIII. MAJOR RELATED TRANSACTIONS

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

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

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

In 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 asset value during its normal and ordinary business.



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

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

- (1) On January 29, 2019, the Company and its wholly-owned subsidiary, GF Qianhe, entered into the relevant agreements with Kangmei Pharmaceutical and Puning Xinhong, respectively, pursuant to which the Company and GF Qianhe proposed to acquire the 9.458% equity interest held by Kangmei Pharmaceutical in GF Fund and the 22% equity interest held by Puning Xinhong in 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 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 Ms. Xu Dongjin and Mr. Ma Xingtian in their capacity of husband and wife are the connected persons of the Company. Accordingly, this transaction constituted the connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Thereafter, the CSRC has issued the “Reply on Approving the Change of Equity Interest in GF Fund Management Co., Ltd.” (Zheng Jian Xu Ke No. [2019]1948), which approved the transfer of the 9.458% equity interest in GF Fund from Kangmei Pharmaceutical to the Company. GF Fund has completed the change in industrial and commercial registration pursuant to the above reply, and obtained the new business license certified by Guangdong Provincial Administration for Market Regulation.

In respect of the transfer of 22% equity interest held by Puning Xinhong in 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. Upon completion, GF Qianhe held 67% equity interest in Internet Microfinance. Thereafter, pursuant to relevant regulatory requirements such as the Management Rules for the Alternative Investment, the Company has rectified through partial external transfer of the equity interest in Internet Microfinance held by GF Qianhe. As of the date of publication of this report, the Company has procured GF Qianhe to decrease its shareholding in Internet Microfinance and converted the investment into a financial investment pattern. As of the date of publication of this report, GF Qianhe has completed the rectification in respect of its investment in Internet Microfinance.

For details, please refer to the relevant announcements published by the Company on CNINFO (巨潮資訊網) ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on January 30, 2019, November 1, 2019 and November 15, 2019.



- (2) On January 22, 2020, at the 25th Meeting of the Ninth Session of the Board of Directors of the Company, the Board of Directors considered and approved the connected transaction contemplated between GF Fund (a non-wholly-owned subsidiary of the Company) and Kangmei Healthcare (the “Transaction”). GF Fund proposed to acquire two parcels of land situated at Pazhou, Haizhu District, Guangzhou and the buildings on ground and underground and the construction in progress on the aforesaid two parcels of land, held by Kangmei Healthcare (the “Transaction Target”) at a consideration of no more than RMB1.13 billion.

According to the Hong Kong Listing Rules, GF Fund is a significant subsidiary of the Company. Ms. Xu Dongjin was a director of GF Fund, who resigned as a director of GF Fund on October 25, 2019. In view of the fact that Ms. Xu Dongjin had been a director of GF Fund in the past twelve months, Ms. Xu Dongjin is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Kangmei Healthcare is a wholly-owned subsidiary of Kangmei Pharmaceutical. Mr. Ma Xingtian is the de facto controller of Kangmei Pharmaceutical, and Ms. Xu Dongjin is the spouse of Mr. Ma Xingtian. Therefore, Kangmei Healthcare is an associate of Ms. Xu Dongjin, and thus a connected person of the Company at the subsidiary level. Therefore, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

At the board meeting which considered the Transaction, the relevant personnel present at the meeting explained the Transaction and the pricing of the Transaction. Based on (1) the relevant proposal in respect of the Transaction; (2) the explanations made by the relevant personnel at the board meeting; and (3) the pricing mechanism of the Transaction, namely, GF Fund still needs to engage an intermediary party to issue the valuation report, and the final price of the Transaction will be adjusted and determined by reference to the report value, and the transaction price shall not exceed RMB1.13 billion, 10 of the 11 Directors of the Company’s Board of Directors (including three of the four independent non-executive Directors) voted in favor of the proposal on the Transaction, and were of the view that the terms of the Transaction were reached through fair negotiation between the parties to the Transaction, and were entered into on normal commercial terms, which were fair and reasonable and in the interests of the Company and its Shareholders as a whole. In addition, the three independent non-executive Directors (including Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu) who voted in favor of the Transaction also issued specific independent opinions in respect of the Transaction in accordance with the relevant regulatory requirements. They were of the view that:

- 1) The Transaction is a relatively feasible solution for GF Fund to meet its need of future long-term and centralized office space. GF Fund can obtain the naming rights of its own properties, thereby enhancing its social image and influence and strengthening its employees’ sense of belonging. The subject plots of the Transaction are located in the core business district of Guangzhou, which has a good potential of value preservation and appreciation.
- 2) The terms and conditions of the Transaction are reasonable and the pricing is fair, which will not affect the Company’s ability to carry out its business independently.
- 3) The procedures for the review and decision-making of the Transaction are in compliance with the laws, administrative regulations, departmental regulations and other regulatory requirements.





Therefore, Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu, the three independent non-executive Directors, were of the view that the Transaction is in compliance with the relevant provisions of laws and regulations and the internal rules and regulations of the Company, and does not jeopardize the interests of the Company and other Shareholders, especially the interests of the non-connected Shareholders and small and medium shareholders.

Despite the aforementioned pricing mechanism (namely, the transaction price will not exceed RMB1.13 billion, the final price of the Transaction will be adjusted and determined by making reference to the report value issued by an intermediary party, while such report and report value were not available on the date of the Board meeting), Mr. Tang Xin, an independent non-executive Director of the Company, was of the view that the relevant meeting materials were not adequate for him to make an informed decision and he was not able to form an accurate judgment on the Transaction, thus Mr. Tang Xin abstained from voting on the Transaction.

For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on January 22, 2020.

At present, in respect of the Transaction, GF Fund will engage a qualified independent third-party intermediary to conduct an appraisal of the Transaction Target, and the final price of the Transaction will be referred to and adjusted based on the report values as stated in the relevant appraisal report.

### 3. Related Transactions in respect of Joint External Investment

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

Zhuhai GF Xinde Aodong Fund Management Co., Ltd. (hereafter referred to as "Aodong Fund Management") was established on 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) (hereafter 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 person of the Company. Accordingly, the above transactions in respect of the establishment of Aodong Fund Management and its two funds through joint external investment constituted the related/connected transactions under the SZSE Listing Rules and the Hong Kong Listing Rules. For details, please refer to the relevant announcement published by the Company on CNINFO (巨潮資訊網) ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on June 18, 2015.

According to the Restructuring 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 2018, the adjustments for the above fund units had been completed. The aforesaid two funds are now managed by GF Xinde as fund manager, while Aodong Fund Management have ceased to hold any fund units in Aodong Innovative Industry Fund and Aodong Pharmaceutical Industry Fund. As of June 30, 2019, Aodong Fund Management had 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.	6,784,065.85	6,688,195.81
Seats commission and trailing commission receivables	Harvest Fund Management Co., Ltd.	5,056,413.98	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-Party 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 intended 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 would not exceed RMB15 billion. Jilin Aodong proposed 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 would be RMB15 billion, 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](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) by the Company on May 9, 2018 and June 30, 2018, respectively.

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 had 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 ceased to have effect upon expiry.

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 in respect of Jilin Aodong’s conditional subscription agreement on June 17, 2019.

According to the requirements of relevant laws and regulations as well as the Notice on Matters Relating to Further Enhancing Supervisions on Related Transactions of Securities Firms under Jurisdiction (Guangdong Zheng Jian Fa [2018] No. 77) 《關於進一步加強轄區證券公司關聯交易監管有關事項的通知》(廣東證監發[2018]77號)) issued by Guangdong Securities Regulatory Bureau, the Company carried out special audit on its related-party transactions in 2019, during which the Company did not find any non-compliances with the requirements of relevant laws, regulations and rules in respect of its establishment of related-party transaction regulation system, decision procedures and disclosures.



#### XIV. MAJOR CONTRACTS AND THEIR PERFORMANCE

##### 1. Custody, Contracting and Leases

###### (1) *Custody*

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

###### (2) *Contracting*

From May 2013, the Company and Guangzhou Construction Co., Ltd. successively entered into the "Construction General Contract for GF Securities Tower" and the relevant supplementary agreements. Guangzhou Construction Co., Ltd. is the main contractor for the construction of GF Securities Tower. The tentative contract price is RMB1,062 million.

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

###### (3) *Leases*

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

## 2. Material Guarantees

### (1) Guarantees

External Guarantees Provided by the Company during the Reporting Period (Excluding Guarantees Provided to Subsidiaries)								
Name of the Guaranteed Party	Date of Disclosure of Guarantee	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
	Amount on the Relevant Announcement							
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 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
	Amount on the Relevant Announcement							
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 February 2, 2018	US\$40 million US\$30 million	Joint and several guarantee liabilities	Until September 3, 2019 Until January 28, 2020	Yes No	No No
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).	April 30, 2019	US\$70 million and relevant interest and expenses (if any)	August 30, 2019	US\$40 million	Joint and several guarantee liabilities	Until September 3, 2021	No	No
<b>Total amount of guarantees provided to subsidiaries approved during the Reporting Period (B1)</b>			RMB488.334 million	<b>Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)</b>				RMB767.382 million
<b>Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (B3)</b>			RMB488.334 million	<b>Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)</b>				RMB488.334 million



**Guarantees among Subsidiaries during the Reporting Period**

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 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)		RMB44.789 million	
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (C3)				RMB44.789 million	Total actual balance of guarantee provided to subsidiaries as at the end of the Reporting Period (C4)		RMB44.789 million	
<b>Total Amount of Guarantees Provided by the Company during the Reporting Period (i.e. the total of the first three major items)</b>								
Total amount of guarantees approved during the Reporting Period (A1+B1+C1)				RMB488.334 million	Total actual amount of guarantees provided during the Reporting Period (A2+B2+C2)		RMB812.171 million	
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)				RMB533.123 million	Total actual balance of guarantees provided as at the end of the Reporting Period (A4+B4+C4)		RMB533.123 million	
Total actual amount of guarantees (i.e. A4+B4+C4) as a percentage of the net assets of the Company							0.58%	
Including:								
Balance of guarantees provided to shareholders, de facto controller and their related parties (D)							0	
Balance of debt guarantees provided directly or indirectly to guaranteed parties with gearing ratio over 70% (on the date of resolution) (E)							0	
Amount of total guarantees above 50% of net assets (F)							0	
Total of the above 3 amounts of guarantees (D+E+F)							0	
For outstanding guarantees, description on the guarantee liabilities or possible joint and several liabilities of repayment occurred during the Reporting Period (if any)							No	
Description on the provision of external guarantee with non-compliance in required procedures (if any)							No	
Other description							In February 2018, the board of directors of GFHK resolved that it agreed to provide guarantees to 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 1:0.89578 and US dollar to Renminbi at 1:6.9762 published by the People's Bank of China on December 31, 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. Cash asset management conducted by other entrusted parties

#### (1) Entrusted wealth management

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

#### (2) Entrusted loans

Unit: RMB'0,000

Total amount of entrusted loans	Source of funds of entrusted loans	Outstanding balance	Unrecovered overdue amount
4,800.00	Self-owned funds	1,823.13	—

Specific particulars of entrusted loans:

Unit: RMB'0,000

Borrower	Type of borrower	Loan interest rate	Loan amount	Source of funds	Start date	End date	Expected income	Actual profit/loss amount in the Reporting Period	Actual profit/loss recovered in the Reporting Period	Impairment provision	Through legal process or not	Any future plans of entrusted loans
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery industries	8.80%	3,000.00	Self-owned funds	Sep 19, 2016	Sep 5, 2020	74.77	68.79	68.79	157.63	Yes	No for the time being
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery industries	8.00%	1,800.00	Self-owned funds	Oct 13, 2017	April 13, 2021	134.29	104.75	104.75	268.57	Yes	No for the time being
Total			4,800.00	—	—	—	209.06	173.54	—	426.20	—	—

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

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

There were no such circumstances.



#### 4. Other major contracts

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

### XV. SOCIAL RESPONSIBILITIES

#### 1. Fulfillment of Social Responsibilities

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

During the Reporting Period, the Group’s total charitable expenses amounted to RMB12.5064 million. The “GF Securities Social Charity Foundation in Guangdong Province” established by the Group actively conducted various activities such as helping the poor and donating money for education with annual charitable expenses of over RMB20.2377 million; continued to care about environmental and ecological development, advocated low-carbon environmental protection, continued to promote the green operation and green office concepts, upgraded and optimized the video conference system, paperless conference system, teleconference system and meeting room reservation system, and continued to outsource printing of documents so as to save energy consumption and optimize allocation of resources to make active contribution to the sustainable development of the society. Please refer to the 2019 Social Responsibility Report of GF Securities Co., Ltd. concurrently disclosed with this Annual Report on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for details.

Since the outbreak of novel coronavirus pneumonia, the Company has continuously monitoring the development of such epidemic situation. The Company donated RMB10 million to jointly establish the GF Securities Fund for Prevention and Treatment of Novel Coronavirus Pneumonia with China Foundation for Poverty Alleviation and such donations have been used to purchase of hospital anti-epidemic equipment and relevant urgently needed medical and epidemic prevention materials under the direction of the relevant departments of the National Health Commission to support the prevention of novel coronavirus pneumonia. The aggregate amount of donations made by the Company and its subsidiaries to combat novel coronavirus pneumonia is RMB16 million. The aggregate amount of donations made by E Fund, an investee of the Company, and its employees is RMB10 million. Currently, the capital endowment made and materials purchased by the Company, its subsidiaries and investee company have been received by the recipient organizations successively.

#### 2. Fulfillment of the social responsibility of targeted poverty alleviation

##### *(1) Planning for targeted poverty alleviation*

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



(2) *Summary of annual targeted poverty alleviation*

During the Reporting Period, the Company earnestly carried out the assignments of regulatory authorities and local governments, put active efforts on targeted poverty relief and alleviation and made contributions to ensure fully successful fight against poverty as scheduled. The Company placed emphasis on implementing a combination of measures such as “Poverty-alleviation through party construction, poverty-alleviation through finance, poverty-alleviation through industries, poverty-alleviation through education and poverty-alleviation through charity” and actively fulfilled social responsibilities by helping Wuzhishan City, Baisha County and Lingao County, Hainan Province; Tianjinggang Village, Lechang City, Guangdong Province; Laifeng County, Hubei Province; Longshan County, Hunan Province; Meigu County, Sichuan Province; and Baisha County, Hainan establish the UN Sustainable Development Goal Model Village to create a model for global poverty alleviation, which have been fully recognized by the whole society and continuously reported by major media, thereby further improving the Company’s brand image. The Company received a full score in the Special Assessment on Fulfillment of Social Responsibilities for Poverty Alleviation carried out by regulatory authorities on securities companies and received the best rank in the assessment on poverty alleviation carried out by Guangdong Province in respect of its targeted assistance with Tianjinggang Village. The UN Sustainable Development Goal Model Village project was listed in the Best 50 Cases of Poverty Alleviation by Social Organizations in 2019.

The Company designated its management members to take charge of the poverty alleviation office in Hainan on a temporary basis, who were engaged by the Municipal Government of Wuzhishan as advisors on science and technology to make their contributions to local poverty alleviation through finance and industries. The poverty alleviation projects such as targeted assistance to Wuzhishan City, Baisha Li Autonomous County and Lingao County, Hainan Province commenced successively. The plantation in the 1,000-mu standardized production base of the Baisha Wuzhi Downy Peach Plantation Model Project has been fully completed and Hainan government carried out a survey on such project and highly recognized it in 2019; the passion fruit plantation projects in Wuzhishan City and Lingao County have implemented successfully; and the first phase of “GF Inspirational Class” of Hainan Health Management College commenced formally.

The Group’s subsidiaries also participated actively in poverty alleviation work to establish combined forces for targeted poverty alleviation. In 2019, GF Futures purchased insurance products such as agricultural product price insurance for farmers in Jiangcheng County, Yunan Province, Xiangfu District, Kaifeng City, Henan Province, Yongshou County, Xianyang City, Shaanxi Province and Qinan County, Tianshui City, Gansu Province, respectively. Moreover, GF Futures provided assistance to Taihu County, Anhui Province and Jiangcheng County, Yunnan Province; purchased agricultural products of poverty-stricken farmers in poverty-stricken areas; and executed agreements with universities and colleges in Guangdong Province to provide assistance to poverty-stricken students. In addition to regular financial instruments and financial methods, GFFL creatively researched and adopted convenient and flexible instruments such as financial leasing to support the construction and enterprise development of poverty-stricken areas. The model of poverty alleviation through financial leasing pioneered by it in the industry has contributed to wisdom and innovative solution for poverty alleviation.





(3) *Results of targeted poverty alleviation*

Indicators	Unit of measurement	Quantity/ development status
I. General Information	–	–
Including:		
1. Funds	In ten thousands of RMB	329.2
2. Cash converted from materials	In ten thousands of RMB	0
3. Number of registered poor people who were helped to be out of poverty	Person (s)	0
II. Sub-segments of Investments	–	–
1. Poverty removal through industrial development	–	–
Including:		
1.1 Type of industrial development project for poverty removal		Poverty alleviation through agricultural and forestry industries
1.2 Number of industrial development projects for unit poverty removal		2
1.3 Invested amount in industrial development projects for poverty removal	In ten thousands of RMB	300
1.4 Number of registered poor people who were helped to be out of poverty	Person (s)	0
2. Poverty removal by education	–	–
Including:		
2.1 Invested amount to endow poor students	In ten thousands of RMB	29.2
2.2 Number of endowed poor students	Person (s)	40
2.3 Invested amount to improve the educational resources in poverty areas	In ten thousands of RMB	0
3. Social poverty alleviation	–	–
Including:		
3.1 Invested amount in cooperation with poverty removal in the western and eastern China	In ten thousands of RMB	0
3.2 Invested amount in targeted poverty alleviation work	In ten thousands of RMB	329.2
3.3 Invested amount in charitable foundation for poverty removal	In ten thousands of RMB	0



<p>III. Awards received (details and grade) —</p> <p><b>Award</b></p> <p>50 Best Cases of Poverty Alleviation by Social Organizations in 2019 (the “UN Sustainable Development Goals Model Village” project)</p> <p>2019 Charity Innovation Award</p> <p>2019 Charity Project Award (the “UN Sustainable Development Goals Model Village” project)</p> <p>2019 Charitarian Award (Mr. Sun Shuming)</p> <p>No.1 of Most Socially Responsible Securities Companies 2019</p> <p>Golden Cup of Guangdong Province Poverty Alleviation and Development Hongmian Cup</p> <p>Outstanding Social Organization (GF Securities Social Charity Foundation)</p> <p>10 Best Chairmen of Social Organizations (Mr. Lin Zhihai)</p> <p>Five-star Charity Unit in the Charity List of Guangzhou</p> <p>Most Influential Charitarian in the List of 2019 Guangzhou Charity (Mr. Lin Zhihai)</p> <p>“Most Responsible Chinese Enterprises Award” in respect of ESG 2019-Best Securities Company in terms of Responsible Investment Award</p> <p>Jinyang Award of 2019 China Finance Summit— Annual Influential Securities Company Brand</p> <p>Annual Pioneer for Poverty Alleviation (Mr. Wang Yuehong)</p> <p>Best Social Responsibility Enterprise 2019</p> <p>Best Poverty Alleviation Innovation Award 2019</p> <p>Most Socially Responsible Award 2019</p> <p>Best Social Contribution Award of China Jinding Award 2019</p>	<p>—</p> <p><b>Host organization</b></p> <p>The State Council Leading Group Office of Poverty Alleviation and Development Organizing Committee of 2019 (the 9th) China Charity Festival</p> <p>Shanghai Securities News Guangdong Province Leading Group of Poverty Alleviation and Development</p> <p>Federation of NCOs of Guangdong Province</p> <p>Guangzhou Civil Affairs Bureau &amp; Guangzhou Charity Association</p> <p>Sina Finance</p> <p>Organizing Committee of China Finance Summit Winter Forum</p> <p>FNEWS.com</p> <p>China Investment Network</p> <p>Xinkuaibao</p> <p>Southcn.com</p> <p>National Business Daily</p>
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Note: Total amount invested in targeted poverty alleviation by the Company in 2019 was RMB3.292 million, the full amount was used in the targeted poverty alleviation work mentioned in 3.2.

*(4) Subsequent plan on targeted poverty alleviation*

The Company’s subsequent plan on targeted poverty alleviation is mainly to complete the paired assistance to three national-level poverty-stricken countries in Hainan Province and Tianjingtang Village in Guangdong Province to win the combat of targeted poverty alleviation. The Company will continue to strengthen the refining, sharing and communication of poverty alleviation experience and actively fulfill its social responsibilities.



### 3. Environmental protection

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

The Company strictly observes laws and regulations including the Law on Environmental Protection of the People's Republic of China and the Law on Energy Saving of the People's Republic of China, and always applies green operation throughout the whole process of operational management by focusing on green and environmental operating concepts in various aspects of operation, in order to attain sustainable growth and organic fusion of society, environment and economic benefits. The Company has been practising green operation concepts actively for a long time, and has actively promoted a paperless office, various measures are also adopted to reduce the adverse effects of the Company's operation on the environment and natural resources. Please refer to the 2019 Social Responsibility Report of GF Securities Co., Ltd. disclosed concurrently with this report on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for details.

## XVI. PARTICULARS OF OTHER SIGNIFICANT ISSUES

1. On March 26, 2019, the Proposal on the Change of Organizational Structure was approved on the 18th meeting of the Ninth Board of Directors of the Company. Pursuant to such proposal, the Internal Investment Banking Review Department and the Investment Banking Quality Control Department were established in light of the Company's business development needs. For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on March 27, 2019.
2. 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 Ninth 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](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on April 17, 2019.
3. 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](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on July 2 and July 24, 2019.



4. On August 29, 2019, the Proposal on the Change of the Company's Organizational Structure was approved on the 22nd meeting of the Ninth Board of Directors of the Company. Pursuant to such proposal, the International Business Department of the Company was cancelled. For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on August 30, 2019.

#### XVII. 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 injection 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) held 99.90% of interest in the Fund.

In the first half of 2019, 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 "Investment Gains" in the consolidated income statement, the total amount of which is a gain of USD44.33 million (approximately RMB305.59 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 RMB401.76 million) in the financial statements as of December 31, 2019.



## XVIII. 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 China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed the same on the website of CNINFO (www.cninfo.com.cn):

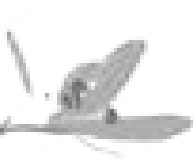
No.	Matters of Announcement	Date of Publication
1	Announcement on the Key Financial Information for December 2018	January 10, 2019
2	Announcement on the Resolutions of the 15th Meeting of the 9th Session of the Board of Directors	January 12, 2019
3	Announcement on the Resolutions of the 9th Meeting of 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
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



<b>No.</b>	<b>Matters of Announcement</b>	<b>Date of Publication</b>
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 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
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



<b>No.</b>	<b>Matters of Announcement</b>	<b>Date of Publication</b>
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 Result of the Issuance of the 2019 First Tranche of Short-term Financing Bills of the Company	May 14, 2019
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 Result 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 Result 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
54	Announcement on Receipt of the Affirmative Decision of Administrative License by the People’s Bank of China for the Issuance of Financing Bonds	July 2, 2019
55	Announcement on the Result of the Issuance of the 2019 Third Tranche of Short-term Financing Bills of the Company	July 6, 2019



<b>No.</b>	<b>Matters of Announcement</b>	<b>Date of Publication</b>
56	Announcement on the Key Financial Information for June 2019	July 9, 2019
57	Announcement on the Interest Payment in 2019 for the 2017 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	July 20, 2019
58	Announcement on the Result of the Issuance of the 2019 First Tranche of Financing Bonds of the Company	July 24, 2019
59	Announcement on Receipt by the Company of Notice of Administrative Regulatory Measures from the CSRC	August 6, 2019
60	Announcement on the Key Financial Information for July 2019	August 7, 2019
61	Announcement on the Result of the Issuance of the 2019 Fourth Tranche of Short-term Financing Bills of the Company	August 17, 2019
62	Announcement on the Interest Payment in 2019 for the 2018 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	August 20, 2019
63	Announcement on the Resolutions of the 22nd Meeting of the 9th Session of the Board of Directors	August 30, 2019
64	Highlights of 2019 Interim Report	August 30, 2019
65	Announcement on the Resolutions of the 12th Meeting of the 9th Session of the Supervisory Committee	August 30, 2019
66	Announcement on the Payment of Principal and Interest and Delisting of "16 GF 06" Subordinated Bonds	August 30, 2019
67	Announcement on the Key Financial Information for August 2019	September 6, 2019
68	Notice of the 2019 First Extraordinary General Meeting	September 7, 2019
69	Announcement on the Result of the Issuance of the 2019 Fifth Tranche of Short-term Financing Bills of the Company	September 7, 2019
70	Announcement on the Payment of Principal and Interest and Delisting of "16 GF 07" Subordinated Bonds	September 17, 2019
71	Announcement on the Payment of Principal and Interest and Delisting of "17 GF 05" Corporate Bonds under Non-public Issuance	September 26, 2019
72	Announcement on the Key Financial Information for September 2019	October 15, 2019
73	Announcement on the Result of the Issuance of the 2019 Sixth Tranche of Short-term Financing Bills of the Company	October 17, 2019
74	Announcement on Reminder Notice of the 2019 First Extraordinary General Meeting	October 19, 2019





<b>No.</b>	<b>Matters of Announcement</b>	<b>Date of Publication</b>
75	Announcement on the Resolutions of the 2019 First Extraordinary General Meeting	October 23, 2019
76	Announcement on the Resolutions of the 23rd Meeting of the 9th Session of the Board of Directors	October 30, 2019
77	2019 Third Quarterly Report	October 30, 2019
78	Announcement on the Resolutions of the 13th Meeting of the 9th Session of the Supervisory Committee	October 30, 2019
79	Announcement on the Payment of Principal and Interest and Delisting of “17 GF C2” Subordinated Bonds	October 31, 2019
80	Announcement on the Approval from the China Securities Regulatory Commission for the Change of Equity Interest in GF Fund Management Co., Ltd.	November 1, 2019
81	Announcement on the Key Financial Information for October 2019	November 7, 2019
82	Announcement on the Result of the Issuance of the 2019 Seventh Tranche of Short-term Financing Bills of the Company	November 12, 2019
83	Announcement in relation to Completion of Change in Industrial and Commercial Registration of GF Fund Management Co., Ltd.	November 15, 2019
84	Announcement on the Payment of Principal and Interest and Delisting of “16 GF 08” Corporate Bonds under Non-public Issuance	November 19, 2019
85	Announcement on Approval of Deregistration of Heyuan Heping Securities Business Department	November 27, 2019
86	Announcement on Approval for Amendment to Material Clauses in the Articles of Association of the Company by the Guangdong Bureau of the CSRC	December 6, 2019
87	Announcement on the Key Financial Information for November 2019	December 6, 2019
88	Announcement on the Implementation of Profit Distribution for A Shares for the Interim Period of 2019	December 7, 2019
89	Announcement on Receiving Government Subsidies	December 18, 2019
90	Announcement on the Resolutions of the 24th Meeting of the 9th Session of the Board of Directors	December 28, 2019



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

<b>No.</b>	<b>Matters of Announcement</b>	<b>Date of Publication</b>
1	Monthly Return of Equity Issuer on Movements in Securities for the month ended December 31, 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 January 31, 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 February 28, 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
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 March 31, 2019	April 4, 2019
18	Announcement on the Key Financial Information for March 2019	April 9, 2019
19	2018 Annual Report	April 12, 2019



<b>No.</b>	<b>Matters of Announcement</b>	<b>Date of Publication</b>
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 April 30, 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
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 May 31, 2019	June 6, 2019
37	Expiration of Approval for Non-Public Issuance of Shares	June 17, 2019
38	Poll Results of the 2018 Annual General Meeting	June 28, 2019
39	Monthly Return of Equity Issuer on Movements in Securities for the month ended June 30, 2019	July 8, 2019

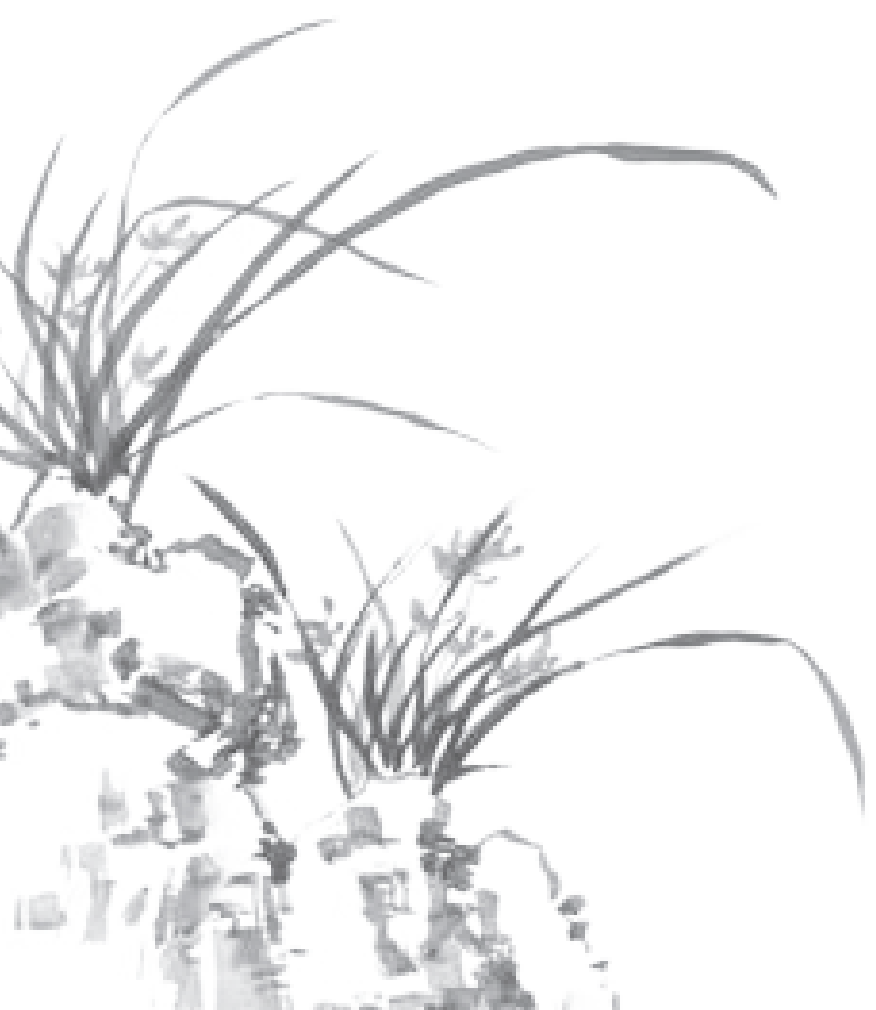


<b>No.</b>	<b>Matters of Announcement</b>	<b>Date of Publication</b>
40	Announcement on the Key Financial Information for June 2019	July 8, 2019
41	Announcement on Receipt by the Company of Notice of Administrative Regulatory Measures from the China Securities Regulatory Commission	August 5, 2019
42	Announcement on the Key Financial Information for July 2019	August 6, 2019
43	Monthly Return of Equity Issuer on Movements in Securities for the month ended July 31, 2019	August 6, 2019
44	Date of Board Meeting	August 14, 2019
45	Interim Results Announcement for the Six Months Ended June 30, 2019	August 29, 2019
46	Monthly Return of Equity Issuer on Movements in Securities for the month ended August 31, 2019	September 5, 2019
47	Announcement on the Key Financial Information for August 2019	September 5, 2019
48	2019 First EGM Circular	September 6, 2019
49	Notice of the 2019 First EGM	September 6, 2019
50	Reply Slip For the 2019 First Extraordinary General Meeting	September 6, 2019
51	Proxy Form For the 2019 First Extraordinary General Meeting	September 6, 2019
52	Notification Letter and Request Form to Non-Registered Shareholders	September 6, 2019
53	Notification Letter and Request Form to Registered Shareholders	September 6, 2019
54	2019 Interim Report	September 6, 2019
55	Monthly Return of Equity Issuer on Movements in Securities for the month ended September 30, 2019	October 8, 2019
56	Date of Board Meeting	October 14, 2019
57	Announcement on the Key Financial Information for September 2019	October 14, 2019
58	Poll Results of the 2019 First Extraordinary General Meeting and 2019 Interim Dividend	October 22, 2019
59	2019 Third Quarterly Report	October 29, 2019



<b>No.</b>	<b>Matters of Announcement</b>	<b>Date of Publication</b>
60	Clarification Announcement	October 29, 2019
61	Announcement on the Approval from the China Securities Regulatory Commission for the Change of Equity Interest in GF Fund Management Co., Ltd.	October 31, 2019
62	Monthly Return of Equity Issuer on Movements in Securities for the month ended October 31, 2019	November 6, 2019
63	Announcement on the Key Financial Information for October 2019	November 6, 2019
64	Announcement in relation to Completion of Change in Industrial and Commercial Registration of GF Fund Management Co., Ltd.	November 14, 2019
65	Monthly Return of Equity Issuer on Movements in Securities for the month ended November 30, 2019	December 5, 2019
66	Announcement on the Key Financial Information for November 2019	December 5, 2019
67	Articles of Association	December 5, 2019
68	Announcement on Receiving Government Subsidies	December 17, 2019
69	(1)Adjustment of the structure of the committees of the Board of Directors (2)Election of members of certain committees of the Board of Directors (3)Formulation of the Rules of Procedure for the Nomination Committee of the Board of Directors and the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors (4) Amendments to the Rules of Procedure for the Audit Committee of the Board of Directors (5)Amendments to the Work Rules for Independent Directors of the Company	December 27, 2019
70	List of Directors and Their Roles and Functions	December 27, 2019
71	Rules of Procedure for the Nomination Committee of the Board of Directors	December 27, 2019
72	Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors	December 27, 2019
73	Rules of Procedure for the Audit Committee of the Board of Directors	December 27, 2019

Section 07 | 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	100.00%
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	7,621,087,664	100.00%

### 2. Changes in shares with selling restrictions

N/A

## II. SECURITIES ISSUANCE AND THE LISTING

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

For details about the issuance of corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills, please refer to “Section 12 Corporate Bonds” of this report.

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

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

As at the end of 2018, the Group had a gearing ratio of 73.20%. As at the end of 2019, the Group's gearing ratio was 70.09%.

### 3. Existing employees' shares

N/A



### III. SHAREHOLDERS AND DE FACTO CONTROLLERS

#### 1. Number of shareholders and their shareholdings in the Company

Unit: Share

<p><b>Total number of ordinary shareholders at the end of the Reporting Period</b></p>	<p>168,830 (of which, 167,102 were A shareholders, 1,728 were registered H shareholders)</p>	<p><b>Total number of ordinary shareholders as at the end of the last month before the date of the disclosure of the annual report</b></p>	<p>161,966 (of which, 160,248 were A shareholders, 1,718 were registered H shareholders)</p>	<p><b>Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period</b></p>	<p>Nil</p>	<p><b>Total number of preferred shareholders whose voting rights were resumed as at the end of the last month before the date of the disclosure of the annual report</b></p>	<p>Nil</p>
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#### Shareholdings of shareholders who hold more than 5% of the shares or shareholdings of the top ten shareholders

Name of shareholder	Capacity of shareholder	Percentage of shareholding	Number of shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of shares with selling restrictions held	Number of shares without selling restrictions held	Pledge or freeze	
							Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31%	1,700,098,460	-23,800	0	1,700,098,460		
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%	1,250,114,088	2,006,500	0	1,250,114,088		
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, 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		
Hong Kong Securities Clearing Company Limited	Overseas legal entity	0.78%	59,690,549	27,353,915	0	59,690,549		
JT Asset Management – SPD Bank - JT Asset Management - Hengsheng New Momentum Subordination No. 1 Asset Management Scheme	Fund, wealth management product, etc.	0.62%	47,065,765	0	0	47,065,765		





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

Name of shareholder	Reporting Period	Number of shares without selling restrictions held as at the end of the	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,700,098,460	Listed foreign shares	1,700,098,460
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867	RMB-denominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,250,114,088	RMB-denominated ordinary shares	1,250,114,088
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
Hong Kong Securities Clearing Company Limited	59,690,549	RMB-denominated ordinary shares	59,690,549
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

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

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

*Note 3: According to the public information disclosed on January 10, 2020 by Jilin Aodong Pharmaceutical Group Co., Ltd. (“Jilin Aodong”), Liaoning Cheng Da Co., Ltd. (“Liaoning Cheng Da”) and Zhongshan Public Utilities Group Co., Ltd. (“Zhongshan Public Utilities”), as at December 31, 2019, Jilin Aodong held 41,026,000 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), a total of 77,894,800 H shares, representing 1.02% of the total share capital of the Company. Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司) (a wholly-owned Subsidiary of Liaoning Cheng Da), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. As at December 31, 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 2,006,500 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 HKExnews, as at December 31, 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 July 31, 2019, the labor union committee of GF Securities Co., Ltd. held a total of 259,276,800 long-position H Shares of the Company, representing 15.24% 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.*



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

Name of shareholder	Legal representative	General Manager	Date of establishment	Code of Organization	Registered Capital (RMB)	Principal Business
Jilin Aodong	Li Xiulin	Guo Shuqin	March 20, 1993	United social credit code: 91222400243805786K	1,163,032,942	Planting and breeding, importing of raw and auxiliary materials, mechanical equipment, instruments, spare parts (except the 12 imported items which are operated by the specified companies approved by the State) required for business (except for special projects controlled by the State and franchise), machinery repair, warehousing, the production and scientific research by this enterprise; pharmaceutical industry, pharmaceutical business, pharmaceutical research and development; vehicle rental service; self-owned real estate operating activities. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities.)
Liaoning Cheng Da	Shang Shuzhi	Ge Yu	September 2, 1993	United social credit code: 91210000117590366A	1,529,709,816	Import and export business of goods and technology for its own use or as an agency service (except for those restricted by the State, and operation related to restricted items may only commence after obtaining approval), managing throughput processing and the operation of "Three in, one added business", conducting counter trade and entrepot trading, contracting overseas projects and international bidding projects home and abroad of this industry, exporting of equipment and materials required for the above overseas projects; dispatching abroad of laborers in engineering, manufacturing and service sectors of the industry, acquisition of agricultural and sideline products (except food), chain management of fertilizer, planting of herbs, rental, warehousing services. Coal wholesale business. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)
Zhongshan Public Utilities	Wei Junfeng (acting)	Liu Xuetao	December 26, 1992	United social credit code: 914420001935372689	1,475,111,351	Investment and management of public utilities, operation and management of markets, investments and investment planning, consultancy and management, etc. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)



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

As of December 31, 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 (Note 1) / short position (Note 2)	Percentage of total issued shares of the Company (%) (Note 9)	Percentage of total issued 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	1,250,114,088	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	Trustee of a trust	259,276,800 (Note 6)	Long position	3.40	15.24
7	BlackRock, Inc.	H Shares	Interest in a controlled corporation	84,306,512 (Note 7)	Long position	1.11	4.96
		H Shares	Interest in a controlled corporation	21,200 (Note 7)	Short position	0.0003	0.001



- 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) (a wholly-owned subsidiary of Liaoning Cheng Da), 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 259,276,800 H Shares of the Company, representing 15.24% 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 December 31, 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 December 31, 2019 required to be recorded in the register pursuant to Section 336 of the SFO.



**4. Controlling Shareholders of the Company**

There was no controlling shareholder in the Company.

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

There was no de facto controller in the Company.

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

N/A

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

N/A

**8. Directors, Supervisors and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations**

As at December 31, 2019, none of the Directors, Supervisors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or which would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As at December 31, 2019, none of the Company, its holding company, any of subsidiaries or fellow subsidiaries was a party to any arrangements during the year to enable the Directors of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

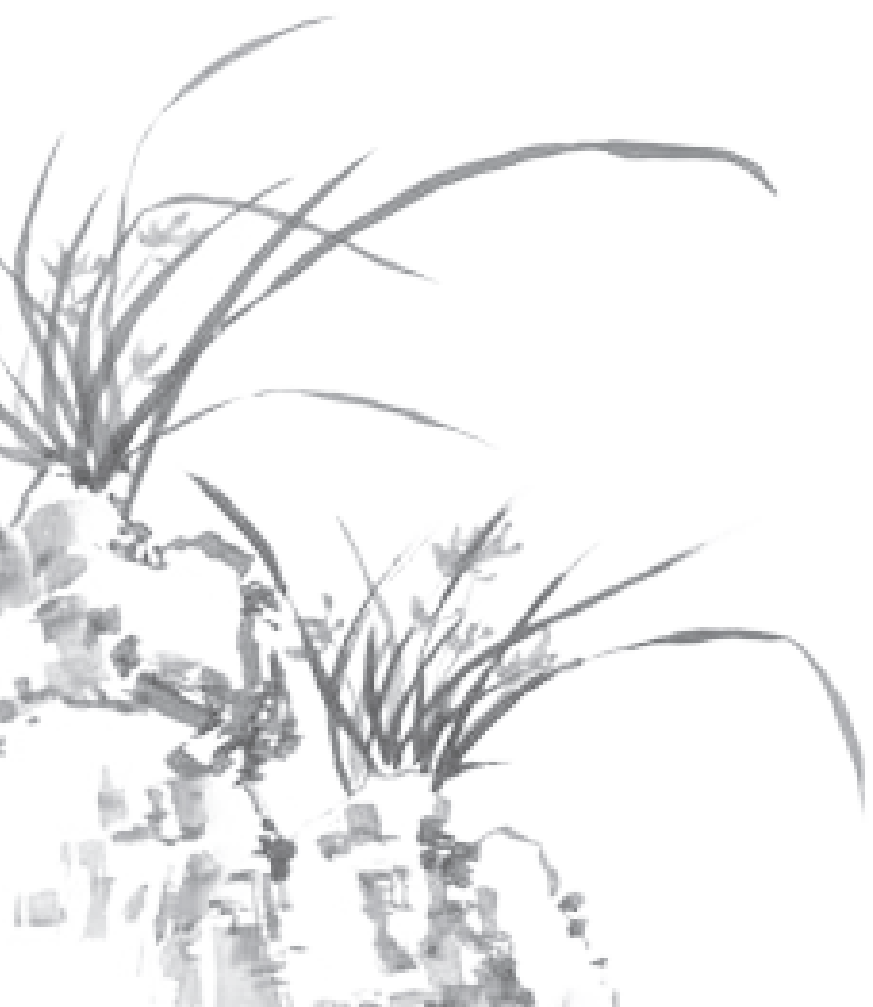
**IV. SUFFICIENT PUBLIC FLOAT**

According to the information which is publicly available to the Company and to the best of the knowledge of the Directors as at the latest practicable date (March 27, 2020) prior to the publication of this annual report, the Company has always maintained the public float as required under the Hong Kong Listing Rules.

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

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

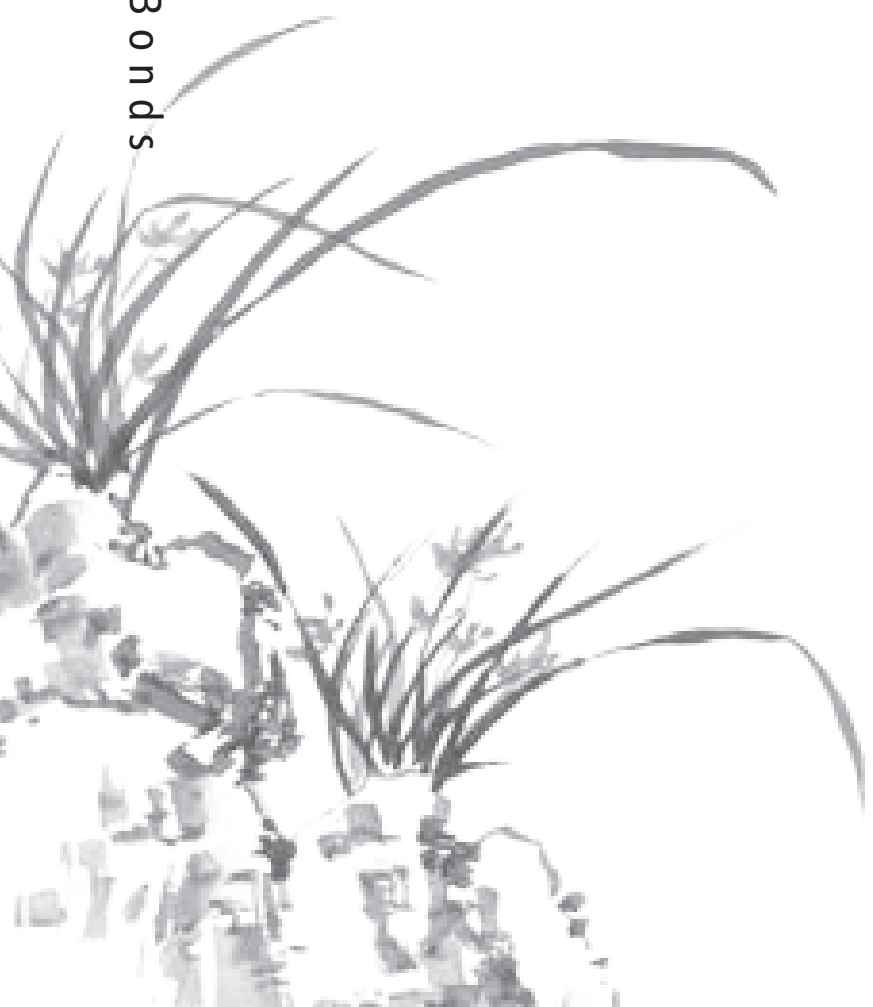
## Section 08 | Preference Shares





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

## Section 09 | Convertible Corporate Bonds

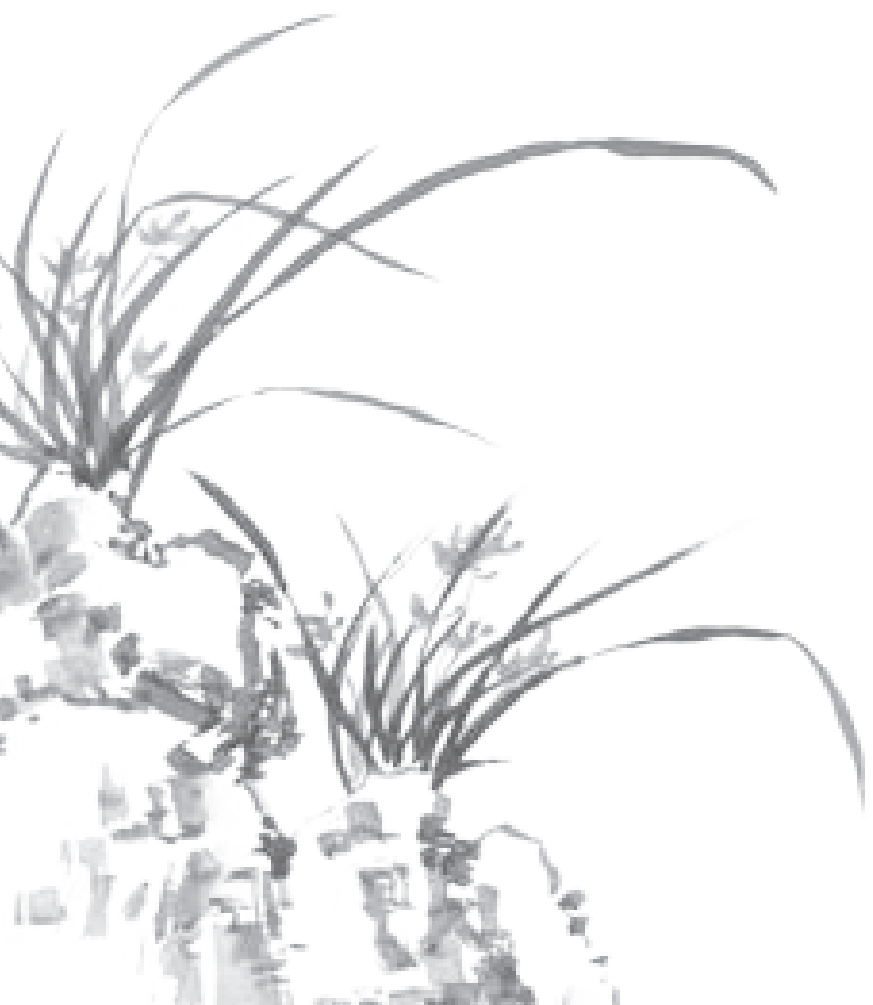






During the Reporting Period, the Company did not have any convertible corporate bonds.

**Section 10 | Particulars about  
Directors, Supervisors,  
Senior Management  
and Employees**





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

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

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

Name	Position	Type	Date	Reasons
Tang Xiaodong	Deputy general manager	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](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://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 CSRC, 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](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) by the Company on April 17, 2019 and May 29, 2019.

Mr. Xin Zhiyun, the chief risk officer of the Company, was appointed to concurrently serve as the 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](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) by the Company on May 31, 2019.



### III. PARTICULARS OF POSITIONS

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

#### (I) Directors

##### *Executive Directors*

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

**Mr. Lin Zhihai** has been appointed as our executive Director and general manager since March 2008 and April 2011, respectively. His primary working experience includes: teaching assistant of the finance faculty at the Dongbei University of Finance and Economics from July 1986 to December 1991, assistant economist of the People's Bank of China (Dalian Branch) from January 1992 to May 1993, economist and deputy general manager at the investment banking department of Liaoning Trust & Investment Company from May 1993 to January 1995 and January 1995 to August 1996, respectively. He joined our Company in September 1996, and became a general manager at the Dalian branch of our Company from February 1997 to October 2001, chairman and general manager of Guangfa Northern Securities Company Limited from October 2001 to March 2006, deputy general manager and standing deputy general manager of our Company from March 2006 to April 2011, chairman of GF Asset Management from January 2014 to August 2014. He concurrently acts as the chairman of GFHK from July 2011 to May 2019. Mr. Lin obtained a bachelor's degree in economics in July 1986, and later a master's degree in economics and a doctorate in economics from the Dongbei University of Finance and Economics, located in Dalian, in October 1991 and January 2005, respectively. In addition, Mr. Lin also obtained the senior management executive master of business administration degree from the Hong Kong University of Science and Technology in November 2011. Mr. Lin obtained his qualification as an economist from Liaoning Provincial Department of Personnel (now known as Liaoning Provincial Department of Human Resources and Social Security) in June 1993.



**Mr. Qin Li** has been appointed as our executive Director and standing deputy general manager since April 2011. His primary working experience includes: standing deputy general manager at the department of investment banking administration, general manager of the investment management department, general manager of capital operation department, general manager of planning and management department, general manager of investment department, assistant to the general manager, deputy general manager of our Company since March 1997, and chairman of GF Xinde from May 2010 to August 2013, chairman of the board of Guangdong Equity Exchange Co., Ltd. from September 2013 to April 2017 and the chairman of GF Asset Management from June 2018 to October 2019. He has been the director of GFHK since September 2006, the director of E Fund since May 2012 and the chairman of GFHK since May 2019. Mr. Qin obtained a bachelor's degree in economics from the Shanghai University of Finance and Economics in July 1992, a master's degree in commercial economics from the Jinan University, Guangzhou, in June 1995, a doctorate in economics from the Renmin University of China, Beijing, in July 2003 and completed a senior management executive master of business administration course from the Cheung Kong Graduate School of Business in Beijing in September 2013.

**Ms. Sun Xiaoyan** has been appointed as our executive Director since December 2014. Her primary working experience includes: staff of capital operation department, finance department and investment banking department, respectively, since joining our Company in July 1993, deputy general manager of our accounting department from September 1998 to January 2000, deputy general manager of our investment and proprietary trading department from January 2000 to October 2002, chief financial officer of GF Fund (preparatory) from October 2002 to August 2003, chief financial officer of GF Fund from August 2003 to October 2003, deputy general manager of GF Fund from October 2003 to March 2005, general manager of finance department of our Company from November 2003 to March 2014 and director of GFHK from August 2013 to May 2019. Ms. Sun has been the chief financial officer of our Company since March 2006, a director of GF Fund since June 2007 and the deputy general manager of our Company since April 2011. In addition, Ms. Sun was appointed as the chairman of the supervisory committee of E-Capital Transfer from December 2014 to June 2018, and supervisor of E-Capital Transfer since June 2018. Ms. Sun obtained a bachelor's degree in economics from the Renmin University of China in Beijing in July 1993 and a master's degree of business administration from the China Europe International Business School in Shanghai in September 2007.



### ***Non-executive Directors***

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

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



**Ms. Liu Xuetao** has been appointed as our non-executive Director since May 2017. Mr. Liu has been the director and general manager of Zhongshan Public Utilities Group Co., Ltd. (a company listed on SZSE, stock code: 000685) since November 2016 to the present. Her primary working experience includes: assistant engineer of the Third Design Institute of Ministry of Chemical Industry (化學工業部第三設計院) from July 1989 to May 1992, engineer of Shunde Rongqi Construction Development General Company (順德市容奇城建開發總公司) from May 1992 to June 1996; assistant to division head of water supply division, head of technology and management office, assistant to general manager, deputy general manager and general manager of Zhongshan Water Supply Co., Ltd. (中山市供水有限公司) from June 1996 to August 2008; deputy general manager, executive vice general manager, general manager of water business department, deputy general manager of Zhongshan Public Utilities Group Co., Ltd. from August 2008 to November 2016. Ms. Liu concurrently served as chairman of Zhongshan Municipal Dafeng Water Supply Co. Ltd. (中山市大豐自來水有限公司) and chairman of Zhongshan Sino French Water Supply Co. Ltd. (中山中法供水有限公司) from October 2011 to December 2017, concurrently served as executive director of Zhongshan Sewage Treatment Co. Ltd. (中山市污水處理有限公司) and executive director of Zhongshan Public Water Co., Ltd. from March 2012 to August 2017, and concurrently served as executive director and general manager of Zhongshan Tianyi Energy Co., Ltd. (中山市天乙能源有限公司) from October 2016 to May 2017, concurrently served as chairman of Zhongshan - Hong Kong Passenger Shipping CO-OP Co., Ltd. (中港客運聯營有限公司) from January 2017 to December 2019, and concurrently served as vice chairman of CNOOC Guangdong Natural Gas Co., Ltd. (中海廣東天然氣有限責任公司) from March 2017 to October 2019. Ms. Liu concurrently served as director of Jining Zhongshan Public Utilities Water Co., Ltd. since July 2009. Ms. Liu obtained a bachelor's degree in water supply and drainage engineering from HeFei University of Technology in July 1989, and a master's degree in engineering from Wuhan University of Science and Technology from March 2009 to June 2011.

#### ***Independent Non-executive Directors***

**Mr. Yang Xiong** has been appointed as our independent non-executive Director since May 2014. Mr. Yang is currently and has been a member of the managing committee, managing partner and chief accountant of Da Hua Certified Public Accountants (Special General Partnership) since November 2019. His primary working experience includes: vice chairman of the Guizhou Office of Certified Public Accountants from 1995 to August 1998, chief accountant of Guizhou Qianyuan Certified Public Accountants from September 1998 to November 2000, director and deputy chief accountant of Tianyi Certified Public Accountants from December 2000 to November 2002, chief accountant of Zhonghe Zhengxin Certified Public Accountants from December 2002 to October 2009, chief accountant of Pan-China Certified Public Accountants from November 2009 to July 2011 and a member of the managing committee and a senior partner of BDO China Shu Lun Pan Certified Public Accountant LLP and the general manager of Northern headquarters of BDO from August 2011 to November 2019. Mr. Yang was an independent director of Rizhao Port Co., Ltd. (a company listed on SSE, stock code: 600017) from July 2008 to March 2014, an independent director of Beijing Shougang Company Limited (a company listed on SZSE, stock code: 000959) from November 2009 to January 2016, an independent director of JSTI Group Co., Ltd. (a company listed on SZSE, stock code: 300284) from August 2008 to April 2015, an independent director of Easecompeace Technology Card Co., Ltd (a company listed on SZSE, stock code: 002017) from April 2011 to April 2017; and an independent director of Rongfeng Holdings Co., Ltd (a company listed on SZSE, stock code: 000668) from September 2013 to December 2017. He has also been an independent director of Addisino Co., Ltd. (a company listed on SZSE, stock code: 000547) since



August 2015 and an independent director of Bank of Guiyang Co., Ltd. (a company listed on SSE, stock code: 601997) since July 2017. Mr. Yang graduated from the Wuhan Technical University of Surveying and Mapping (now merged into Wuhan University) in July 1989, majoring in electronic engineering. He obtained his qualification as a PRC certified public accountant in January 1995.

**Mr. Tang Xin** has been appointed as our independent non-executive Director since May 2014. Mr. Tang currently is a professor of the Law School of Tsinghua University, the vice director of the Commercial Law Research Centre of Tsinghua University and an associate editor of Tsinghua Law Journal. Mr. Tang was selected as a member of the first session and second session of the Mergers and Acquisitions Review Committee of the CSRC from February 2008 to October 2010. Mr. Tang has been an independent director of China Spacesat Co., Ltd (a company listed on SSE, stock code: 600118) from July 2008 to November 2014 and a member of the third session of the listing committee of the SSE since August 2012. Mr. Tang served as an independent director of SDIC Power Holdings Co., Ltd. (previously known as SDIC Huajing Power Holdings Co., Ltd., a company listed on SSE, stock code: 600886) from April 2009 to September 2013, an independent director of Changjiang Securities Company Ltd. (a company listed on SZSE, stock code: 000783) from December 2007 to December 2013, an independent director of Beijing Rural Commercial Bank Co., Ltd. from May 2009 to October 2015, an independent director of Shandong Publication & Media Co., Ltd. from June 2012 to June 2015 and an independent director of Suzhou Oriza Holdings Co., Ltd. from November 2015 to December 2019. Mr. Tang has also been an independent director of Harvest Fund Management Co., Ltd since August 2010, an external supervisor of Beijing Rural Commercial Bank Co., Ltd. since November 2015, an independent director of China Life Insurance Company Limited (a company listed on the SSE (stock code: 601628), the Hong Kong Stock Exchange (stock code: 2628) and the New York Stock Exchange (stock code: LFC)) since March 2016 and an independent non-executive director of Bank of Guizhou Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 6199) since August 2018. In September 2014, Mr. Tang served as the head of the committee of independent directors of the China Association for Public Companies. Mr. Tang obtained his bachelor's, master's and doctorate degrees in law from the Renmin University of China in Beijing, in July 1992, July 1995 and June 1998, respectively.

**Mr. Chan Kalok** has been appointed as our independent non-executive Director since December 2014. Mr. Chan currently is the Wei Lun Professor of Finance of business school of The Chinese University of Hong Kong. His primary working experiences includes: professor, head of the finance faculty and acting president of finance school of the Hong Kong University of Science and Technology from June 1995 to October 2014. Mr. Chan was a member of the risk management committee of the Hong Kong Exchanges and Clearing Limited from July 2005 to June 2011, the president of Asian Finance Association from 2008 to 2010 and the dean of business school of The Chinese University of Hong Kong from November 2014 to November 2019. Mr. Chan is currently a member of the Hang Seng Index Advisory Committee, a member of the Hong Kong Housing Authority, a member of the Financial Infrastructure and Market Development Committee under the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a member of the Supervisory Committee of Tracker Fund and a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, an independent director of COSCO SHIPPING Ports Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1199), an independent director of Bank of Communications (Hong Kong) Limited, and an independent director of Hang Seng Qianhai Fund Management Company Limited. He obtained his bachelor's degree in social science (majoring in economics) from The Chinese University of Hong Kong in June 1985 and a doctorate degree from the Ohio State University in the U.S.A. in June 1990.





**Mr. Fan Lifu** has been appointed as our independent non-executive Director since November 2018. Mr. Fan is currently a professor at the School of Finance of the Dongbei University of Finance and Economics and the director of the Research Department of the Dongbei University of Finance and Economics. His primary working experience includes: a teaching assistant at the School of Finance (former Department of Finance) of the Dongbei University of Finance and Economics from April 1998 to December 2000; a lecturer at the School of Finance of the Dongbei University of Finance and Economics from December 2000 to July 2002; an associate professor at the School of Finance of the Dongbei University of Finance and Economics from July 2002 to July 2011; a visiting scholar of the University of Reading in UK from January 2003 to January 2004; a deputy director of the Research Department of the Dongbei University of Finance and Economics from December 2009 to December 2016; a professor at the School of Finance of the Dongbei University of Finance and Economics since July 2011; a deputy dean of the School of Finance of the Dongbei University of Finance and Economics from December 2016 to January 2019, and the director of the Research Department of the Dongbei University of Finance and Economics since January 2019. Mr. Fan has been an independent director of Tieling Newcity Investment Holding (Group) Limited (a company listed on the SZSE, stock code: 000809) since December 2017. Mr. Fan obtained a bachelor's degree, a master's degree and a doctorate degree in economics from Dongbei University of Finance and Economics in July 1995, April 1998 and December 2009, respectively.

## (II) Supervisors

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



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

**Mr. Tan Yue** has been appointed as our Supervisor since June 2016. Mr. Tan is currently the professor of the accounting faculty and lecturer for doctoral students in the Management School of Jinan University. His major working experience includes: a tutor of Zhuzhou Foundation University (株洲基礎大學) from December 1981 to August 1984; a lecturer of Changsha University of Electric Power (長沙電力學院) from January 1987 to August 1996; the deputy professor, professor, professor of the finance faculty and lecturer for doctoral students of the accounting faculty of Jinan University since August 1996, including the head of accounting faculty of Jinan University, head of accounting department and deputy dean of the International School of Jinan University, deputy dean (acting for duties) of the Management School of Jinan University and executive dean of the Management School of Jinan University from October 2004 to June 2015. Mr. Tan was an independent director of Hua'an Futures Co., Ltd. (華安期貨有限責任公司) from September 2009 to June 2015; the chairman of the Supervisory Committee of Luxiang Co., Ltd. (a company which has changed its name as Youngy Co., Ltd. in August 2015 and listed on SZSE, stock code: 002192) from November 2010 to April 2012; an independent director of MOSO Power Supply Technology Co., Ltd. (a company listed on SZSE, stock code: 002660) from December 2010 to December 2013; an independent director of Shenzhen Desay Battery Technology Co., Ltd. (a company listed on SZSE, stock code: 000049) from April 2015 to November 2019; an independent director of Bluedon Information Security Technologies Co., Ltd. (a company listed on SZSE, stock code: 300297) from July 2015 to June 2017; an independent director of Golden Eagle Funds Management Co., Ltd. (金鷹基金管理有限公司) from April 2016 to January 2017; and an independent director of Yuanrong Advanced Systems (Shenzhen) Co., Ltd. from April 2019 to November 2019. Mr. Tan is an independent director of Suofeiya Home Collection Co., Ltd. (a company listed on SZSE, stock code: 002572) since January 2015; an external director of Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司) since October 2016, an external director of Guangzhou Yue Xiu Holdings Limited (廣州越秀集團股份有限公司) (former Guangzhou Yue Xiu Holdings Limited (廣州越秀集團有限公司), the name was changed since October 2019) since July 2017. Mr. Tan obtained a bachelor's degree in science from the Xiangtan University in Xiangtan in January 1982, a master's degree in engineering from the Northeastern Engineering Institute (東北工學院) in Shenyang in March 1987, and a doctorate degree in finance (philosophy) from The Chinese University of Hong Kong in Hong Kong in December 2007.



**Mr. Gu Naikang** has been appointed as our Supervisor since June 2016. Mr. Gu is currently a professor and lecturer for doctoral students of the finance and investment faculty of the Management School of Sun Yat-sen University. His major working experience includes: a tutor of Wuxi Institute of Light Industry (無錫輕工業學院) (now known as Jiangnan University) from July 1986 to July 1988; a lecturer, associate professor, professor and lecturer of doctoral students of the Management School of Sun Yat-sen University since September 1991. Mr. Gu has been appointed as an independent director of Shenzhen Zhubo Design Co., Ltd. from January 2012 to March 2018, an independent director of Guangxi Yuegui Guangye Holdings Co., Ltd. (a company listed on SZSE, stock code: 000833, formerly known as Guangxi Guitang (Group) Co., Ltd.) from January 2013 to November 2018. Mr. Gu has been appointed as an independent director of Guangzhou Pearl River Industrial Development Co., Ltd. (a company listed on SSE, stock code: 600684) since May 2014; an independent director of Guangdong Provincial Expressway Development Co., Ltd. (a company listed on SZSE, stock code: 000429) since July 2016 ; and an independent director of Ming Yang Smart Energy Group Limited (a company listed on SSE, stock code: 601615) since June 2017 ; and an independent director of Shenzhen Zhubo Design Co., Ltd. (a company listed on SZSE, stock code 300564) from December 2019. Mr. Gu obtained a bachelor's degree in engineering from the Wuxi Institute of Light Industry in Wuxi in July 1986, a master's degree in economics from Sun Yat-sen University in Guangzhou in July 1991, and a doctorate degree in management from Sun Yat-sen University in Guangzhou in December 1998.

**Mr. Lan Hailin** has been appointed as our Supervisor since November 2018. Mr. Lan is currently a professor and lecturer for doctoral students in the School of Business Administration of South China University of Technology and the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology. His primary working experience includes: a teaching assistant of the School of Social Science of Ningxia University from March 1982 to July 1986; a lecturer of the School of Social Science of South China University of Technology from July 1986 to July 1992; an associate professor, a professor and a tutor of doctoral students of the School of Business Administration of South China University of Technology from July 1992 to present; the Associate Dean of the School of Business Administration of South China University of Technology from January 1997 to December 1998; the Dean of the School of Business Administration of South China University of Technology from January 2000 to December 2007; the director of Chinese Corporate Strategy Management Research Centre of South China University of Technology from January 1990 to present. Mr. Lan has served as an independent director of Keda Clean Energy Co., Ltd. (a company listed on SSE, stock code: 600499) from September 2001 to August 2006 and from August 2009 to September 2015; an independent director of Vatti Corporation Limited (a company listed on SZSE, stock code: 002035) from August 2002 to October 2007 and from May 2013 to April 2016; an independent director of Hunan Liuyang Fireworks Co., Ltd. (a company which has changed its name as Panda Financial Holding Corp., Ltd. in April 2015 and listed on SSE, stock code: 600599) from July 2006 to January 2008; an independent director of Guangdong Sky Dragon Printing Ink Group Co., Ltd. (a company listed on SZSE, stock code: 300063) from July 2013 to July 2019; an independent director of Guangdong Macro Co., Ltd. (a company which has changed its name as Guangdong Shunna Electric Co., Ltd. in February 2019 and listed on SZSE, stock code: 000533) from January 2016 to July 2016; and an external director of Guangzhou Iron & Steel Enterprises Group Co., Ltd. from January 2017 to November 2019. Mr. Lan has served as an independent director of Guangzhou Automobile Group Co., Ltd. (a company listed on SSE and the Hong Kong Stock Exchange, stock code: 601238 and 2238, respectively) since December 2013; an independent director of Guangdong Xinbao Electrical Appliances Holdings Co., Ltd. (a company listed on SZSE, stock code: 002705) since August 2014; an independent director of Jiangsu Shuangxing Color Plastic New Materials Co., Ltd. (a company listed on SZSE, stock code: 002585) since May 2016; an independent director of Letong Chemical Co., Ltd. (a company listed on SZSE, stock code: 002319) since August 2016. Mr. Lan obtained a bachelor's degree in history from Ningxia University in Yinchuan in January 1982, a master's degree in business administration from GANNON University in Erie, USA in May 1990, and a doctorate degree in industrial economics from Jinan University in Guangzhou in July 2004.



### (III) Senior management

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

**Mr. Ouyang Xi** has been appointed as a deputy general manager of our Company since November 2004. His primary working experience includes: library assistant at the Guangdong Mechanics College (now known as Guangdong University of Technology) from July 1989 to August 1992, deputy general manager and managing deputy general manager of the investment banking department of our Company from July 1995 to February 2001, general manager of the proprietary trading department of our Company from February 2001 to January 2003, standing deputy general manager of the investment banking head office of our Company from January 2003 to January 2004, chief financial officer of our Company from January 2004 to March 2006, deputy general manager and secretary of the Board of Directors of our Company from July 2005 to November 2009 and director of GF Fund from March 2005 to June 2007. He has been a director of GFHK since September 2006, and chairman of GF Hexin since October 2019. Mr. Ouyang obtained a bachelor’s degree in science from Wuhan University in July 1989 and a master’s degree in economics from Jinan University in Guangzhou in June 1995.

**Mr. Luo Binhua** has been appointed as a deputy general manager of our Company since November 2009. His primary working experience includes: clerk of the production output office of the Rural Social and Economic Survey Team of Jiangxi Province (now known as the Jiangxi Chief Survey Team of the National Bureau of Statistics) from June 1988 to September 1991, manager, deputy general manager and general manager of the investment banking department of our Company from December 1993 to January 2004, and assistant to general manager and the general manager of investment banking head office of our Company from January 2004 to November 2009, the secretary to our Board from November 2009 to April 2019, and joint company secretary of the Company from November 2014 to April 2019. He was chairman of GF Xinde from December 2008 to May 2010 and from August 2013 to June 2015, and a director of GF Asset Management from January 2014 to May 2017. He has been a director of GFHK since July 2011, and chairman of GF Qianhe since September 2017. Mr. Luo obtained a bachelor’s degree in agriculture from the South China Agricultural University, Guangzhou, in July 1988, a master’s degree in economics from Jinan University, Guangzhou, in June 1994 and an executive master of business administration degree from the Hong Kong University of Science and Technology in June 2012.



**Mr. Yang Long** has been appointed as a deputy general manager of our Company since May 2014. His primary working experience includes: employee of the research department of Tianjin Municipal Government from July 1991 to August 1993, employee of the office of Tianjin Water Conservancy Bureau from August 1993 to June 1994, general manager of the Hongbao Road brokerage branch of our Company in Shenzhen from July 1994 to January 1998, general manager of our sub-headquarters of Shenzhen from January 1998 to March 2004, standing deputy general manager of brokerage business sub-headquarter and general manager of our sub-headquarter of Shenzhen from March 2004 to October 2004, deputy general manager of our human resources management division from October 2004 to March 2005, general manager of operations department of bank-securities link business from March 2005 to September 2005, consultant to Unicom Huajian Connections Company Limited from October 2005 to December 2008, assistant to general manager of our Company from January 2009 to September 2014 (he was concurrently the general manager of Shenzhen branch office from October 2009 to November 2012 and the general manager of Shenzhen High Tech South Yidao Securities branch from September 2011 to December 2011), chairman of GF Asset Management from May 2017 to June 2018, and the chairman of Internet Microfinance from August 2015 to February 2020. Mr. Yang has been the chairman of GF Asset Management since October 2019. Mr. Yang obtained a bachelor's degree in economics from Nankai University in Tianjin in June 1988, a master's degree in economics from the Central Party School of the Communist Party of China in Beijing in July 1991, a doctorate degree in management from Nankai University in Tianjin in December 2003, and an senior management executive master of business administration degree from the Hong Kong University of Science and Technology in May 2013.

**Mr. Wu Jifu** has been appointed as a deputy general manager and the chief compliance officer of our Company since May 2014. His primary working experience includes: lecturer of accounting department of the school of economics at Heilongjiang University from July 1987 to July 1993, deputy head and head of the accountancy department of the school of economics at Heilongjiang University from July 1993 to July 1995 and July 1995 to October 1997, respectively, deputy director of the Audit Department of the Provincial Securities Supervision and Administration Office of the Heilongjiang Bureau of the CSRC from October 1997 to November 1998, deputy director of the Audit Department and director of the General Office of the Office of the Commissioner of the CSRC in Harbin from November 1998 to February 2004, director of the General Office of the Heilongjiang Bureau of the CSRC from March 2004 to February 2006, director of the supervision department of the Heilongjiang Bureau of the CSRC from March 2006 to July 2008, and supervisor of GF Asset Management from January 2014 to August 2017, and director of GFHK from August 2013 to May 2019. He has been the chief compliance officer of our Company since July 2008. Mr. Wu obtained a bachelor's degree in economics from Heilongjiang University in July 1987, and a master's degree in economics from Heilongjiang University in June 1998.



**Mr. Zhang Wei** has been appointed as a deputy general manager of our Company since May 2014. His primary working experience includes: treasury manager of the trust fund department of Anhui International Trust & Investment Company from July 1998 to June 2002, business manager of our investment banking department of our Company from July 2008 to February 2009, deputy general manager of the debt underwriting department of our Company from February 2009 to January 2010, the general manager of the debt underwriting department of our Company from January 2010 to March 2013 (he concurrently served as deputy general manager of investment banking business management headquarters from January 2010 to February 2011 and general manager of fixed income headquarters from February 2011 to May 2012), co-general manager of investment banking department of the headquarters from April 2013 to June 2014, he served as assistant to general manager of the Company from January 2011 to August 2014, the chairman of GF Asset Management from August 2014 to May 2017, and chairman of GF Hexin from August 2015 to October 2019; Mr. Zhang has been a director of China Securities Credit Investment Co., Ltd. (中證信用增進股份有限公司) since May 2015, and a director of GFHK and chairman of GFFL since June 2015. Mr. Zhang obtained a bachelor's degree in economics from Anhui University, located in Hefei in June 1998, a master's degree in Economics from Fudan University, located in Shanghai, in June 2005 and a doctorate in economics from the Renmin University of China in Beijing in July 2008.

**Mr. Xin Zhiyun** has been appointed as chief risk officer and chief information officer of the Company since June 2018 and May 2019, respectively. His primary working experience includes: software engineer and editor of the Higher Education Press from July 1995 to January 1998; principal staff member and deputy director of the Information Center of China Securities Regulatory Commission, deputy director of the general office, director-level consultant, director-level consultant (in charge) and director of the audit office of the institutional supervision department of China Securities Regulatory Commission successively from February 1998 to September 2008; member of CPC Committee, vice president, chief risk officer, chief compliance officer of Essence Securities Co., Ltd. from October 2008 to June 2018, concurrently served as director of Essence Capital Co., Ltd., of which concurrently served as financial manager of Essence Securities Co., Ltd. from August 2011 to September 2013, and a director of GFHK since May 2019. Mr. Xin obtained a bachelor's degree in engineering from North China University of Technology in Beijing in July 1992, a master's degree in education from Beijing Normal University in July 1995, and a doctorate degree in engineering from Tsinghua University in January 2008.





**Mr. Xu Youjun** has been appointed as the secretary to the Board and a joint company secretary of the Company since April 2019. His major work experience includes: from July 1996 to August 1997, he was an employee of the development department of Guangzhou Transportation Real Estate Company (廣州交通房地產公司); from August 1997 to June 1998, he was an employee of the enterprise management department of Guangdong Zhujiang Investment Company (廣東珠江投資公司); from June 1998 to July 2004, he served as the manager of the investment banking department of Guangzhou Securities Company Limited (廣州證券有限責任公司); from July 2004 to February 2006, he served as the business manager of the investment banking department of the Company; from February 2006 to February 2009, he served as the assistant to the general manager of the Hubei headquarters of the Company; from February 2009 to June 2015, he served as the assistant to the general manager of the investment banking department of the Company, the assistant to the general manager of the investment banking general management department, and the executive director of the mergers and acquisitions department of the Company; and since June 2015, he has served as the general manager of the office of the Board and the securities affairs representative of the Company. Mr. Xu Youjun obtained a degree of bachelor of engineering from Xiangtan University in Hunan in July 1993 and a master's degree in economics from Sun Yat-Sen University in Guangzhou in June 1996.

#### POSITION HELD IN THE SHAREHOLDING COMPANIES

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

#### POSITION HELD IN OTHER COMPANIES

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Sun Shuming	China Securities Inter-agency Quotation Systems Co., Ltd.	Vice chairman	March 2015 to present	No
Liu Xuetao	Jining Zhongshan Public Utilities Water Co., Ltd.	Director	July 2009 to present	No
	Zhongshan - Hong Kong Passenger Shipping CO-OP Co., Ltd	Chairman	January 2017 to December 2019	No
	CNOOC Guangdong Natural Gas Co., Ltd.	Vice chairman	March 2017 to October 2019	No
Qin Li	E Fund	Director	May 2012 to present	No
Sun Xiaoyan	ECT	Supervisor	June 2018 to present	No



Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Yang Xiong	Da Hua Certified Public Accountants (Special General Partnership)	Member of the managing committee, managing partner and chief accountant	November 2019 to present	Yes
	BDO China Shu Lun Pan Certified Public Accountant LLP	Senior partner	August 2011 to November 2019	Yes
	Addsino Co. Ltd.	Independent director	August 2015 to present	Yes
Tang Xin	Bank of Guiyang Co., Ltd.	Independent director	July 2017 to present	Yes
	Law School of Tsinghua University	Professor	January 2015 to present	Yes
	Harvest Fund Management Co., Ltd	Independent director	August 2010 to present	Yes
	Suzhou Oriza Holdings Co., Ltd.	Independent director	November 2015 to December 2019	Yes
	Beijing Rural Commercial Bank Co., Ltd	External supervisor	November 2015 to present	Yes
Chan Kalok	China Life Insurance Company Ltd.	Independent director	March 2016 to present	Yes
	Bank of Guizhou Co., Ltd.	Independent director	August 2018 to present	Yes
	Business School of The Chinese University of Hong Kong	Professor	November 2019 to present	Yes
	Business School of The Chinese University of Hong Kong	Dean	November 2014 to November 2019	Yes
	COSCO SHIPPING Ports Limited	Independent director	October 2016 to present	Yes
	Bank of Communications (Hong Kong) Limited	Independent director	April 2017 to present	Yes
	Hang Seng Qianhai Fund Management Company Limited	Director	July 2019 to present	Yes
Fan Lifu	School of Finance of the Dongbei University of Finance and Economics	Deputy dean	December 2016 to January 2019	Yes
	Research Department of the Dongbei University of Finance and Economics	Director	January 2019 to present	Yes
	Tieling Newcity Investment Holding (Group) Limited	Independent director	December 2017 to present	Yes





Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies	
Tan Yue	Management School of Jinan University	Professor	January 2003 to present	Yes	
	Shenzhen Desay Battery Technology Co., Ltd.	Independent director	April 2015 to November 2019	Yes	
	Yuanrong Advanced Systems (Shenzhen) Co., Ltd.	Independent director	April 2019 to November 2019	Yes	
	Suofeiya Home Collection Co., Ltd.	Independent director	January 2015 to present	Yes	
	Guangzhou Metro Group Co., Ltd.	External director	October 2016 to present	Yes	
	Guangzhou Yue Xiu Holdings Limited	External director	July 2017 to present	Yes	
	Gu Naikang	Management School of Sun Yat-sen University	Professor	April 2004 to present	Yes
Guangzhou Pearl River Industrial Development Co., Ltd.		Independent director	May 2014 to present	Yes	
Guangdong Provincial Expressway Development Co., Ltd.		Independent director	July 2016 to present	Yes	
Ming Yang Smart Energy Group Limited		Independent director	June 2017 to present	Yes	
Shenzhen Zhuo Design Co., Ltd.		Independent director	December 2019 to present	Yes	
Lan Hailin		School of Business Administration of South China University of Technology	Professor	September 1997 to present	Yes
		Chinese Corporate Strategy Management Research Centre of South China University of Technology	Director	January 1990 to present	Yes
	Guangzhou Iron & Steel Enterprises Group Co., Ltd.	External director	January 2007 to November 2019	Yes	
	Guangdong Sky Dragon Printing Ink Group Co., Ltd.	Independent director	July 2013 to July 2019	Yes	
	Guangzhou Automobile Group Co., Ltd.	Independent director	December 2013 to present	Yes	
	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	Independent director	August 2014 to present	Yes	
	Jiangsu Shuangxing Color Plastic New Materials Co., Ltd.	Independent director	May 2016 to present	Yes	
	Letong Chemical Co., Ltd.	Independent director	August 2016 to present	Yes	
	Yang Long	Internet Microfinance	Chairman	July 2015 to February 2020	No
	Zhang Wei	China Securities Credit Investment Co., Ltd.	Director	May 2015 to present	No

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

For details, please refer to “IX. PENALTY AND RECTIFICATION” in Section 6 of this report.



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

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

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

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

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

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

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

The Measures on Performance Assessment and Remuneration Management for GF Securities Business Managers requires that: "payment of more than 40% of annual performance-based remuneration for business managers of the Company shall be deferred for a period of at least three years. The deferred payment of remuneration shall be divided equally. The specific proportion of deferred payment and the period of deferred payment shall be reviewed and determined by the Board." The Board of the Company shall formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. According to these requirements, the remuneration composition of our Executive Directors, employee representative Supervisors and senior management includes the remuneration accrued and paid attributable to 2019 and the deferred remuneration for 2018 and before. During the Reporting Period, the deferred remuneration before tax for 2018 and before of Mr. Cheng Huayuan (employee representative Supervisor) and Mr. Xu Youjun (secretary to the Board) was RMB2.4358 million and RMB2.2548 million, respectively. The deferred remuneration before tax for 2018 and before of Non-executive Directors, Independent Non-executive Directors and shareholder representative Supervisors was nil.



#### (IV) Appraisal of Directors, Supervisors and Senior Management Personnel

- (1) The duty performance appraisal of the Directors of the Company is composed of three parts, including self-evaluation by the Directors, mutual evaluation between the Directors, evaluation by the Remuneration and Appraisal Committee of the Board, and deliberation and confirmation by the Board. When the Remuneration and Appraisal Committee of the Board and the Board of Directors deliberate on the duty performance of each Director, the Director being appraised shall abstain from voting.

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

- ① Directors' self-appraisal: Directors conduct self-appraisal on their respective annual performance in accordance with the Form of Self-appraisal on Directors' Performance (《董事履職自評表》) with the self-appraisal results of being competent or incompetent after the review and confirmation by the Remuneration and Appraisal Committee of the Board;
- ② Evaluation by the Remuneration and Appraisal Committee of the Board: The appraisal and evaluation on Directors' performance by the Remuneration and Appraisal Committee of the Board is determined the Remuneration and Appraisal Committee of the Board. The office of the Board together with relevant departments collect the annual performance of Directors and assist the Remuneration and Appraisal Committee of the Board in evaluating the Form of Appraisal of Directors' Performance (《董事履職考評表》) and in checking Checklist for Compliance of Directors' Performance (《董事履職合規性核對表》) based on the annual performance of Directors with the self-appraisal results of being competent or incompetent;

When both self-appraisal results of performance and the appraisal results of the performance are competent after the review by the Remuneration and Appraisal Committee of the Board and there is no "No" in the checking results of Checklist for Compliance of Directors' Performance (《董事履職合規性核對表》), the appraisal results of annual performance will be competent; or it will be incompetent.

When the Remuneration and Appraisal Committee of the Board deliberate on the duty performance of each Director, the Director being appraised shall abstain from voting.

- ③ Appraisal by the Board: The final appraisal results of Directors shall be determined by the Board. The procedures of duty performance appraisal for the executive Directors of the Company shall be in compliance with the other relevant requirements such as the human resources management policies and the Performance Appraisal and Remuneration Management Regulations for the Operating Management, the Director being appraised shall abstain from voting.

According to the Resolution on Appraisal of Directors' Performance in 2019 considered and approved by the Board, the appraisal results of Directors are as follows:



The appraisal result of Sun Shuming of being competent is approved; The appraisal result of Shang Shuzhi of being competent is approved; The appraisal result of Li Xiulin of being competent is approved; The appraisal result of Liu Xuetao of being competent is approved; The appraisal result of Lin Zhihai of being competent is approved; The appraisal result of Qin Li of being competent is approved; The appraisal result of Sun Xiaoyan of being competent is approved; The appraisal result of Yang Xiong of being competent is approved; The appraisal result of Tang Xin of being competent is approved; The appraisal result of Chan Kalok of being competent is approved; The appraisal result of Fan Lifu of being competent is approved.

- (2) The appraisal on supervisors' performance includes supervisor's self-appraisal, peer appraisal among supervisors, democratic appraisal by the employee representatives meeting and appraisal by the Supervisory Board.

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

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



- ⑤ appraisal results of supervisors are considered by the Supervisory Board: The Supervisory Board conducts appraisal on the annual performance of relevant supervisors. The Supervisory Board considers the appraisal results on annual performance of supervisors (competent, basically competent or incompetent) according to the self-appraisal results of each supervisor, results of peer appraisal, results of democratic appraisal by the employee representatives meeting and results of consistency checking of the Form of Appraisal of Supervisors' Performance (《監事履職評價表》) and rules under the Duty Performance Supervision and Assessment Implementation Plan of the Supervisory Committee of GF Securities for Supervisors for the year of 2018 (《廣發證券監事會對監事2019年度履職監督評價實施方案》);
- ⑥ When the Supervisory Board considers the performance of each supervisor, the supervisors concerned shall abstain from voting.

According to the Resolution on Appraisal of Supervisors' Performance in 2019 considered and approved by the Supervisory Board, the appraisal results of Directors are as follows:

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

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

- (3) The procedures of performance assessment of the operating management of the Company were conducted in compliance with other relevant requirements such as human resources management system and the Performance Appraisal and Remuneration Management Regulations for the Operating Management. The specific appraisal plan is that the Board of the Company will give corresponding performance-based salary according to the business performance of the Company and the performance-based salary of the operating management will be distributed according to the annual appraisal results. The distribution plan shall have independent opinion of the Independent Directors and have written comments of the Remuneration and Appraisal Committee. Meanwhile, the procedures of performance assessment of the chief compliance officer of the Company were conducted in compliance with the requirements under the Duty Performance Appraisal and Remuneration Management Regulations for chief compliance officer (《合規總監履職考核與薪酬管理辦法》).



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

Unit: RMB ten thousand

Name	Position	Sex	Age	Status	The total remuneration before tax received from the Company	Remuneration received from related parties of the Company
Sun Shuming	Executive Director, Chairman	Male	57	Current	199.79	No
Shang Shuzhi	Non-executive Director	Male	67	Current	18.00	Yes
Li Xiulin	Non-executive Director	Male	67	Current	18.00	Yes
Liu Xuetao	Non-executive Director	Female	54	Current	10.50	Yes
Lin Zhihai	Executive Director, general manager	Male	56	Current	193.63	No
Qin Li	Executive Director, standing deputy general manager	Male	51	Current	203.10	No
Sun Xiaoyan	Executive Director, deputy general manager, chief financial officer	Female	47	Current	199.38	No
Yang Xiong	Independent Non-executive Director	Male	53	Current	27.00	Yes
Tang Xin	Independent Non-executive Director	Male	48	Current	27.00	Yes
Chan Kalok	Independent Non-executive Director	Male	58	Current	27.00	Yes
Fan Lifu	Independent Non-executive Director	Male	47	Current	27.00	Yes
Zhang Shaohua	Chairman of Supervisory Committee, employee representative Supervisor	Male	54	Current	191.48	No
Tan Yue	Supervisor	Male	60	Current	15.00	Yes
Gu Naikang	Supervisor	Male	54	Current	15.00	Yes
Lan Hailin	Supervisor	Male	60	Current	15.00	Yes
Cheng Huaiyuan	Employee representative Supervisor	Male	53	Current	111.80	No
Ouyang Xi	Deputy general manager	Male	52	Current	197.68	No
Luo Binhua	Deputy general manager	Male	55	Current	189.88	No
Yang Long	Deputy general manager	Male	55	Current	199.92	No
Wu Jifu	Deputy general manager, chief compliance officer	Male	54	Current	200.34	No
Zhang Wei	Deputy general manager	Male	44	Current	200.89	No
Xin Zhiyun	Chief risk officer, Chief information officer	Male	50	Current	184.92	No
Xu Youjun	Secretary to the Board, joint company secretary	Male	48	Current	171.55	No
Tang Xiaodong	Deputy general manager	Male	51	Resigned	177.54	No
<b>Total</b>	—	—	—	—	<b>2,821.40</b>	—

Note 1: The Company has no payment of compensation in forms other than cash.

Note 2: The total remuneration before tax received from the Company represents the remuneration accrued and distributed attributable to 2019.

Note 3: See relevant information in notes to the auditors' report for the total remuneration to the key management who served the Company during the Reporting Period when such total remuneration was provided.



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

N/A

**V. INFORMATION OF THE STAFF OF THE COMPANY**

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

Number of current staff of the parent company	9,878
Number of current staff of the major subsidiaries	<u>1,858</u>

<b>Total number of current staff</b>	<b>11,736</b>
Total number of paid employees for the current period	11,736

**Professional structure**

	Number of Professionals	Percentage
Professions		
Primary business	9,678	82.46%
Risk management	110	0.94%
Legal and compliance	117	1.00%
Information Technology	652	5.56%
Others	<u>1,179</u>	<u>10.05%</u>
<b>Total</b>	<b>11,736</b>	<b>100.00%</b>

**Education level**

	Number of Employees	Percentage
Education level		
Doctoral degree	158	1.35%
Master's degree	3,096	26.38%
Bachelor's degree	7,359	62.70%
Associate degree and below	<u>1,123</u>	<u>9.57%</u>
<b>Total</b>	<b>11,736</b>	<b>100.00%</b>

**Age**

	Number of Employees	Percentage
Age range		
30 and below	4,005	34.13%
31 to 40	5,091	43.38%
41 to 50	2,121	18.07%
51 and above	<u>519</u>	<u>4.42%</u>
<b>Total</b>	<b>11,736</b>	<b>100.00%</b>

Note 1: The above number of employees includes 288 employees for early retirement;

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



## (II) Remuneration policies for employees

The Company has 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 Administrative Measures on the Remuneration of GF Securities Employees, the Administrative Measures on the Labor Contract for GF Securities Employees, the Administrative Measures on the Benefits Leave for GF Securities Employee and the Administrative Measures on the Welfare of GF Securities Employees at Designated Levels 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 is committed to establish effective salary motivation and constraint mechanism to fully motivate the initiative and innovation of all the employees and introduce and retain the core talents. The basic principles of the remuneration management of the Company include performance orientation, prosperity by cooperation, external competitiveness, risk matching and multiple incentives.

The remuneration of the Company's employees primarily comprises of fixed salary, performance bonus and benefits. The Company established a comprehensive welfare and security system, including social insurance, housing fund, supplementary medical insurance, annuity, benefits leave, labour union welfare, and welfare of female employees.

## (III) Training plans

The Company attaches 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 takes the talent development center as the carrier and has 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 and to improve the organization ability of the implementation of strategy; 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 and extracting and disseminating organizational wisdom and culture, we have created an atmosphere that was conducive to guiding employees to learn and share independently, and built a learning organization. The employee trainings meeting the strategic needs support the sustainable and stable development of the Company, and achieve a "win-win" for the Company's business development and employee career development.





In 2019, The Company organized and conducted talents cultivation and learning activities by focusing on the promotion of “conducting business in compliance with regulations”, enablement of “business transformation” and assistance of “improvement of quality and efficiency”. In terms of the promotion of “conducting business in compliance with regulations”, the Company organized all the employees to carry out the subject learning of the compliance and risk control and learning code of conduct of employees and consistently deepened the establishment of compliance and risk control culture in adhering to the core of “compliance, integrity, stability” by a variety of forms such as video contest, special lectures, topic video and photo and text push. In terms of enablement of “business transformation”, in coordinating with the key strategic projects of the Company such as “wealth management transformation”, “service for institutional clients” and “reform of investment bank management system”, the Company implemented specific learning projects to provide enablement support for the implementation of strategy and business transformation by focusing on the aspects such as “customer center orientation”, “construction of professional curriculum system of retailing business line and construction of professional talents team” and “upgrading the leadership of the management team of investment bank” in 2019. In terms of “improvement of quality and efficiency”, the Company encouraged the employees to improve their technical skills and management skills in multi-channel and continuously constructed the “professional” employees team with high quality by continuously carrying out regular learning projects of profession and leadership and strengthening the construction of variety of learning platform and learning resources.

#### (IV) Contracted staff

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



## VI. CONSTITUTION OF ALL SPECIAL COMMITTEES UNDER THE BOARD

In 2019, pursuant to the relevant requirement of the new Code of Corporate Governance for Listed Companies, the Company made amendments to the relevant provisions of the Articles of Association and newly established the Nomination Committee of the Board and the Remuneration and Appraisal Committee of the Board so as to take the place of the previous Remuneration and Nomination Committee of the Board. On December 27, 2019, the Resolution on Adjustment of the Structure of the Committees of the Board of Directors was passed at the 24th Meeting of the Ninth Session of the Board at which the Board resolved to establish the Nomination Committee of the Board and the Remuneration and Appraisal Committee of the Board, and revoke the previous Remuneration and Nomination Committee of the Board. As at December 31, 2019, the Ninth Session of the Board of the Company established five special committees. The committees and their members were as follows:

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

Nomination Committee: Tang Xin (chairman), Yang Xiong, Fan Lifu, Sun Shuming, Lin Zhihai;

Remuneration and Appraisal Committee: Tang Xin (chairman), Yang Xiong, Fan Lifu, Qin Li, Sun Xiaoyan;

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

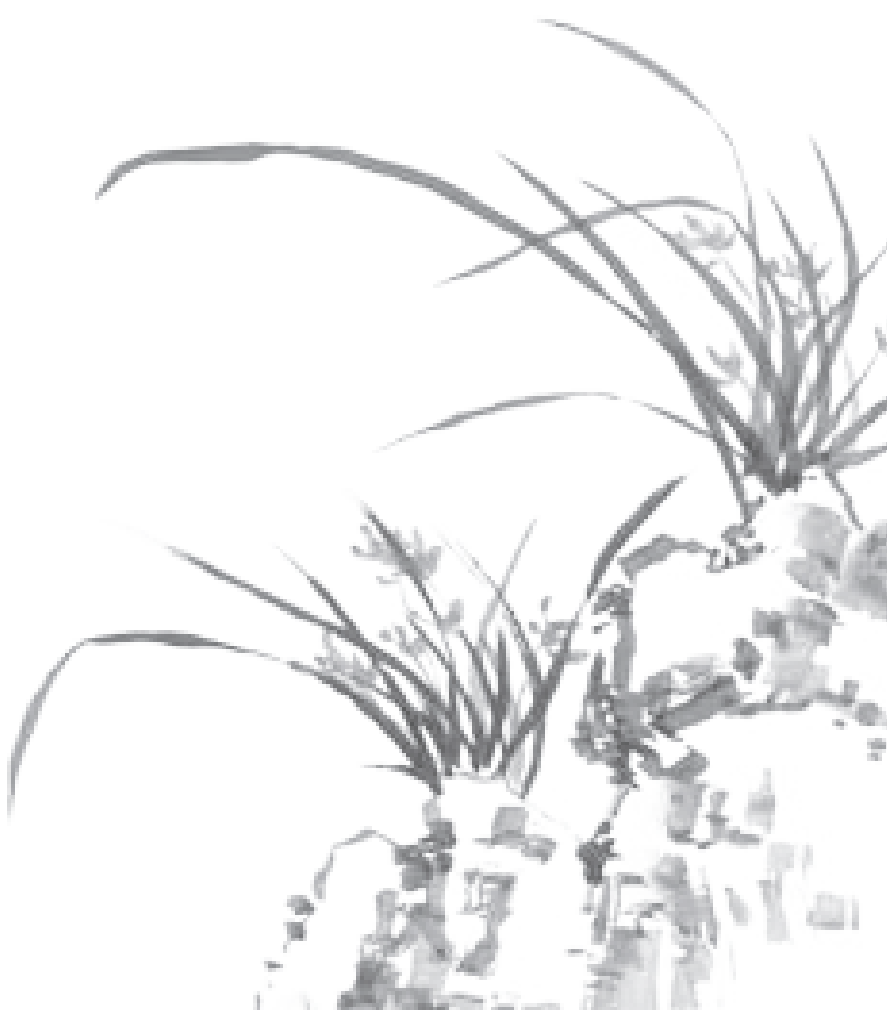
Risk Management Committee: Sun Shuming (chairman), Tang Xin, Lin Zhihai, Qin Li, Sun Xiaoyan.

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

As at the end of Reporting Period, the Company had 222 securities brokerage branches which had entrusted brokers to engage in businesses including client solicitation. There were 1,261 brokers in total, among which, 1,248 brokers have gained the security broker qualification, 13 brokers were under applications for the qualification.

During the Reporting Period, the three-tiered management system of “retail business management headquarters – branch offices (wealth management department or marketing management department) – securities brokerage branch (marketing development department)” was adopted for the management of brokers. The E-commerce department, as the headquarters’ functional department under the retail business headquarters, established a system for managing our securities brokers and organizing centralized training activities. The branch companies coordinate and supervise the business of securities brokers within their respective jurisdictions. The securities brokerage branches are responsible for implementing the recruitment, training, practicing registration, marketing development and daily management activities.

## Section 11 | Corporate Governance





## I. BASIC SITUATION OF THE CORPORATE GOVERNANCE

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

The Company continues to enhance corporate governance pursuant to stipulations under the relevant laws and regulations including the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules on Governance of Securities Firms, the Standardized Operational Guidelines for Companies Listed on 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. 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 as set out in Appendix 14 to the Hong Kong Listing Rules (hereinafter referred to as the "Code"), and all provisions thereof. The Company has met most of the recommended best practice provisions as set out in the Code.

During the Reporting Period, the Company convened a total of 33 meetings, including two general meetings of shareholders, ten meetings of the Board of Directors, five meetings of the Supervisory Committee, two annual report work meetings of Independent Non-Executive Directors, one meeting of the Strategy Committee, one meeting of the Nomination Committee, one meeting of the Remuneration and Appraisal Committee, six meetings of the Audit Committee, and two meetings of the Risk Management Committee and three meetings of the previous Remuneration and Nomination Committee.



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

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

### 1. Operational independence

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

### 2. Independence of personnel

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

### 3. Independence of the assets

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



#### 4. Institutional independence

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

#### 5. Financial independence

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

As of December 31, 2019, the Company has not provided any guarantees to any shareholder (including the largest shareholder) and other related parties.

### III. COMPETITION WITH SUBSTANTIAL SHAREHOLDERS

None



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

##### (I) About Shareholders and the general meetings of Shareholders

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

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

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



**(II) General meeting of shareholders during the Reporting Period**

Session of meeting	Type of meeting	Participation		Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
		ratio of investors						
Annual general meeting 2018	Annual general meeting	50.35%		June 28, 2019	1. 2018 Annual Report of Board of Directors of GF Securities; 2. 2018 Annual Report of Supervisory Committee of GF Securities; 3. 2018 Annual Final Financial Report of GF Securities; 4. 2018 Annual Report of GF Securities; 5. 2018 Annual Profit Distribution Proposal of GF Securities; 6. the resolution regarding engaging auditors in 2019; 7. the resolution regarding the authorization of proprietary investment quota for 2019; 8. the resolution regarding the 2019 expected daily related party/connected transactions; 9. the resolution regarding amendments to the Articles of Association; 10. the resolution regarding amendments to the Rules of Procedure of the Board of Directors; and 11. the resolution regarding the provision of guarantees for offshore loans of GF Financial Markets (UK) Limited.	All resolutions were approved	June 29, 2019	Published in the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) by the Company
The 2019 first extraordinary general meeting	Extraordinary general meeting	46.12%		October 22, 2019	1. 2019 Interim Profit Distribution Plan of GF Securities	resolutions were approved	October 23, 2019	

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

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

N/A





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

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

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

#### 1. *The composition of the Board*

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

Shareholder(s) severally or jointly holding 3% or more shares of the Company may nominate candidates for directors and supervisors to the general meeting. If the number of directors nominated by any single shareholder exceeds 1/2 or more of the number of directors, the number of supervisors nominated by such shareholder shall not exceed 1/3 of the number of supervisors. The Directors shall be elected or replaced at the general meeting and their term of office shall be three years. The Directors shall perform their official duties since the adoption of the resolution of the shareholders and upon the date of their qualification being approved by the CSRC. Upon the expiry of the term, a Director shall be eligible for re-election and re-appointment. Independent Directors shall have the same term of office as the other Directors. The term of office of an independent Director is renewable upon re-election when it expires, but no independent Director shall serve for more than two sessions. Ordinary resolution for the election of Directors at a general meeting shall be passed by one half or more of the voting rights held by the Shareholders (including their proxies) attending the general meeting.

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

#### 2. *Duties of the Board of Directors*

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



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

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



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

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

- (1) According to the relevant requirements under the Measures for the Administration of Information Technology Management of Securities Fund Trading Institutions (《證券基金經營機構信息技術管理辦法》) issued by the CSRC, the Company has made corresponding amendments to the provisions of the Regulations of the Information Technology Management (《信息技術管理制度》) regarding the duties of the Board and management, the establishment of the chief information officer, information technology governance, information technology compliance and risk management.
- (2) In order to implement the relevant requirements of the People's Bank of China on anti-money laundering of financial institutions, after taking into account its actual circumstance, the Company revised the Regulations of the Risk Management System (《風險管理制度》) based on factors such as adjustment to the core organizational structure of the investment banking business of the Company and emphasis on the implementation of vertical management by the parent company over the risk management of subsidiaries.
- (3) In order to improve the accountability mechanism regarding major compliance risk matters and the compliance accountability management mechanism with respect to subsidiaries under the Measures for Compliance Accountability (《合規問責辦法》) of the Company, after taking into account the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) and its actual circumstance, the Company revised the relevant provisions of the Measures for Compliance Accountability.
- (4) According to the Guidelines on Implementation of Compliance Management of Securities Companies (《證券公司合規管理實施指引》), the Company revised the relevant provisions of the Regulations of the Compliance Management System (《合規管理制度》), clarifying the specific scope of the compliance officer's right to attend or observe in the meetings.



- (5) According to relevant anti-money laundering laws and regulations such as the Guidelines for Management of Money Laundering and Terrorism financing risk of Corporate Financial Institutions (Trial) 《法人金融機構洗錢和恐怖融資風險管理指引(試行)》 and relevant requirements under the Regulations of the Risk Management System 《風險管理制度》 of the Company, the Company revised the relevant provisions of the Regulations of the Management System on Anti-money Laundering 《反洗錢工作管理制度》 to fully guide the anti-money laundering work, to ensure the effective development of all anti-money laundering work and improve the company's ability to guard against money laundering risks.
- (6) According to Code of Corporate Governance for Listed Companies 《上市公司治理準則》 revised by the CSRC, the Company made amendments to relevant provisions of the Articles of Association and the Rules of Procedure of the Board of Directors 《董事會議事規則》 and established the Nomination Committee of the Board and the Remuneration and Appraisal Committee of the Board so as to take place of the previous Remuneration and Nomination Committee of the Board. According to relevant requirements of the Articles of Association that has been effective, the Board of the Company considered and approved the Resolution on Adjustment of the Structure of the Committees of the Board of Directors 《關於調整董事會專門委員會架構的議案》 and formulated the Rules of Procedure for the Nomination Committee of the Board of Directors 《董事會提名委員會議事規則》 and the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors 《董事會薪酬與考核委員會議事規則》. Meanwhile, the Company made corresponding amendments to Amendments to the Work Rules for Independent Directors 《獨立董事工作規則》, Terms of Reference for the General Manager 《總經理工作細則》 and the Performance Appraisal and Remuneration Management Regulations for the Operating Management 《經營管理層績效考核與薪酬管理辦法》, among which the Work Rules for Independent Directors 《獨立董事工作規則》 is now pending for the consideration and approval at a general meeting.
- (7) According to Code of Corporate Governance for Listed Companies 《上市公司治理準則》 revised by the CSRC and Hong Kong Listing Rules revised by Hong Kong Stock Exchange, the Company made amendments to the Rules of Procedure for the Audit Committee of the Board of Directors 《董事會審計委員會議事規則》.

The Company provides professional training to its Directors, Supervisors and senior management for their performance of duties, and the Monthly Newsletters of the Directors and Supervisors 《董監事通訊》 that are compiled by the Company so as to improve their understanding of the securities industry and the Company's business and to facilitate the performance of duties by the Company's Directors, Supervisors and senior management.

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



#### 4. *Duties of the management team*

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

#### 5. *Chairman and General Manager*

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

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



## 6. The Board meetings during the Reporting Period

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Fifteenth Meeting of the Ninth Session of the Board of Directors	January 11, 2019	1. To consider the Resolution on Announcement on the Changes in Accounting Estimates for Depreciation Period of Fixed Assets	Resolutions were passed	January 12, 2019	It was published in China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company
The Sixteenth Meeting of the Ninth Session of the Board of Directors	January 14, 2019	Not involving any resolutions that need the approval by the Board of Directors	Involving any resolutions that need the approval by the Board of Directors	Involving any resolutions that need the approval by the Board of Directors	
The Seventeenth Meeting of the Ninth Session of the Board of Directors	January 28, 2019	1. To consider the Resolution on Connected Transactions between the Company, Kangmei Pharmaceutical Co., Ltd. and Puning Xinhong Industrial Investment Co., Ltd.	Resolutions were passed	January 30, 2019	
The Eighteenth Meeting of the Ninth Session of the Board of Directors	March 26, 2019	1. To consider the Board Report of GF Securities for the Year of 2018; 2. To consider the Work Report of GF Securities Board Strategy Committee for the Year of 2018; 3. To consider the Work Report of GF Securities Board Risk Management Committee for the Year of 2018; 4. To consider the Work Report of GF Securities Board Audit Committee for the Year of 2018; 5. To consider the Work Report of GF Securities Board Remuneration and Nomination Committee for the Year of 2018; 6. To consider the Resolution on Drawing General Meeting's attention to Work Report of GF Securities Independent Directors for the Year of 2018; 7. To consider the Resolution on Drawing General Meeting's attention to Duty Report of GF Securities Independent Directors for the Year of 2018; 8. To consider the Final Financial Report of GF Securities for the Year of 2018; 9. To consider the Annual Report of GF Securities for the Year of 2018; 10. To consider the Social Responsibility Report of GF Securities for the Year of 2018; 11. To consider the Corporate Governance Report of GF Securities for the Year of 2018; 12. To consider the Compliance Report of GF Securities for the Year of 2018; 13. To consider the Overall Review Report on the Effectiveness of the Compliance Management of GF Securities for the Year of 2018; 14. To consider the Internal Control and Evaluation Report of GF Securities for the Year of 2018; 15. To consider the Specific Auditing Report of Related/ Connected Transactions of GF Securities for the Year of 2018; 16. To consider the Risk Management Report of GF Securities for the Year of 2018; 17. To consider the Plan of Profit-sharing of GF Securities for the Year of 2018; 18. To consider the Resolution on Change of Accounting Policy; 19. To consider the Resolution Regarding Engaging Auditors in 2019; 20. To consider the Resolution on the Authorization of Proprietary Investment Quota for 2019; 21. To consider the Resolution on Expected Daily Related Party/Connected Transactions of the Company for the Year of 2019; 22. To consider the Resolution Regarding Amendments to the Articles of Association of the Company; 23. To consider the Resolution Regarding Amendments to the Rules of Procedure of the Board of Directors; 24. To consider the Resolution on the Adjustment of the Organization Structure; 25. To consider the Resolution on the Authorization to Convene the General Meeting for the Year of 2018; 26. To consider the Resolution on Distribution of Performance Salary for the Management for the Year of 2018.	All the resolutions were passed	March 27, 2019	



Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Nineteenth Meeting of the Ninth Session of the Board of Directors	April 16, 2019	1. To consider the Resolution on Appointment of Mr. Xu Youjun as the Secretary to the Board of the Company; 2. To consider 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; 3. To consider the Resolution of Performance Assessment on Directors for the Year of 2018; 4. To consider the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2018; 5. To consider the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2018.	All the resolutions were passed	April 17, 2019	
The Twentieth Meeting of the Ninth Session of the Board of Directors	April 29, 2019	1. To consider the 2019 First Quarterly Report of GF Securities; 2. To consider the Resolution on the Amendments to the Management System of Information Technology of GF Securities; 3. To consider the Resolution Regarding the Provision of Guarantees for Offshore Loans of GF Financial Markets (UK) Limited.	All the resolutions were passed	April 30, 2019	
The Twenty-first Meeting of the Ninth Session of the Board of Directors	May 30, 2019	1. To consider the Resolution on the Appointment of Mr. Xin Zhiyun as a Chief Information Officer of the Company; 2. To consider the Resolution on the Amendment to Risk Management System of the Company; 3. To consider the Resolution on the Amendment to Measures for Compliance Accountability of the Company.	All the resolutions were passed	May 31, 2019	
The Twenty-second Meeting of the Ninth Session of the Board of Directors	August 29, 2019	1. To consider the 2019 Interim Report of GF Securities; 2. To consider the GF Securities Interim Report of Risk Management for the Year of 2019; 3. To consider the Interim Profit Distribution Plan of GF Securities in 2019; 4. To consider the Resolution on the Authorization to Establish, Relocate and Close Business Departments of Business Management; 5. To consider the Resolution on the Amendment to Compliance Management System; 6. To consider the Resolution on Adjustment on the Organization Structure of the Company; 7. To consider Resolution on the Authorization to Convene the Extraordinary General Meeting for the Year of 2019.	All the resolutions were passed	August 30, 2019	
The Twenty-third Meeting of the Ninth Session of the Board of Directors	October 29, 2019	1. To consider the 2019 Third Quarterly Report of GF Securities; 2. To consider the Resolution on the Revision on the Management System on Anti-money Laundering.	All the resolutions were passed	October 30, 2019	
The Twenty-fourth Meeting of the Ninth Session of the Board of Directors	December 27, 2019	1. To consider the Resolution on Adjustment of the structure of the committees of the Board of Directors; 2. To consider the Resolution on Formulation of the Rules of Procedure for the Nomination Committee of the Board of Directors of the Company; 3. To consider the Resolution on Formulation of the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors of the Company; 4. To consider the Resolution on Amendments to the Rules of Procedure for the Audit Committee of the Board of Directors of the Company; 5. To consider the Resolution on Amendments to the Work Rules for Independent Directors of the Company; 6. To consider the Resolution on Amendments to Terms of Reference for the General Manager of the Company; 7. To consider the Resolution on Amendments to the Performance Appraisal and Remuneration Management Regulations for the Operating Management; 8. To consider the Resolution Regarding Election of members of certain committees of the Ninth Session of the Board of the Company.	All the resolutions were passed	December 28, 2019	





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

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

On June 28, 2019, the Company convened the 2018 annual general meeting and passed the resolution on engagement of its auditor for the Year of 2019. According to the resolution, the Company engaged Ernst & Young as its auditor for the year of 2019.

On June 28, 2019, the Company convened the 2018 annual general meeting and passed the resolution regarding amendments to the Articles of Association. After the general meeting, the Company submitted an application to Guangdong Bureau of the CSRC for approval of the proposed amendments to certain major provisions of its Articles of Association in accordance with the relevant laws and regulations and received the Reply on the Approval of Amendments to Certain Major Provisions of the Articles of Association of GF Securities Co., Ltd. 《關於核准廣發證券股份有限公司變更公司章程重要條款的批覆》 in December 2019. The amended Articles of Association took effect thereafter. The Company made adjustment to the structure of the committees of the Board of the Company pursuant to the amended Articles of Association.

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. The Company has assumed the guarantee liabilities for GF Financial Markets (UK) Limited based on the financing letters of guarantee with actual amount of US\$40 million issued by the relevant domestic banks.

On October 22, 2019, the Company held the 2019 first extraordinary general meeting and passed the 2019 Interim Profit Distribution Plan of GF Securities 《廣發證券2019年度中期利潤分配方案》. The Company has completed the profit distribution before December 13, 2019 by distributing cash dividend of RMB2 (tax inclusive) for every 10 shares based on the then number of total issued shares of the Company of 7,621,087,664 Shares.

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

1. *Supervisors and Supervisory Committee*

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





## 2. The Supervisory Committee meetings during the Reporting Period

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Ninth Meeting of Ninth Session of the Supervisory Committee	January 11, 2019	1. the Resolution on the Changes in Accounting Estimates for Depreciation Period of Fixed Assets.	The resolution was passed	January 12, 2019	It was published in China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company
The Tenth Meeting of Ninth Session of the Supervisory Committee	March 26, 2019	1. the Report of Assessment of Internal Control of GF Securities for the Year of 2018; 2. the Annual Report of GF Securities for the Year of 2018; 3. the Resolution on Audit Opinion of 2018 Annual Report of GF Securities; 4. the Supervisory Committee Report of GF Securities for the Year of 2018; 5. the Resolution on Performance Assessment on Supervisors for the Year of 2018; 6. the Special Description of Performance Assessment and Remuneration of GF Securities Supervisors for the Year of 2018; 7. the Social Responsibility Report of GF Securities for the Year of 2018; 8. the Annual Overall Review Report on the Effectiveness of the Corporate Compliance Management of GF Securities for the Year of 2018; 9. the Resolution on Change of Accounting Policy; 10. the Resolution on Performance Salary for Chairman of the Supervisory Committee for the Year of 2018.	All resolutions were passed	March 27, 2019	
The Eleventh Meeting of Ninth Session of the Supervisory Committee	April 29, 2019	1. the 2019 First Quarterly Report of GF Securities.	The resolution was passed	April 30, 2019	
The Twelfth Meeting of Ninth Session of the Supervisory Committee	August 29, 2019	1. the 2019 Interim Report of GF Securities.	The resolution was passed	August 30, 2019	
The Thirteenth Meeting of Ninth Session of the Supervisory Committee	October 29, 2019	1. the 2019 Third Quarterly Report of GF Securities.	The resolution was passed	October 30, 2019	

## VI. PERFORMANCE OF DUTIES BY DIRECTORS DURING THE REPORTING PERIOD

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

Name of Director	Position	Attendance required during the Reporting Period	Attendance of Board meetings				Times of absence	Two consecutive absences in person	Voting results	Number of general meeting of shareholders attended
			Attendance by on-site meeting	Attendance by telecommunication	Attendance by proxy	Attendance				
Sun Shuming	Executive Director, Chairman	10	7	3	0	0	No	Affirmative to all	2/2	
Shang Shuzhi	Non-Executive Director	10	2	8	0	0	No	Affirmative to all	0/2	
Li Xiulin	Non-Executive Director	10	2	8	0	0	No	Affirmative to all	0/2	
Liu Xuetao	Non-Executive Director	10	2	8	0	0	No	Affirmative to all	1/2	
Lin Zhihai	Executive Director, General Manager	10	6	4	0	0	No	Affirmative to all	1/2	
Qin Li	Executive Director, Standing Deputy General Manager	10	5	5	0	0	No	Affirmative to all	1/2	
Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	10	7	3	0	0	No	Affirmative to all	2/2	
Yang Xiong	Independent Non-Executive Director	10	2	8	0	0	No	Negative to one, abstained from voting twice, and affirmative to the rest	1/2	
Tang Xin	Independent Non-Executive Director	10	1	9	0	0	No	Abstained from voting twice, and affirmative to the rest	0/2	
Chan Kalok	Independent Non-Executive Director	10	2	7	1	0	No	Affirmative to all	0/2	
Fan Lifu	Independent Non-Executive Director	10	2	8	0	0	No	Affirmative to all	1/2	
Attendance of Independent Directors at general meetings of shareholders									2	

During the Reporting Period, Mr. Chan Kalok, an Independent Non-Executive Director of the Company, was unable to attend the 22nd Meeting of the Ninth Session of the Board of Directors due to his work and authorized Mr. Yang Xiong, an Independent Non-Executive Director of the Company, to attend the meetings on his behalf. Mr. Chan Kalok explained to the Company why he was unable to attend the meetings prior to the issuance of his power of attorney, and carefully reviewed the information on the board meetings, made specific voting instructions on the power of attorney, and stated that the proxy may not be entitled to vote according to his own will.



## 2. Objections raised by Independent Directors on matters of the Company

Name of Independent Director	The Matters on which the Independent Non-Executive Directors raised an objection	Details and description of objections
Yang Xiong	The Resolution on Connected Transactions with Kangmei Pharmaceutical Co., Ltd and Puning Xinhong Industrial Investment Co., Ltd. considered at the Seventeenth Meeting of the Ninth Session of the Board of Directors	Reason for objecting: Mr. Yang Xiong was of the view that since Kangmei Pharmaceutical was under investigation by the CSRC for the alleged violation of laws and regulations in respect of information disclosure, he was unable to obtain sufficient information to judge the necessity and substance of the relevant transactions.
Yang Xiong, Tang Xin	The Resolution on Appraisal of Directors' Performance in 2018, the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2018, and the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2018 considered at the 18th Meeting of the Ninth Session of the Board of Directors	They have issued the following statement: "I have noted that the Company received the Decision on the Order of 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 on March 25, 2019. Guangdong Bureau of the CSRC decided to take administrative regulatory measures against the Company, which the relevant Directors and senior management personnel involved shall be accountable. When these resolutions were submitted to the Board, the accountability work of the relevant employees is under process. In view that the information in respect of the appraisal of the relevant employees for 2018 is incomplete due to such circumstance, I am unable to make judgement on the relevant matter and recommend to postpone the consideration of these three resolutions which is proposed to the Board for consideration on March 26."



<b>Name of Independent Director</b>	<b>The Matters on which the Independent Non-Executive Directors raised an objection</b>	<b>Details and description of objections</b>
Yang Xiong	The sub-resolution 3.5 “The appraisal result of Mr. Lin Zhihai is being competent according to the Appraisal of Director Performance in 2018” under the Resolution on Appraisal of Directors’ Performance in 2018, and the Specific Statement of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2018 considered at the 19th Meeting of the Ninth Session of the Board of Directors	Since the uncertainty of subsequent personal responsibilities, according to the Company’s responsibility identification and accountability measures in respect of Mr. Lin Zhihai under the Report on the Compliance Accountability Proposal on Relevant Responsible Personnel of Pandion Fund, the review on such Director’s self-appraisal result on Directors’ performance, and the Regulation for Compliance Accountability of the Company and applicable regulatory requirements, he abstained from voting on item 3.5 of the Resolution on Appraisal of Directors’ Performance in 2018 and the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2018.
Tang Xin	The Specific Statement of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2018 and the Specific Statement of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2018 considered at the 19th Meeting of the Ninth Session of the Board of Directors	Reason for abstaining from voting: Mr. Tang Xin was of the view that since the Specific Statement of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2018 had not provided a sound plan for the appraisal of Directors’ performance in case of risk events and under exceptional circumstances, he held a qualified opinion on this resolution.  Reason for abstaining from voting: Mr. Tang Xin was of the view that since the Specific Statement of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2018 had not provided a sound plan for the performance appraisal of business management in case of risk events and under exceptional circumstances, he held a qualified opinion on this resolution.



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

In 2019, the Independent Non-Executive Directors of the Company were actively involved in each of the Board meetings. During the period of their appointment, the Independent Non-Executive Directors had sufficient time and energy to carry out their duties. Before each meeting, the Independent Non-Executive Directors carefully reviewed the relevant materials, and fully expressed professional and independent opinions; when making independent judgments, they were not affected by the major shareholders of the Company or any other entities and individuals which are our stakeholders.

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

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

#### (2) *Periodic reports*

While auditing annual reports, the Independent Non-Executive Directors strictly abided by the Annual Report Regulations of Independent Directors of GF Securities 《廣發證券獨立董事年報工作規定》 and ensure that there is sufficient time and energy to fulfill their duties, and make timely communications with certified public accountants responsible for the annual audit before and after the audit. Three of the four Independent Non-Executive Directors are members of the Audit Committee and they took part in the annual audit and communicated with the certified public accountants responsible for the annual audit, and expressed their views in dual capacities (both as a member of the Audit Committee and an independent non-executive Director). In accordance with the relevant requirements of the foregoing provisions, on December 2, 2019, the Independent Non-Executive Directors heard the reporting of the 2019 Annual Financial Results (unaudited) prepared by the finance department of the Company, communicated with the certified public accountants responsible for the annual audit, and consented to the annual audit work plan and reminded, and urged audit institutions to carry out audit procedures in place during the audit process, and finance department and other related departments to actively cooperate with the audit work.



On March 20, 2020, the Independent Non-Executive Directors heard the reporting of Ernst & Young on 2019 annual audit. After full communication with the certified public accountants responsible for the annual audit, the Independent Non-Executive Directors are of the view that: Ernst & Young carried out appropriate audit procedures in the annual audit in strict accordance with requirements of the Auditing Standards for CPAs of China and the International Standards on Auditing.

(3) *Performance of other duties*

During the Reporting Period, the Independent Non-executive Directors of the Company had issued independent opinions in respect of the relevant matters pursuant to the legal procedures under the PRC laws and regulations and the Company's Articles of Association, the details of which are as follows:

On January 11, 2019, the Independent Non-Executive Directors of the Company issued independent opinions on the changes in accounting estimates for depreciation period of fixed assets. On January 28, 2019, the Independent Non-Executive Directors of the Company issued views of prior approval and independent opinions on the connected transactions with Kangmei Pharmaceutical and Puning Xinhong. On March 26, 2019, the Independent Non-Executive Directors of the Company issued independent opinions on the profit distribution proposal for 2018, the Internal Control and Evaluation Report for the year of 2018, distribution of performance-based remunerations for the management for the year of 2018, the use of the Company's funds by the controlling shareholders or other associated parties, external guarantees provided by the Company, expected ordinary related party/connected transactions of 2019 and changes in the Company's accounting policies, and issued views of prior approval in respect of the re-appointment of the accounting firm. On April 16, 2019, the Independent Non-Executive Directors of the Company issued independent opinions on matters that are proposed by the Chairman, Sun Shuming, and approved to appoint Mr. Xu Youjun as the Secretary to the Board and a joint company secretary of the Company. On May 30, 2019, the Independent Non-Executive Directors of the Company issued independent opinions on matters that are proposed by the Chairman, Sun Shuming, and approved to appoint Mr. Xin Zhiyun as the chief information officer of the Company. On August 29, 2019, the Independent Non-Executive Directors of the Company issued independent opinions on the Proposal on Interim Profit Distribution for the year of 2019, the use of the Company's funds by the controlling shareholders or other associated parties and external guarantees provided by the Company.



#### 4. Directors' trainings

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

The details of Directors' trainings in 2019 are as follows:

Name	Position	Training content
Sun Shuming	Executive Director, Chairman	<ol style="list-style-type: none"><li>1. On January 24, 2019, he attended the seminar course on macroeconomic monographic report organized by the Company;</li><li>2. On February 25-26, 2019, he attended the seminar course in relation to main leading cadres of the Guangdong province and cities adhere to the bottom-line thinking and focused on preventing and resolving major risks, organized by the Guangdong Provincial Party Committee Organization Department;</li><li>3. On March 15, 2019, he attended the first training course on excellent leadership, organized by the Company, and communicated with the trainees;</li><li>4. On March 20-21, 2019, he attended the seminar course in relation to main leading cadres of the Guangdong province and cities study and implement "The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area", organized by the Guangdong Provincial Party Committee Organization Department;</li><li>5. On March 25, 2019, he attended the "The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" seminar course of the Company;</li><li>6. On March 26, 2019, he attended the "Training on the Directors' Responsibilities and Duties of Listed Companies in Hong Kong", organized by the Company;</li><li>7. On June 5, 2019, he attended the Theme Party Class of "Never Forget Your Purpose and Mission" training course of the Company;</li></ol>



Name	Position	Training content
Lin Zhihai	Executive Director, General Manager	<p>8. On June 23, 2019, he attended the training course of Tsinghua PBCSF Global Finance Forum, organized by Tsinghua University;</p> <p>9. On July 1, 2019, he attended the July 1 Theme Education Seminar Course of the Company;</p> <p>10. On July 2, 2019, he attended the “Special Party Class of the “July 1st” Commemorative and Commendation Conference” training course of the Company;</p> <p>11. On August 4, 2019, he attended the 23rd training course for reserve management talents (for retail business system), organized by the Company;</p> <p>12. On August 23, 2019, he attended the training course on the Provisions on the Administration of Equities of Securities Companies, organized by the Securities Association of China;</p> <p>13. On October 14, 2019, he attended the training course of Capital Market-based Poverty Alleviation Forum, organized by the CSRC;</p> <p>14. On October 17-18, 2019, he attended the seminar course (second session) in relation to provincial cadres study and implement the “Opinions on Supporting the Building of Shenzhen into the Pilot Demonstration Area of Socialism with Chinese Characteristics 《關於支持深圳建設中國特色社會主義先行示範區的意見》”, organized by the Guangdong Provincial Party Committee Organization Department;</p> <p>15. On October 24, 2019, he attended the seminar course on macroeconomic report organized by the Company;</p> <p>16. On December 11, 2019, he attended the study meeting of the theoretical study center group of the Party committee and the Seminar in relation to the guiding principles of the fourth plenary sessions of the 19th CPC Central Committee, organized by the Company;</p> <p>17. On December 13, 2019, he attended the Seminar in relation to the 20 Anniversary of GF Securities Postdoctoral R&amp;D Base and China Capital Market Development Forum (within the GF Securities Lecture Series), organized by the Company.</p> <p>1. On January 24, 2019, he attended the seminar course on macroeconomic monographic report organized by the Company;</p> <p>2. On February 25, 2019, he attended the seminar course of the Guangdong financial work management conference, organized by the People’s Bank of China Guangzhou Branch;</p> <p>3. On March 1, 2019, he attended the seminar course in relation to preparing promising Guangdong enterprises for listing on the STAR Market, organized by the local financial regulatory bureaus of Guangdong;</p> <p>4. On March 25, 2019, he attended the “The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” seminar course of the Company;</p> <p>5. On March 26, 2019, he attended the “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong”, organized by the Company;</p> <p>6. On July 1-7, 2019, he attended the July 1 Theme Education Seminar Course of the Company;</p>





Name	Position	Training content
Qin Li	Executive Director, Standing Deputy General Manager	<p>7. On October 16-17, 2019, he attended the Guangdong provincial financial work conference and the seminar course in relation to provincial financial system study and implement the “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era”, organized by the local financial regulatory bureaus of Guangdong;</p> <p>8. On October 24, 2019, he attended the seminar course on macroeconomic report organized by the Company;</p> <p>9. On December 11, 2019, he attended the study meeting of the theoretical study center group of the Party committee and the Seminar in relation to the guiding principles of the fourth plenary sessions of the 19th CPC Central Committee, organized by the Company;</p> <p>10. On December 13, 2019, he attended the Seminar in relation to the 20 Anniversary of GF Securities Postdoctoral R&amp;D Base and China Capital Market Development Forum (within the GF Securities Lecture Series), organized by the Company.</p> <p>1. On January 24, 2019, he attended the seminar course on macroeconomic monographic report organized by the Company;</p> <p>2. On March 26, 2019, he attended the “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong”, organized by the Company;</p> <p>3. On October 23-25, 2019, he attended the Financial Sub-forum of the 27th Guangdong – NSW Joint Economic Meeting and the seminar course on corporate study activities, organized by the local financial regulatory bureaus of Guangdong;</p> <p>4. On October 24, 2019, he attended the seminar course on macroeconomic report organized by the Company;</p> <p>5. On November 26, 2019, he attended the China Securities Special Fintech Conference;</p> <p>6. On December 13, 2019, he attended the Seminar in relation to the 20 Anniversary of GF Securities Postdoctoral R&amp;D Base and China Capital Market Development Forum (within the GF Securities Lecture Series), organized by the Company;</p> <p>7. On December 23, 2019, he attended the AWS Global Financial Business Digital Transformation Case Discussion Conference.</p>



Name	Position	Training content
Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	1. On January 17-18, 2019, she attended the 2018 Accounting and Audit Training Course for Securities Companies, organized by the Securities Association of China; 2. On January 24, 2019, she attended the seminar course on macroeconomic monographic report organized by the Company; 3. On March 25, 2019, she attended the “The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” seminar course of the Company; 4. On March 26, 2019, she attended the “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong”, organized by the Company; 5. On June 5, 2019, she attended the Theme Party Class of “Never Forget Your Purpose and Mission” training course of the Company; 6. On July 1, 2019, she attended the training course for leading talent in securities, funds and futures industry, organized by the Securities Association of China; 7. On July 1-7, 2019, she attended the July 1 Theme Education Seminar Course of the Company; 8. On October 24, 2019, she attended the seminar course on macroeconomic report organized by the Company; 9. On November 11-12, 2019, she attended the 2019 in-system finance manager training course organized by the Company; 10. On December 11, 2019, she attended the study meeting of the theoretical study center group of the Party committee and the Seminar in relation to the guiding principles of the fourth plenary sessions of the 19th CPC Central Committee, organized by the Company; 11. On December 20, 2019, she attended the 2019 Accounting and Audit Training Course for Securities Companies, organized by the Securities Association of China.
Shang Shuzhi	Non-Executive Director	1. On March 26, 2019, he attended “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong” organized by GF Securities; 2. On April 18, 2019, he attended the seminar course in relation to the capital market supports Liaoning economic revitalization and development, organized by the Dalian Listed Companies Association; 3. On July 1, 2019, he attended the second session of business training on regulatory policy dynamic analysis for 2019, organized by the Shanghai Stock Exchange; 4. On September 27, 2019, he attended the first session of special training on information disclosure and compliance of listed companies for 2019, organized by the Shanghai Stock Exchange.
Li Xiulin	Non-Executive Director	1. On February 12, 2019, he attended the seminar course on “Foreign Investment Law” held by the General Office of the Standing Committee of the National People’s Congress; 2. On March 26, 2019, he attended “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong” organized by GF Securities; 3. On December 12, 2019, he attended the training on continuous supervision for 2019, organized by Minsheng Securities Co., Ltd.
Liu Xuetao	Non-Executive Director	1. On March 26, 2019, she attended “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong” organized by GF Securities; 2. On August 22-23, 2018, she attended the regulatory work conference of the listed companies in the Guangdong jurisdiction organized by the Guangdong Securities Regulatory Bureau.



Name	Position	Training content
Yang Xiong	Independent Non-Executive Director	<ol style="list-style-type: none"><li>1. On March 26, 2019, he attended “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong” organized by GF Securities;</li><li>2. On December 3-7, 2019, he attended the seminar in relation to artificial intelligence in the future of the industry, organized by the CICPA and the Beijing National Accounting Institute;</li><li>3. On December 17-19, 2019, he attended the training class for auditors with qualification for operations of securities business for 2019, organized by the Shanghai National Accounting Institute.</li></ol>
Tang Xin	Independent Non-Executive Director	<ol style="list-style-type: none"><li>1. On March 22, 2019, he attended the seminar of White Paper on Investor Protection in China’s Capital Markets organized by China Securities Investor Protection Fund Corporation as a special expert;</li><li>2. On June 14, 2019, he, as a host, attended the “2nd Tsinghua – Chicago Young Faculty Forum on Law and Social Science” jointly held by Tsinghua Law School and Coase-Sandor Institute for Law and Economics of University of Chicago, the US;</li><li>3. On December 14, 2019, he attended the Capital Market Rule or Law Forum 2019 hosted by Renmin University of China Law School Research Center, and made a speech themed as “Institutional Innovation of Company Type, Corporate Governance and Equity Protection Under the Amendment of the Company Law”.</li></ol>
Chan Kalok	Independent Non-Executive Director	<ol style="list-style-type: none"><li>1. On February 27, 2019, he attended the first session of training course for corporate governance personnel on banking regulations and regulatory knowledge for 2019, organized by Bank of Communications;</li><li>2. On March 26, 2019, he attended “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong” organized by GF Securities;</li><li>3. On October 17, 2019, he attended the Citadel Securities APAC Financial Leaders Forum 2019, organized by Citadel Securities.</li></ol>
Fan Lifu	Independent Non-Executive Director	<ol style="list-style-type: none"><li>1. On March 26, 2019, he attended “Training on the Directors’ Responsibilities and Duties of Listed Companies in Hong Kong” organized by GF Securities;</li><li>2. On July 22-26, 2019, he attended the high-end training program on revitalizing northeast China and promoting northeast Asia cooperation, organized by Northeast Asia Economic Research Institute of Dongbei University of Finance and Economics;</li><li>3. On September 27-29, 2019, he attended the 2019 seminar in relation to “financial and economic universities leveraging on their scientific research advantages to promote local economic and social development” in relation to organized by the Higher Financial &amp; Economic Education Branch of China Higher Education Association;</li><li>4. On October 21-25, 2019, he attended the advanced training program of “Research on the Hot Issues of Tax-Payer Enterprises in the New Era” which is a national knowledge and technology talents knowledge renewal project organized by the National Professional and Technical Personnel Continuing Education Base (Dongbei University of Finance and Economics);</li><li>5. On November 23-24, 2019, he attended the Eighth session of China Science and Technology Policy Forum, organized by the China Association for Science and Technology.</li></ol>



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

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

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

### 1. The Strategy Committee

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

In 2019, the major achievements of the Strategy Committee included: the Strategy Committee of the Board of Directors reviewed the Company’s financial budget reports to obtain a comprehensive understanding of the Company’s financial conditions and the implementation of the relevant strategies; it also reviewed the relevant information in relation to the Company’s business operations, including the Company’s regular reports, financial reports, the materials of shareholders’ meetings, the board meetings and other relevant meetings, to obtain information on the Company’s business operations and the progress of the implementation of strategic planning, effectively fulfilling the responsibilities of the Strategy Committee of the Board.

(1) During the Reporting Period, the Strategy Committee held one meeting:

Session of meeting	Convening date	Title of Resolution of the meeting	Status of resolution
2019 First Meeting of the Strategy Committee of the Ninth Session of the Board	March 26, 2019	1. the Work Report of the Strategy Committee of the Board of Directors of GF Securities for the Year of 2018	The resolution was passed



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

<b>Name of member</b>	<b>Position</b>	<b>Attendance/ number of meetings</b>
Sun Shuming	Executive Director and Chairman of Strategy Committee	1/1
Shang Shuzhi	Non-Executive Director	1/1
Li Xiulin	Non-Executive Director	1/1
Liu Xuetao	Non-Executive Director	1/1
Lin Zhihai	Executive Director	1/1

## 2. The Risk Management Committee

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

In 2019, the major achievements of the Risk Management Committee included:

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



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

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2019 First Meeting of the Risk Management Committee of the Ninth Session of the Board	March 26, 2019	1. the Work Report of the Risk Management Committee of the Board of Directors of GF Securities for the Year of 2018; 2. the GF Securities Report of Risk Management for the Year of 2018; 3. the GF Securities Report of Compliance for the Year of 2018; 4. the Annual Overall Review Report on the Effectiveness of the Corporate Compliance Management of GF Securities for the year of 2018; 5. the Internal Control and Evaluation Report of GF Securities for the year of 2018; 6. the Audit Work Report of GF Securities for the Year of 2018; 7. the Resolution of 2019 Annual Quota for Proprietary Funding Investment.	All resolutions were passed
2019 Second Meeting of the Risk Management Committee of the Ninth Session of the Board	August 29, 2019	1. the GF Securities Interim Report of Risk Management for the Year of 2019	The resolution was passed

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

Name of member	Position	Attendance/ number of meetings
Sun Shuming	Executive Director and Chairman of the Risk Management Committee	2/2
Tang Xin	Independent Non-Executive Director	2/2
Lin Zhihai	Executive Director	2/2
Qin Li	Executive Director	2/2
Sun Xiaoyan	Executive Director	2/2



### 3. The Audit Committee

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

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

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

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

In 2019, the major achievements of the Audit Committee included:

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



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

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2019 First Meeting of the Audit Committee of the Ninth Session of the Board	January 11, 2019	1. the Resolution on the Changes in Accounting Estimates for Depreciation Period of Fixed Assets	The resolution was passed
2019 Second Meeting of the Audit Committee of the Ninth Session of the Board	January 28, 2019	1. the Resolution on Connected Transactions with Kangmei Pharmaceutical Co., Ltd and Puning Xinhong Industrial Investment Co., Ltd.	The resolution was passed
2019 Third Meeting of the Audit Committee of the Ninth Session of the Board	March 26, 2019	1. the Work Report of GF Securities Audit Committee of the Board of Directors for the Year of 2018; 2. Opinions on the 2018 Annual Financial Report (financial report and notes); 3. the Resolution on Change of Accounting Policy; 4. the Resolution on Engaging Audit Institution in 2019; 5. the Resolution on Expected Daily Related Party/Connected Transactions of the Company for the Year of 2019; 6. the Internal Control and Evaluation Report of GF Securities for the year of 2018; 7. the Audit Work Report of GF Securities for the Year of 2018; 8. the Special Audit Report on Anti-money Laundering of GF Securities for the year of 2018; 9. the Special Audit Report on Related Party/Connected Transactions of GF Securities for the Year of 2018.	All resolutions were passed
2019 Fourth Meeting of the Audit Committee of the Ninth Session of the Board	April 29, 2019	1. the 2019 First Quarterly Report of GF Securities	The resolution was passed





Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2019 Fifth Meeting of the Audit Committee of the Ninth Session of the Board	August 29, 2019	1. 2019 Interim Report of GF Securities; 2. the Interim Audit Work Report of GF Securities of 2019	All resolutions were passed
2019 Sixth Meeting of the Audit Committee of the Ninth Session of the Board	October 29, 2019	1. the 2019 Third Quarterly Report of GF Securities	The resolution was passed

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

Name of member	Position	Attendance/ number of meetings
Yang Xiong	Independent Non-Executive Director and Chairman of Audit Committee	6/6
Chan Kalok	Independent Non-Executive Director	6/6
Fan Lifu	Independent Non-Executive Director	6/6

- (3) Overview of the Company's audit

The Company's 2019 annual audit was done by Ernst & Young who mainly divided it into two phases, namely preliminary phase and year-end phase. For the preliminary phase, Ernst & Young fully carried out audit of internal control according to the relevant requirements, and tested the internal control at company level and process level (including business processes of headquarters and business department) to evaluate the effectiveness of the internal control design and whether the control is effectively implemented during 2019. Ernst & Young also comprehended and analyzed and performed pretesting on major matters and major items during the audit of financial statements; tested major information systems used by the Company, and communicated on preliminary audit. For the year-end audit phase, Ernst & Young followed up on the work of the preliminary phase and performed detailed auditing procedures for all major items, and communicated with the management team and governance team on year-end audit.



To prepare for the 2019 annual audit and issue relevant audit reports on a timely basis, the Audit Committee of the Ninth session of the Board of Directors of the Company arranged the finance department to communicate with Ernst & Young on matters such as audit plans, audit processes and key audit issues, for which it also carried out supervision and follow-up. On December 2, 2019, the Audit Committee held a communication meeting on the audit plan with Ernst & Young. In addition, the Company's finance department also communicated with Ernst & Young on matters such as preliminary and year-end audit as well as major accounting issues.

On March 20, 2020, the Audit Committee heard the reporting of Ernst & Young on 2019 annual audit.

The Audit Committee assessed the independence and objectivity of Ernst & Young and the effectiveness of the auditing procedure to ensure that the financial reports Ernst & Young issued can provide objective and honest opinions. Before assessing the 2019 annual financial statements of the Company, the Audit Committee received a written confirmation from Ernst & Young in terms of the independence and objectivity of Ernst & Young as an auditor. Ernst & Young has taken necessary protective measures in accordance with the relevant requirements of professional ethics in order to prevent possible threats to independence.

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

On March 27, 2020 the Audit Committee reviewed the Self-Assessment Report of GF Securities on Internal Control for the Year of 2019, and concluded that the internal control system was sound and its implementation was effective. For the assessment of the Company's internal control by the Company's Board of Directors and related information, please refer to Sections 11 to 16 in this chapter.



#### 4. The Nomination Committee

In 2019, the Company revised the relevant provisions of the Articles of Association of the Company in accordance with the new Code of Corporate Governance for Listed Companies, and established the Nomination Committee and Remuneration and Appraisal Committee of the Board, to replace the previous Remuneration and Nomination Committee of the Board. On December 27, 2019, at the 24th Meeting of the Ninth Session of the Board, the Board considered and approved the Resolution Regarding Adjustment of the Structure of the Committees of the Board of Directors and the Resolution Regarding Formulating the Rules of Procedure for the Nomination Committee of the Board of Directors of the Company, and the Board has agreed to establish the Nomination Committee of the Board and the Remuneration and Appraisal Committee of the Board, and revoke the previous Remuneration and Nomination Committee of the Board, and approved the Rules of Procedure for the Nomination Committee of the Board of Directors. Since then, the Nomination Committee of the Board was formally established.

The Nomination Committee of the Board is mainly responsible for reviewing the structure, size and composition of the Board and make recommendations or advises to the Board, or the selection of the Company's Directors and senior management members, and the assessment of the independence of independent non-executive directors. The duties that the Nomination Committee shall perform are set forth in the Rules of Procedure for the Nomination Committee of the Board of Directors of GF Securities published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

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

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



Item	Category	Number	Percentage of the Board members
Gender	Male	9	82%
	Female	2	18%
Age	40 to 50	3	27%
	51 to 60	6	55%
	61 to 70	2	18%
Title	Executive director	4	36%
	Non-executive director	3	27%
	Independent non-executive director	4	36%
Term of office as a member of the board	5 years or less (5 years inclusive)	2	18%
	5 to 10 years (5 years exclusive, but 10 years inclusive)	7	64%
	Over 10 years (10 years exclusive)	2	18%
	Years in securities and financial industry		
	20 years or less (20 years inclusive)	4	36%
	20 to 30 years (20 years exclusive, but 30 years inclusive)	5	45%
	Over 30 years (30 years exclusive)	2	18%
Profession or expertise in economics/finance/financial accounting	N/A	9	82%

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



- (1) During the Reporting Period, the Nomination Committee convened one meeting, while the previous Remuneration and Nomination Committee convened three meetings in performing the responsibilities the Nomination Committee:

<b>Session of meeting</b>	<b>Convening date</b>	<b>Titles of Resolutions of the meeting</b>	<b>Status of resolutions</b>
2019 First Meeting of the previous Remuneration and Nomination Committee of the Ninth Session of the Board	March 26, 2019	1. the Work Report of the Remuneration and Nomination Committee of the Board of Directors of GF Securities for the Year of 2018	The resolution was passed
2019 Second Meeting of the previous Remuneration and Nomination Committee of the Ninth Session of the Board	April 16, 2019	1. Resolution on Appointment of Mr. Xu Youjun as the secretary to the Board of the Company	The resolution was passed
2019 Third Meeting of the previous Remuneration and Nomination Committee of the Ninth Session of the Board	May 30, 2019	1. Resolution on Matters Nominated by the Chairman (Sun Shuming)	The resolution was passed
2019 First Meeting of the Nomination Committee of the Ninth Session of the Board	December 27, 2019	1. Resolution on Appointment of Mr. Tang Xin as Chairman of the Nomination Committee	The resolution was passed



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

Name of member	Position	Attendance/ number of meetings Previous Remuneration and Nomination Committee	Nomination Committee
Tang Xin	Independent Non-Executive Director and Chairman of Nomination Committee (Chairman of the previous Remuneration and Nomination Committee)	3/3	1/1
Yang Xiong	Independent Non-Executive Director	3/3	1/1
Fan Lifu	Independent Non-Executive Director	3/3	1/1
Sun Shuming	Executive Director	0/0	1/1
Lin Zhihai	Executive Director	3/3	1/1
Qin Li	Executive Director	3/3	0/0

Note 1: The previous Remuneration and Nomination Committee was comprised of Tang Xin (the Chairman), Yang Xiong, Fan Lifu, Lin Zhihai and Qin Li.

Note 2: The Nomination Committee is comprised of Tang Xin (the Chairman), Yang Xiong, Fan Lifu, Sun Shuming and Lin Zhihai.



## 5. Remuneration and Appraisal Committee

In 2019, the Company revised the relevant provisions of the Articles of Association of the Company in accordance with the new Code of Corporate Governance for Listed Companies, and established the Nomination Committee and Remuneration and Appraisal Committee of the Board, to replace the previous Remuneration and Nomination Committee of the Board. On December 27, 2019, at the 24th Meeting of the Ninth Session of the Board, the Board considered and approved the Resolution regarding Adjustment of the Structure of the Committees of the Board of Directors and the Resolution regarding Formulating the Rules of Procedure for the Nomination Committee of the Board of Directors of the Company, and the Board has agreed to establish the Nomination Committee of the Board and the Remuneration and Appraisal Committee of the Board, and revoke the previous Remuneration and Remuneration and Appraisal Committee of the Board, and approved the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors. Since then, the Remuneration and Appraisal Committee of the Board was formally established.

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

In 2019, the major achievements of the Remuneration and Appraisal Committee included:

- assessing the performance of Directors and senior management, and making their annual performance assessment;
- considering and making suggestions on the assessment of Directors and senior management and the remuneration management system.



- (1) During the Reporting Period, the Remuneration and Appraisal Committee held one meeting, while the previous Remuneration and Nomination Committee convened two meetings in performing the responsibilities of the Remuneration and Appraisal Committee:

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2019 First Meeting of the previous Remuneration and Nomination Committee of the Ninth Session of the Board	March 26, 2019	1. Resolution on Distribution of performance-based remunerations for the Business Management for the Year of 2018	The resolution was passed
2019 Second Meeting of the previous Remuneration and Nomination Committee of the Ninth Session of the Board	April 16, 2019	1. The Resolution on Appraisal of Directors' Performance in 2018; 2. the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2018; 3. the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2018.	All resolutions were passed
2019 First Meeting of the Remuneration and Appraisal Committee of the Ninth Session of the Board	December 27, 2019	1. Resolution on Appointment of Mr. Tang Xin as Chairman of the Remuneration and Appraisal Committee	The resolution was passed





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

Name of member	Position	Attendance/ number of meetings	
		Previous Remuneration and Nomination Committee	Remuneration and Appraisal Committee
Tang Xin	Independent Non-Executive Director and Chairman of Remuneration and Appraisal Committee (Chairman of previous Remuneration and Nomination Committee)	2/2	1/1
Yang Xiong	Independent Non-Executive Director	2/2	1/1
Fan Lifu	Independent Non-Executive Director	2/2	1/1
Qin Li	Executive Director	2/2	1/1
Sun Xiaoyan	Executive Director	0/0	1/1
Lin Zhihai	Executive Director	2/2	0/0

Note 1: The previous Remuneration and Nomination Committee was comprised of Tang Xin (the Chairman), Yang Xiong, Fan Lifu, Lin Zhihai and Qin Li.

Note 2: The Remuneration and Appraisal Committee is comprised of Tang Xin (the Chairman), Yang Xiong, Fan Lifu, Qin Li and Sun Xiaoyan.



## VIII. WORK OF THE SUPERVISORY COMMITTEE

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

In 2019, according to the requirements of laws and regulations such as the Company Law, the Securities Law and the Rules for Governance of Securities Companies, focusing on the Company's priorities, the Supervisory Committee of the Company strictly abided by the relevant requirements of the Articles of Association of the Company and the Rules of Procedure for Supervisory Committee to lawfully perform supervision duties.

Name of member	Position	Number of the meetings of the Supervisory Committee that should be attended by a supervisor	Number of the meetings of the Supervisory Committee attended in person	Number of the meetings of the Supervisory Committee attended by proxy	Number of absence	Voting results
Zhang Shaohua	Employee Supervisor, Chairman of Supervisory Committee	5	5	0	0	Affirmative to all
Cheng Huaiyuan	Employee Supervisor	5	5	0	0	Affirmative to all
Tan Yue	Supervisor	5	5	0	0	Affirmative to all
Gu Naikang	Supervisor	5	5	0	0	Affirmative to all
Lan Hailin	Supervisor	5	5	0	0	Affirmative to all



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

During the Reporting Period, by focusing on the regulatory requirements of Mainland China and Hong Kong, the Supervisory Committee monitored the standard operation of corporate governance. The Supervisory Committee monitored the legal compliance of the convening procedures, the way of discussion and content, and resolution procedures of meetings by attending the Shareholders' general meeting and presenting at the board meetings, carried out follow-up inspections of the implementation of the Company's information disclosure system, insider registration management, and implementation of the resolutions of the three meetings (namely, general meetings, meetings of the Board of Directors and meetings of the Supervisory Committee), and put forward supervisory opinions and suggestions, organized audits for the departures of the senior executives, and objectively evaluated the performance of their duties during their tenure.

During the Reporting Period, the Supervisory Committee implemented the regulatory requirements to prudently fulfill its supervision duties in respect of corporate compliance management, overall risk management and money laundering risk management, and enhanced the supervision levels of compliance risk management, risk inspections and compliance examinations and accountability in innovative businesses and high risk areas, and provided regulatory suggestions. It organized the launching of annual evaluation on the effectiveness of the Company's compliance management, identified problems and continued to supervise the implementation of rectification, organized internal control review projects, conducted comprehensive inspections and assessments of corporate governance, key processes, parent and subsidiary management, etc., and facilitated the Company's continuous improvement of internal control.

During the Reporting Period, the Supervisory Committee took the actual status of the business into account and actively carried out research and supervision. It gave full use of the advantages as employee supervisors concurrently serving as the Company's party committees and unions, implemented the counterpart contact work system, and conducted in-depth research and visits. On the one hand, it guided employees to actively carry out various works in relation to important company decisions and arrangements. On the other hand, it collected opinions, suggestions and concerns from employees to promote the implementation of solving and protecting their legitimate rights and interests.

During the Reporting Period, the Company amended various systems, including the Administrative Measures on the Departure Audits and the Administrative System of Anti-money Laundering, in which it further clearly clarify the specific requirements and standards of the Supervisory Committee and the Supervisors. The Supervisory Committee enhanced the trainings for the Supervisors by learning new regulations and requirements, participating in seminars of the supervisory committees of outstanding listed companies, and regular business trainings. It deeply facilitated the intensified resource transformation of internal regulations, further increased the comprehensiveness and timeliness of collecting information of internal regulation, and strengthened the review interaction, and conducted the rectification towards significant compliance risk matters by designating the working meeting of the chairman of the Supervisory Committee as a communication platform.



**3. Opinions issued by the Supervisory Committee on matters relating to the Company in 2019**

During the Reporting Period, the Supervisory Committee of the Company carried out supervision work in accordance with laws and regulations, on the basis of careful supervision and inspection, it issued opinions on the Company's operation by law, duty performance of its Directors and senior management, financial position and effectiveness of the internal control of the Company according to related requirements. The Supervisory Committee is of the following views: the Company was able to realize standardized operation and the Supervisory Committee did not find that the Company's Directors and senior management personnel had violated laws, regulations or the Articles of Association or impaired the legitimate rights and interests of its Shareholders, the Company, employees, creditors and other stakeholders when performing their duties; the Company's financial reports truthfully, accurately and completely reflected the Company's financial position and operating results; the Board of Directors and the management of the Company earnestly undertook its obligations under the relevant resolutions of the general meetings of the Company; the Supervisory Committee did not find any insider trading, nor any damage to Shareholders' interests nor any loss of assets of the Company. For details of the opinions issued by the Supervisory Committee on matters relating to the Company in 2019, please see the 2019 Supervisory Committee's Report of the Company.

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

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



## IX. COMPLIANCE MANAGEMENT SYSTEM CONSTRUCTION AND AUDIT OF AUDITING DEPARTMENT

### 1. Compliance management system construction

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

- (1) At the level of head office departments: In 2019, the Company focused on the implementation of new compliance management requirements, proper management and anti-money laundering to enhance the building of compliance management personnel at the head office, and revised and promulgated the “Administrative Measures for Compliance Management Personnel of Various Departments at the Head Office of GF Securities” (《廣發證券總部各部門合規管理人員管理辦法》), which further improved the establishment, appointment and appraisal of compliance management personnel. The Company issued the “Notice on Issuing the Performance Appraisal Program for Compliance Management Personnel of Various Departments at the Head Office in 2019” (《關於下發2019年度總部各部門合規管理人員績效考核方案的通知》) to further clarify the appraisal requirements for compliance management personnel. Through the setting of appraisal indicators, the Company refined the responsibilities of front-line compliance management personnel, and guided the compliance management personnel of the business departments at the head office to conduct compliance management such as auditing, supervision and inspection; further improved the appraisal process for full-time compliance management personnel and the application mechanism of appraisal results and clarified that the performance allocation of the full-time compliance team is implemented by the chief compliance officer, which strengthened the execution of duties by the front-line compliance management personnel; strengthened the compliance management in important business lines such as investment banking, research and investment to consolidate the first line of defense for compliance management by setting up a full-time compliance management group and off-site compliance management personnel.



- (2) At branch level: the Company established compliance and risk management specialists vertically managed by the compliance department of head office in branches to coordinate the compliance management within their jurisdiction. All 264 old securities brokerage branches have established compliance posts to help the compliance and risk management specialists of branches carry out compliance management of securities brokerage branches. In 2019, the Company was approved to set up 19 branches, all of which have completed the industrial and commercial registration and application for Financial Business Operation Permit by the end of the year, and among which 10 branches have been opened before December 31, 2019 and successively established compliance posts. The Company has realized a dynamic and procedural management on the work of the compliance and risk management specialists and achieved systematic management on compliance posts in business departments. The Company will further explore corresponding mechanism to fully take advantage of the first line compliance management and improve the effectiveness of compliance management.
- (3) At the level of subsidiaries: In 2019, the Company continued to implement the regulatory requirements of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) and the Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》); revised the Measures for the Compliance Management of Subsidiaries of GF Securities (Trial) (《廣發證券子公司合規管理辦法(試行)》) to further clarify the compliance management responsibilities of the parent and subsidiaries; improved the unified compliance management system for parent and subsidiaries by selecting subsidiaries' compliance officers, convening regular joint meetings and strengthening reporting, assessment and inspection; and strengthened the vertical management of the subsidiaries' compliance officers to improve the overall effectiveness of the compliance management across the Group. At the same time, The Company urged the subsidiaries to complete the establishment and improvement of the internal compliance management system and process system in accordance with their parent company's compliance management system to improve the effectiveness of the unified compliance management system.

## 2. Main work of compliance management during the Reporting Period

- (1) Improvement of compliance management system: In 2019, the Company continued to enhance the compliance management function of the first line of defense, strengthen process management and control, and improve the efficiency of business decision-making; improved the establishment of the front-line compliance management team and explored the establishment of a long-term effective mechanism for the joint and coordinated compliance management of the first and the second defense line, and urged the front-line business to fully play the role of compliance risk prevention and control.
- (2) Compliance management system and workflow construction: During the Reporting Period, the Company updated (including newly promulgated, revised and abolished) more than 500 rules and regulations in total, covering all procedures before, in and after business operation.



- (3) Construction of compliance management information system: In 2019, the Company steadily promoted the construction of anti-money laundering, the Chinese wall, irregular transactions, contract management and other systems, and utilized technology to support management measures to continuously improve the effectiveness of compliance management of the Company.
- (4) Management of the Chinese wall: During the Reporting Period, the Company fully integrated and upgraded the existing Chinese wall systems and infrastructure structures of the parent and its subsidiaries, and headquarters and off-site offices, revised the Chinese wall systems, and continued to improve the management and control of the Chinese wall.
- (5) Compliance consulting and compliance review: In 2019, the compliance department of the Company issued more than 10,000 written consulting and review opinions, providing compliance and legal support for our business development. Meanwhile, the compliance department of the Company supervised the relevant departments to rectify and improve the compliance risks identified in monitoring and inspection as well as business review, to promote the steady development of business compliance.
- (6) Compliance examination and investigation: In 2019, the Company organized a specialized work to conduct a comprehensive risk examination covering all business lines at the head office, branches and some subsidiaries. The examination adopted the arrangement of “batch by batch, self-inspection during the examination while rectification at the same time”(“分批次、邊自查邊檢查邊整改”), and timely found various kinds of problems and risks, identified the responsible person and time for rectification, and urged the rectification work to be completed on schedule.
- (7) Complaint handling: The Company handled and submitted a total of more than 300 customer complaints with the overall handling rate of more than 96% in 2019. The Company effectively implemented customer-oriented service concept, properly handled customer disputes to effectively eliminate and prevent related risks.
- (8) Anti-money laundering: In 2019, the Company continued to consolidate the foundation of anti-money laundering, and continuously enhanced the anti-money laundering management awareness and implementation effectiveness of its departments at the head office and subsidiaries through the formulation and revision of rules and regulations, system construction, trainings and publicity as well as special inspections, and effectively fulfilled its anti-money laundering obligations.
- (9) Compliance appraisal and employee behavior management: In 2019, the Company revised the compliance appraisal, compliance accountability system and code of conduct of the employees. In response to risk issues and other employees’ practices that are not in compliance with relevant regulations, the Company investigated and punished relevant persons in accordance with the regulations, seriously held them accountable and strengthened the appraisal to ensure that the risk prevention and control responsibilities were put in place, and guided all employees to regulate their professional practices on their own initiatives.



- (10) Compliance training and compliance culture promotion: In 2019, the Company carried out real-time compliance training and interpretation of policies and violation cases centering around the regulatory policies such as suitability management, investment bank internal control guidelines, employee practicing conduct, the Chinese wall management, anti-money laundering, product sales and new regulations on bond transactions to promote compliance culture of sound management and fully strengthen the compliance awareness of the employees.

### 3. Audit of auditing department

During the Reporting Period, taking into account the business development of the Company, the auditing department of the Company conducted risk-orientated internal audits such as regular audit, follow-up audit, special audit and off-office auditing, which strengthened the comprehensive coverage of wholly-owned subsidiaries and various business lines. It also conducted special audits on key areas with high risk, evaluated the soundness and effectiveness of internal control of the auditing targets, revealed the defects discovered during the auditing process, proposed rectification opinions and requirements and established a long-term mechanism to urge the implementation of rectification measures. In 2019, the auditing department of the Company completed a total of 174 audit reports.

## X. APPRAISAL AND MOTIVATION OF SENIOR MANAGEMENT PERSONNEL

According to the relevant requirements in the Duty Performance Appraisal and Salary Management Regulations for Board of Directors and Supervisors in GF Securities and the Performance Appraisal and Salary Management Regulations for Operation Management Level in GF Securities, salary of the senior management of the Company will be determined by position and performance. Under the current legal framework, the Company carries out an annual performance salary motivation mechanism. The Board of Directors will give corresponding performance salary according to the business performance of the Company; individual performance-based salary of the Chairman and senior management will be distributed according to the annual appraisal results. The Independent Directors shall issue their independent opinions on the distribution plan, which will be submitted to the Board for approval after the Remuneration and Appraisal Committee has given their written comments on such distribution plan. Meanwhile, the appraisal procedures for the chief compliance officer of the Company is implemented pursuant to the relevant requirements under the Duty Performance Appraisal and Salary Management Regulations for Chief Compliance Officer of the Company.





## XI. INTERNAL CONTROL CONSTRUCTION

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

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

Taking into account changes in the internal and external environment, business development and deficiencies found in the Company's internal control, the Company reviewed and evaluated the key aspects of the internal control process, improved the internal control management system from business process control, organizational structure adjustment, job responsibility setting, information system support, parent and subsidiary management and other aspects, and further standardized the three defense lines of prevention, control and supervision.



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

It is the responsibility of the Board of Directors to establish, complete and effectively implement internal control according to the stipulations in the internal control standard system of the Company, evaluate its effectiveness and reveal assessment report of internal control. The Board monitored, reviewed and evaluated the establishment, the implementation and the effectiveness of various risk management and internal control systems of the Company through the consideration of the Work Report of Risk Management Committee of the Company for the Year, the Work Report of Audit Committee for the Year, Annual Compliance Report, Internal Control and Evaluation Report for the Year and the Report of Risk Management for the Year. The Supervisory Committee supervises the Board of Directors on its establishment and implementation of internal control. Operation management level is responsible for the daily functioning of internal control.

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

The Board of Directors has reviewed the internal control of the Company according to requirements of the Basic Standards of Enterprise Internal Control. It is of the view that the internal control of the Company was effective as of December 31, 2019.

In 2020, the Company will continue improving its internal control system, standardizing implementation of its internal control system, reinforcing supervision and examination of internal control according to the provisions and requirements of the Basic Standards of Enterprise Internal Control and the Corporate Governance Code in the view of changes in the external operation environment and actual demands of the Company's development so that the Company can have a healthy and sustainable development.



### XIII. BASIS FOR ESTABLISHING INTERNAL CONTROL FOR FINANCIAL REPORTS

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

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

### XIV. ACCOUNT STANDARDIZATION

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

As of December 31, 2019, there were 6,371 unqualified accounts, 2,127,537 dormant accounts, 33,026 risk handling accounts, and 1,353 judicial freezing accounts maintained with the Company.



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

## XV. EVALUATION OF INTERNAL CONTROL

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

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

### 2. Self-assessment report on internal control

Date of disclosure of the full text of Internal Control and Evaluation Report      March 27, 2020

Disclosure index of full text of Internal Control and Evaluation Report      For detailed information, please visit the website of CNINFO for the March 27, 2020 report ([www.cninfo.com.cn](http://www.cninfo.com.cn))

The percentage of total assets of units included in the evaluation scope to the total assets in the Company's consolidated financial statements      100%

The percentage of total operating income of units included in the evaluation scope to the operating income in the Company's consolidated financial statements      100%



### Defect identification criteria

Category	Financial Report	Non-financial Report
Qualitative criteria	<p>The existing significant defects or symptoms of significant defects in internal control in the financial report of the Company, which include: malpractices are conducted by the Directors, Supervisors and senior managers; to modify the financial statements that have been published; in the current financial statements certified public accountants find material misstatements that are not discovered in the process of internal control; non-standard unqualified opinions for financial report are issued by certified public accountants; monitoring of internal control by the Company's Audit Committee and internal auditors is vitiating.</p> <p>Defects in internal control, alone or in conjunction with other defects, in the financial report fail to be prevented or detected and corrected, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p>	<p>It is likely that event or sign of significant defects in internal control might exist in the non-financial report of the Company, which include: "three important and one substantial" matters fail to pass through the collective decision procedure; severe departure of management personnel and technicians in key positions, which affects normal course of business; systematic failure in internal control of important business; internal control defects are subject to serious legal risks; internal control defects significantly affect the Company's reputation; internal control defects are subject to serious administrative punishment; except for the losses due to policies, the Company suffers losses for years and the continuation of business is being challenged, does not meet requirements as a listed company, and may face the risk of delisting or merger in the secondary market; failure of substantial merger or reorganization, or newly expanded affiliate with substantial impact is unable to sustain.</p>



Category	Financial Report	Non-financial Report	
	<p>The defects of which do not constitute substantial defects or defects of internal control from substantial defects, are considered as general defects.</p>	<p>Defects in internal control, alone or in conjunction with other defects, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p> <p>General defects are those excluding substantial defects and important defects as mentioned above.</p>	
Quantitative criteria	<ol style="list-style-type: none"> <li>1. Major defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit.</li> <li>2. Serious defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit.</li> <li>3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.</li> </ol>	<ol style="list-style-type: none"> <li>1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit.</li> <li>2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit.</li> <li>3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.</li> </ol>	
The number of substantial defects in financial reports (unit: piece)			0
The number of substantial defects in non-financial reports (unit: piece)			0
The number of important defects in financial reports (unit: piece)			0
The number of important defects in non-financial reports (unit: piece)			1



## XVI. INTERNAL CONTROL AUDIT REPORT

### Review of the internal control audit report

In the Company's opinion, GF Securities has maintained effective internal control over financial reports in accordance with the Basic Standards for Enterprise Internal Control and related requirements in all material respects.

**Disclosure of internal control audit report** Disclosed

**Disclosure date of full text of internal control audit report** March 27, 2020

**Disclosure index of full text of internal control audit report** For details, please see the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of HKExnews ([www.hkexnews.hk](http://www.hkexnews.hk)) on March 27, 2020

**Opinion of the internal control audit report** Standard and unqualified opinion

**Whether there is any substantial defect in the non-financial report** No

Has the accounting firm issued non-standard opinions with regard to the internal control audit report?

Yes  No

Is the internal control audit report issued by the accounting firm consistent with the self-assessment report of the Board of Directors?

Yes  No



## XVII. OTHER ISSUES ON CORPORATE GOVERNANCE

### (I) Responsibility to be borne by Directors for the financial statement

The responsibility statement of the Directors on financial statements below shall be read in conjunction with that of the certified public accountants contained in the audit report of this report, while both statements shall be comprehended separately.

The Company's Directors shall compile genuine and fair consolidated financial statements according to the disclosure requirements under the China Accounting Standards, International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance. The Company's Directors are also responsible for the necessary internal monitoring of the consolidated financial statements so that there will not be any material misstatements as a result of fraud or errors. The Company is not subject to any event or circumstance of material uncertainty, as a result of which significant doubt may be cast upon the ability of the on-going operation of the Company.

### (II) Appointment and remuneration of the auditor

Upon approval by the general meeting of Shareholders in 2018, the Company appointed Ernst & Young as external auditor in 2019, which is responsible for providing relevant auditing services and reviewing and approving the financial statements in accordance with the China Accounting Standards and the International Financial Reporting Standards. The Company appointed Ernst & Young as the accounting firm for internal control audit. Please see details of its employment and remuneration in "VI. Appointment and Removal of Accountants" in Section 6 "Significant Events" in this report.

### (III) Securities trading by Directors, Supervisors and relevant employees

The Company has formulated the Management Rule on Shares Held by Directors, Supervisors and Senior Management and Relevant Changes to intensify management of declaration, disclosure and supervision of the holding and sale of the Company's shares by Directors, Supervisors and senior management personnel. Meanwhile, the Company adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for all Directors, Supervisors and relevant employees (as defined in the Corporate Governance Code) at the meeting of the Board on March 19, 2015. After specific enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly followed the standards in the Model Code for Securities Transactions by Directors of Listed Companies during the Reporting Period.





#### (IV) Company Secretary

The 8th meeting of the Eighth session of the Board of Directors had approved the Proposal on Appointing the Joint Company Secretary and appointed both Mr. Luo Binhua, the secretary to the Board of Directors, and Mr. Wan Ka Hung as the joint company secretaries.

Mr. Xu Youjun was appointed as the Secretary to the Board and a joint company secretary of the Company at the 19th meeting of the Ninth 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 CSRC, pursuant to which Mr. Xu Youjun'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 the 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. Mr. Xu Youjun (the Secretary to the Board) and Mr. Wan Ka Hung (a joint company secretary) are the main contact persons of the Company with the Hong Kong Stock Exchange.

During the Reporting Period, in order to better perform their duties and according to the requirements of the Hong Kong Listing Rules, Mr. Xu Youjun, the Secretary to the Board and one of the joint company secretaries, had accepted professional trainings for about 63 hours, including: the Training Courses on Equity Management Regulations for Securities Companies, Training for Sponsor Representatives organized by the Securities Association of China, Training on Duties and Responsibilities of Directors for Hong Kong Listed Companies 《有關香港上市公司的董事職責及責任的培訓》 organized by the Company, training seminar on Outline of Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area organized by the Company, macroeconomic situation report organized by the Company and etc.; Mr. Wan Ka Hung, a joint company secretary, had received professional trainings for more than 15 hours, including: 2019 Annual Conference – Business Valuation Standards in Hong Kong hosted by The Hong Kong Independent Non-Executive Director Association, a number of webinars organized by Computershare Hong Kong Investor Services Limited, such as the webinars on Introduction to Hong Kong Stock Market and Best Practices for Dividend Distribution, Best Practices for Managing Corporate Finance Projects and Best Practices for Managing Participants at General Meetings, and the professional training courses organized by Hong Kong Securities and Investment Institute.



## (V) Investor relations

### 1. *Amendments to the Company's internal rules during the Reporting Period*

According to Code of Corporate Governance for Listed Companies (《上市公司治理準則》) revised by the CSRC, the Company made amendments to relevant provisions of the Articles of Association and the Rules of Procedure of the Board of Directors (《董事會議事規則》) and established the Nomination Committee of the Board and the Remuneration and Appraisal Committee of the Board so as to take place of the previous Remuneration and Nomination Committee of the Board. According to relevant requirements of the Articles of Association in respect of the Nomination Committee of the Board, the Company formulated the Rules of Procedure for the Nomination Committee of the Board of Directors (《董事會提名委員會議事規則》) and the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors (《董事會薪酬與考核委員會議事規則》). Meanwhile, the Company made corresponding amendments to the Work Rules for Independent Directors (《獨立董事工作規則》), the Terms of Reference for the General Manager (《總經理工作細則》) and the Performance Appraisal and Remuneration Management Regulations for the Operating Management (《經營管理層績效考核與薪酬管理辦法》), among which the Work Rules for Independent Directors (《獨立董事工作規則》) is now pending for the consideration and approval at a general meeting. According to Code of Corporate Governance for Listed Companies revised by the CSRC and the Hong Kong Listing Rules revised by the Hong Kong Stock Exchange, the Company made amendments to the Rules of Procedure for the Audit Committee of the Board of Directors (《董事會審計委員會議事規則》). Relevant rules and regulations that need to be disclosed are available for inspection on the Company's website. There were no other material changes made to the Articles of Association during the Reporting Period.

### 2. *Investor relation activities during the Reporting Period*

In 2019, the Company organized various types of interactive activities for investors and analysts, based on the regulatory requirements and its business development needs. The Company had enhanced its communications with investors through various tools such as dedicated hotlines, the Company's website, teleconference, onsite reception, strategy meetings, online interaction and results announcements. The Company's management team and investor relation team held 22 meetings in various forms, and approximately 20 sessions in aggregate, with domestic and overseas institutional investors and analysts, and met over 200 institutional investors, organized 2 meetings to present the annual and interim results of the Company to its investors at home and abroad and replied to 148 questions from investors through the interactive platform of the SZSE.



In March 2019, after its annual results were announced, the Company held an on-site results presentation for the year of 2018 in Hong Kong to further introduce its results and operations to investors. The Company invited analysts for in-depth communication and invited over 100 investors, which deepened the investors' understanding of the Company's operations and performance. In order to strengthen the communications with the market, the Company timely and effectively delivered its operating conditions and performance through telephone communication with analysts and investors after the release of interim results. The Company attaches great importance to the communications with small and medium-sized investors, and actively responds to questions raised by investors on the interactive platform of the SZSE. By setting up two hotlines for investors, the Company has maintained smooth and efficient communications with investors.

In 2020, the Company will continue to optimize the construction of the website for the Company's investors relations, the functions of investor hotlines, mailbox and website, so that investors can understand the Company's development in a convenient, fast, prompt and all-round way. In addition, the Company hopes that the results presentation, as an important vehicle for communication between the Company and small and medium-sized investors, will be held through the Internet and other means to further enrich investor relation activities, and provide better services to investors and analysts.

Please refer to "XII. Reception of Activities such as Research, Communication and Interview" in Section 5 of the Company's 2019 annual report for details on the Company's reception of investors.

#### (VI) Establishment and implementation of the Company's inside information system

The Company has formulated the Administrative Measures for Insiders of Inside Information (《內幕信息知情人管理辦法》) and the Management Procedures for Registration of Insiders of Inside Information (《內幕信息知情人登記管理規程》) to further regulate the management of inside information and strengthen the confidentiality of inside information. Pursuant to the measures, the office of the Board of Directors, which is directly led by the Secretary of the Board of Directors, is the department for management of the Company's inside information and for specific implementation of information disclosure. The Company has signed confidentiality agreements with each of the secretary of the Board of Directors, the securities affairs representative and the staff of the office of the Board of Directors who are responsible for information disclosure which require them to undertake continuous fulfilment of their obligations of confidentiality during and after their terms of office until the relevant information is disclosed. Before the Company regularly announces periodic reports, insiders of inside information such as substantial shareholders and intermediary services agencies of the Company shall actively cooperate with the Company to complete registration of insiders of inside information. Periodic reports and the registration forms for insiders of inside information in respect of the periodic reports shall be submitted simultaneously to the SZSE.

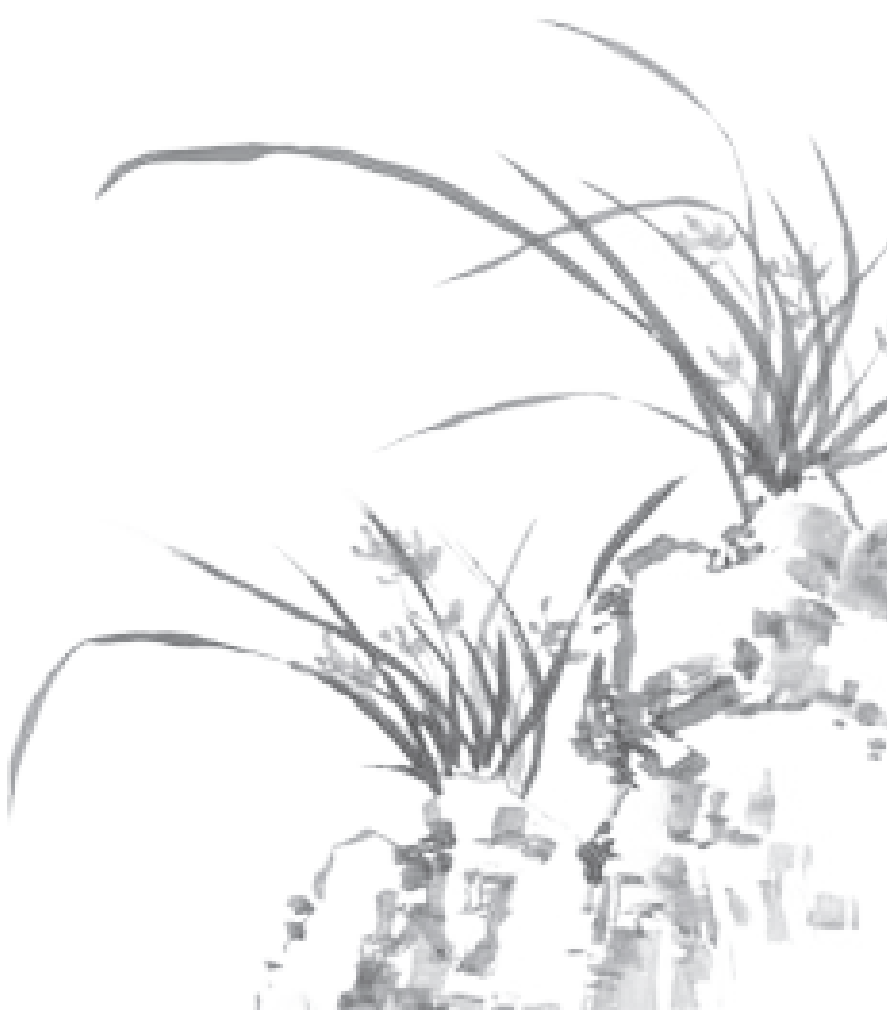


During the daily business operation of the Company, the Chairman of the Board of Directors and the General Manager are the primary persons responsible for maintaining confidentiality of the Company's inside information; while the deputy general manager and other senior management staff are the primary persons responsible for maintaining confidentiality of business and inside information of departments; and the primary persons in charge of each branch and controlled subsidiary are the primary person responsible for maintaining confidentiality of inside information of their own units. Business staff who may access to inside information in their course of business also have obligation of confidentiality. The office of the Board of Directors is responsible for the truthful and completeness of the record of the list of insiders of inside information during all stages such as the preparation, transmission, examination and disclosure of inside information before their disclosure, and for keeping relevant records for the contents and time of inside information which are known by insiders for the purpose of the Company's self-inspection and enquiry by regulatory authorities and, based on specific matters, regularly reports insiders of inside information through the Internet Monitoring Information Platform of the Guangdong Bureau of the CSRC.

The Company has formulated the Administrative Measures for Users of External Information (《外部信息使用人管理辦法》) pursuant to which relevant departments, controlled and non-controlled subsidiaries of the Company shall, before external reporting of information according to laws and regulations and other requirements, make sure such information be reviewed and approved through relevant internal procedures and also reviewed and approved by the Secretary of the Board of Directors. Information to be reported externally by the Company involving significant matters shall be considered as inside information. Managing personnel of relevant departments and controlled subsidiaries of the Company shall serve to the relevant personnel of the receiving party a reminder of confidentiality. The office of the Board of Directors has established a system for registration of external use of information which is filed and recorded item by item in chronological order by special staff. The contents for registration mainly include the departments and managers for information transmission, the information title, the serviced unit, the time of delivery, the way of delivery, whether going through approval (if any), and whether a reminder of confidentiality is provided. Meanwhile, external units and relevant staff shall be recorded and filed as insiders of inside information for inspection.

Furthermore, pursuant to the Provisions relating to Strengthening Regulation of Listed Securities Companies (revised in 2010) (《關於加強上市證券公司監管的規定(2010年修訂)》) issued by the CSRC, the Company publicly disclosed major financial information of its operation on a monthly basis in the form of provisional announcements every month to increase the frequency of public disclosure and shorten the time during which relevant information is in non-public domain.

## Section 12 | Corporate Bonds





## I. BASIC INFORMATION OF BONDS OF THE COMPANY

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

On December 26, 2012 and January 10, 2013, upon consideration and approval by the 3rd extraordinary general meeting of shareholders in 2012 and the 1st extraordinary general meeting of shareholders in 2013, our shareholders approved the Company 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 shall not exceed RMB200 billion and shall be able to meet the requirements of the relevant laws and regulations on the maximum amount of issuance in respect of the Onshore and Offshore Debt Financing Instruments issued by the Company.

On June 29, 2018, the Resolution on Authorization of Issuance of Onshore and Offshore Debt Financing Instruments by the Company was considered and approved at the 2017 annual general meeting of the Company. Pursuant to the resolution, the Company is authorized to issue corporate bonds on a one-off or multiple issuances or multi-tranche issuances basis, including corporate bonds (including onshore public and non-public corporate bonds; offshore debt financing instruments such as US dollar, Euro and other foreign currency denominated corporate bonds and offshore RMB-denominated corporate bonds, medium term note programme, foreign currency notes and commercial papers), subordinated bonds (including perpetual subordinated bonds), asset securitization products and other debt financing instruments (collectively, the “Corporate Onshore and Offshore Debt Financing Instruments”); and to implement the subsequent issuance and authorization of above-mentioned Corporate Onshore and Offshore Debt Financing Instruments in accordance with this resolution; and the outstanding balance of the Corporate Onshore and Offshore Debt Financing Instruments totaled shall not be 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 bonds during this period. The details of the bonds are as follows:



Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB' 0,000)	Coupon	Debt Service
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13GF01	112181	June 17, 2013	June 17, 2018	150,000	4.50%	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type II)	13GF02	112182	June 17, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13GF03	112183	June 17, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Suitability arrangement of investors	Target investors are social public investors who hold security accounts with the initial letters of A, B, D or F opened in the registered companies (excluding purchasers prohibited by laws and regulations) and institutional investors opening eligible securities accounts in the registered companies (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On June 17, 2019, the Company paid the interest for "13GF03" from June 17, 2018 to June 16, 2019, the interest for "13GF03" is RMB51.00 (with tax)/10 pieces.						
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if any).	<p>"13GF01" includes special articles for redemption and redenomination interest rate.</p> <p>Redemption: after the issuer has issued the announcement for whether increase the nominal interest rate of 3+2- year type of bonds 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 for the last 2 years of the bonds at the end of the 3rd year of the duration for such 3+2-year type of bonds. The issuer will publish on the information disclosure media designated by the CSRC an announcement on 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. If the issuer has not executed its right to increase the interest rate, the original nominal interest rate for the remaining duration of 3+2-year type of bonds will remain the same.</p> <p>On June 19, 2016, the Company chose not to increase the nominal interest rate of "13GF01" (i.e. the redenomination interest rate of "13GF01" for the 2 years after the annual payment date remain unchanged at 4.50%). Pursuant to the requirement of Prospectus of GF Securities Co., Ltd. to Publicly Issue 2013 Corporate Bonds 《廣發證券股份有限公司公開發行2013年公司債券募集說明書》, the Company released an Announcement Regarding Non-redemption Interest Rate of "13GF01" and Implementation Measures on Redemption by Investors 《關於「13廣發01」票面利率不調整和投資者回售實施辦法的公告》. Following the announcement, none of the bondholders has chosen to sell back, all or part of, the "13GF01" at par to the issuer.</p> <p>During the Reporting Period, there was no special terms for redemption and redenomination interest rate.</p>						



On November 18, 2016, the Company obtained the “Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2016] No. 2741) (the “Reply”) 《關於核准廣發證券股份有限公司向合格投資者公開發行公司債券的批覆》(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 first and second tranches of 2017 corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB' 0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the First Tranche)	17GF01	112520	May 9, 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
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the Second Tranche)	17GF02	112556	July 24, 2017	July 26, 2020	600,000	4.50%	with interest payable for the last period.
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the appropriateness of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	<p>On May 13, 2019 (interest payment date will be postponed to the next business day if it is a rest day), the Company paid the interest for “17GF01” from May 11, 2018 to May 10, 2019, the interest for “17GF01” is RMB46.00 (with tax)/10 pieces.</p> <p>On July 26, 2019, the Company paid the interest for “17GF02” from July 26, 2018 to July 25, 2019, the interest for “17GF02” is RMB45.00 (with tax)/10 pieces.</p>						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms						





On April 27 and August 24, 2018, the Company completed the issuance of the first and second tranches of 2018 corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB' 0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the First Tranche)	18GF01	112690	April 25, 2018	April 27, 2021	450,000	4.60%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the Second Tranche)	18GF02	112751	August 22, 2018	August 24, 2021	190,000	4.30%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the appropriateness of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	<p>On April 29, 2019 (interest payment date will be postponed to the next business day if it is a rest day), the Company paid the interest for "18GF01" from April 27, 2018 to April 26, 2019, the interest for "18GF01" is RMB46.00 (with tax)/10 pieces.</p> <p>On August 26, 2019 (interest payment date will be postponed to the next business day if it is a rest day), the Company paid the interest for "18GF02" from August 24, 2018 to August 23, 2019, the interest for "18GF02" is RMB43.00 (with tax)/10 pieces.</p>						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms						



On November 15, 2018, the Company obtained the “Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2018] No. 1826) (the “Reply”) (《關於核准廣發證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2018]1826號)文件) from the CSRC and was approved to publicly issue corporate bonds with a total nominal value of not more than RMB7.8 billion to qualified investors. On March 1, 2019, the Company completed the issuance of the first tranche of 2019 corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB' 0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019 (the First Tranche) Type I	19GF03	112857	February 27, 2019	March 1, 2022	780,000	3.70%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the appropriateness of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	No interest payment was made during the Reporting Period.						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms.						

## II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

The trustee of 2013 corporate bonds:

Name	China Merchants Securities Co., Ltd.	Business address	26th Floor, China Merchants Securities Tower, No. 111, Fuhua 1st Road, Futian Sub-district, Futian District, Shenzhen	Contact	Zhang Huanhuan, Wang Dawei	Contact number	0755-83081287
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Credit rating agency for tracking rating of 2013 corporate bonds during the Reporting Period:

Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th Floor, Anji Mansion, No. 760, Xizanganlu, Huangpu District, Shanghai
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**The trustee of 2017 and 2018 corporate bonds:**

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

Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th Floor, Anji Mansion, No. 760, Xizanganlu, Huangpu District, Shanghai
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**The trustee of 2019 corporate bonds:**

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

Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th Floor, Anji Mansion, No. 760, Xizanganlu, 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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On February 25, 2020, China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) (hereafter referred to as "China Chengxin International") announced that China Chengxin International has obtained license from the CSRC to carry out credit rating business in securities market. China Chengxin International has succeeded to the credit rating business in securities market of China Cheng Xin Securities Credit Rating Co., Ltd., a wholly-owned subsidiary of China Chengxin International.

**III. USE OF PROCEEDS FROM BOND OFFERING**

Use of proceeds from and procedures to be fulfilled in bond offering	The proceeds from corporate bond offering in 2013, with the offering expenses deducted, were all used to replenish the Company's working capital;  The proceeds from corporate bond offering in 2017, 2018 and 2019, with the offering expenses deducted, were all used to replenish the Company's liquidity.
Year-end balance (RMB' 0,000)	3,520,000 (as of December 31, 2019)
Operation of special account for the funds raised	When the aforesaid corporate bond was issued, the Company designated a special account for the collection of funds raised according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company's working capital according to the plan set forth in the prospectus.
Consistency of the use of proceeds with the commitments, the planned use and other agreements in the prospectus	The use of proceeds is consistent with the commitments, the planned use and other agreements in the prospectus.



#### IV. CORPORATE BOND RATING

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

When the 2017 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2017] No. G218-1) 《中誠信證評信用等級通知書》(信評委函字[2017] G218-1號), the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2017] No. G338-F1) 《中誠信證評信用等級通知書》(信評委函字[2017] G338-F1號), the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2017 (the First Tranche)” 《廣發證券2017年面向合格投資者公開發行公司債券(第一期)信用評級報告》) and the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2017 (the Second Tranche)” 《廣發證券2017年面向合格投資者公開發行公司債券(第二期)信用評級報告》) issued by CCXR, the 2017 corporate bonds were rated AAA at the time of issuance. This rating indicates the extremely high credit quality and low credit risks of such bonds.

When the 2018 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2018] No. G189-F3) 《中誠信證評信用等級通知書》(信評委函字[2018]G189-F3號), the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2018] No. G189-F4) 《中誠信證評信用等級通知書》(信評委函字[2018] G189-F4號), the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2018 (the First Tranche)” 《廣發證券2018年面向合格投資者公開發行公司債券(第一期)信用評級報告》) and the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2018 (the Second Tranche)” 《廣發證券2018年面向合格投資者公開發行公司債券(第二期)信用評級報告》) issued by CCXR, the 2018 corporate bonds were rated AAA at the time of issuance. This rating indicates the strong debt service capability and high security of such bonds.

When the 2019 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2019] No. G119-F1) 《中誠信證評信用等級通知書》(信評委函字[2019]G119-F1號), the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019 (the First Tranche)” 《廣發證券股份有限公司2019年面向合格投資者公開發行公司債券(第一期)信用評級報告》) issued by CCXR, the 2019 corporate bonds were rated AAA at the time of issuance. This rating indicates the high security (basically unaffected by adverse economic conditions) and low default risks of such bonds.

During the effective period of the credit rating of the aforementioned corporate bonds and the duration of such bonds, CCXR continuously monitored factors such as changes in the Company’s external business environment, operations, financial conditions and the debt service coverage, and continuously analyzed the credit risks of such bonds. On April 24, 2019, CCXR updated and maintained the AAA rating of the 2013, 2017 and 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 legal holiday or rest day, and no interest shall be accrued during such period. Interest on the bonds shall be paid once every year starting from the value date. Such interest payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period. Principal will be repaid upon maturity together with interest payable for the last period. The principal and interest of corporate bonds shall be paid through registration authorities and relevant institutions. The detailed matters about principal and interest payment shall be explained by the Company in the relevant announcement published through the media designated by the CSRC according to the relevant national provisions.

The safeguard measures on debt repayment of the above corporate bonds include but are not limited to: retaining a bond manager; establishing special repayment work team; establishing the Bondholder Meeting Rules; and disclosing information strictly. Furthermore, if it is predicted that the interest and principal of the bonds cannot be repaid on time when due or if the interest and principal of the bonds cannot be repaid at the end of the period, the Company shall adopt the following measures in accordance with the mandatory requirements (if applicable) under laws, regulations or regulatory documents: 1. the proportion of discretionary surplus reserve fund and the proportion of general risk reserves shall be increased during the duration of the bonds in order to reduce the solvency risk; 2. no profits shall be distributed to the shareholders; 3. Significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed; 4. salary and bonus of the Directors and senior management shall be reduced or suspended; and 5. the main responsible person shall not be transferred.

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

## VI. CONVENING OF MEETINGS OF BONDHOLDERS DURING THE REPORTING PERIOD

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

## VII. PERFORMANCE OF BOND TRUSTEE DURING THE REPORTING PERIOD

As the trustees, China Merchants Securities Co., Ltd., 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 their reports on trusteeship and relevant reports on temporary trusteeship for the year of 2018, respectively. While performing the relevant responsibilities of a trustee, China Merchants Securities Co., Ltd., Guosen Securities Co., Ltd. and Guotai Junan Securities Co., Ltd. had no conflict of interests with the Company.



#### **VIII. BANK CREDIT, USE OF BANKING FACILITIES AND REPAYMENT OF BANK LOANS DURING THE REPORTING PERIOD**

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

The Company did not borrow from banks during the Reporting Period, and there was no outstanding bank loan at the end of the Reporting Period. The Company is a member of the interbank market. It paid back the credit inter-bank interest and principal on a timely basis during the Reporting Period, and the outstanding fund borrowed from banks was RMB2.3 billion as of the end of Reporting Period.

#### **IX. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT OF THE CORPORATE BOND DURING THE REPORTING PERIOD**

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

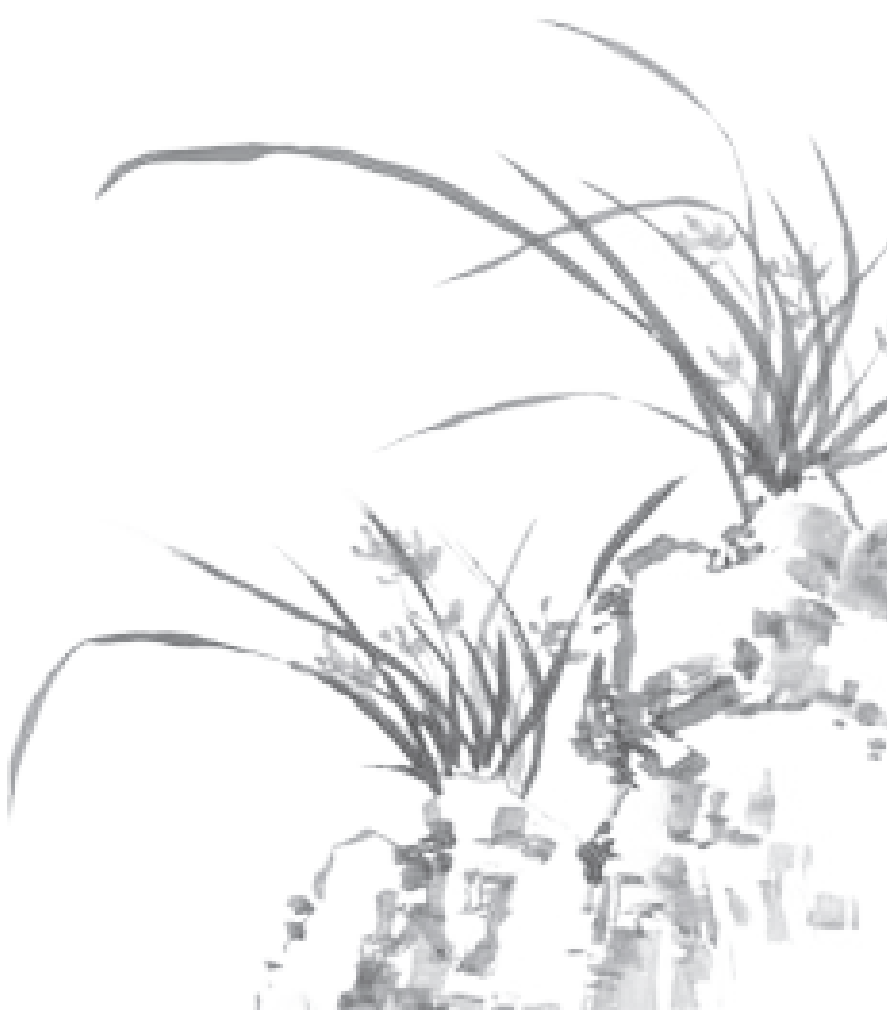
#### **X. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD**

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

#### **XI. GUARANTOR FOR THE CORPORATE BOND**

None

Section 13 | Documents  
Available for  
Inspection

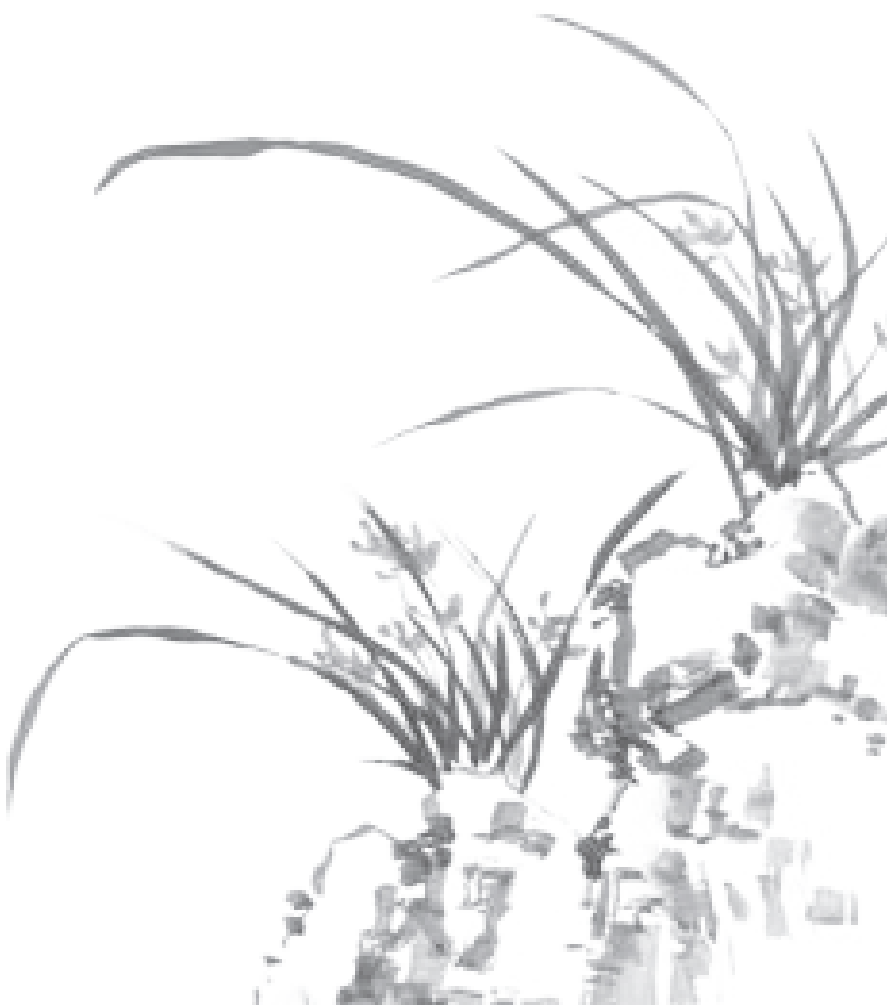




- (1) Texts of the annual report with the signature of the legal representative of the Company.
- (2) Text of the annual financial report (H Share).
- (3) The original text of the auditor's report issued by Ernst & Young.
- (4) The original copies of all corporate documents and announcements publicly disclosed on newspapers designated by the CSRC during the Reporting Period.
- (5) Other relevant materials.



Appendix | INDEPENDENT  
AUDITOR'S  
REPORT,  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
AND NOTES





22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**To the Shareholders of GF Securities Co., Ltd.**

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

**OPINION**

We have audited the consolidated financial statements of GF Securities Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 247 to 412, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the “Code”) issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



## KEY AUDIT MATTERS – *continued*

### Key audit matters:

#### Valuation of financial instruments

The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, particularly those require significant unobservable inputs, usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.

As at 31 December 2019, financial assets and financial liabilities measured at fair value amounted to RMB191.16 billion and RMB3.34 billion respectively, representing 48.5% and 1.1% of total assets and total liabilities respectively. Financial instruments which require significant unobservable inputs in estimating fair value, and hence categorised within level 3 of the fair value hierarchy, involve higher uncertainty in their valuation. As at 31 December 2019, 4.7% of financial assets and 57.0% of financial liabilities measured at fair value were categorized within level 3. Due to the significance of financial instruments measured at fair value, and the uncertainty in valuation involving significant judgement for unlisted equity, private equity fund investments, and over-the-counter derivatives, valuation of financial instruments is considered a key audit matter.

Relevant disclosures are included in notes 4 and 69 to the consolidated financial statements.

### How our audit addressed the key audit matter:

We evaluated and tested the design and operating effectiveness of the key controls relating to the valuation of financial instruments.

We evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.

For valuations which used significant unobservable inputs, such as unlisted equity investments, private equity fund investments and derivatives instruments, we involved our internal valuation specialists in assessing the models used, and re-performing independent valuations.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.



## KEY AUDIT MATTERS – *continued*

### Key audit matters:

### How our audit addressed the key audit matter:

#### **Impairment assessment of debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, advances to customers and financial assets held under resale agreements**

According to IFRS 9 *Financial instruments*, the Group adopts the “expected credit losses model” to measure the impairment of financial assets.

The financial instruments applicable to expected credit losses model mainly include the debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, advances to customers and financial assets held under resale agreements, which amounted to RMB176.35 billion as at 31 December 2019, representing 44.7% of total assets, and the aggregated impairment allowance for the above financial assets amounted to RMB1.26 billion. Since impairment assessment involves significant judgement and assumptions, and in view of the significance of the amount, the impairment assessment of above financial instruments is considered a key audit matter.

Relevant disclosures are included in notes 4, 27, 28, 31 and 36 to the consolidated financial statements.

We evaluated and tested the effectiveness of the design and implementation of key internal controls relating to the investment approval process, post approval management, credit rating, collateral monitoring and financial instruments impairment assessment, including testing of relevant data quality and information systems.

We involved our internal specialists in assessing the model used, parameters and assumptions, which include staging, possibility of default, loss given default, exposure at default, and assessed the reasonableness of key management judgements involved.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosure of the expected credit impairment losses.



## KEY AUDIT MATTERS – *continued*

### Key audit matters:

### How our audit addressed the key audit matter:

#### Consolidation assessment of structured entities

The Group has interests in various structured entities, such as wealth management products, funds and trust plans, in conducting financial investments and asset management. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and link between power and returns.

As at 31 December 2019, the interests held by the Group in the unconsolidated structured entities amounted to RMB12.65 billion.

The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee and remuneration. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation or non-consolidation of structured entities is considered a key audit matter.

Relevant disclosures are included in notes 4 and 26 to the consolidated financial statements.

We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.

We assessed the Group's analysis and conclusions on whether or not it controls the structured entities based on the Group's analysis on its power over the structured entities, and the magnitude and variability of variable returns from its involvement with the structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of the structured entities by reviewing relevant term sheets, as well as the fairness of transactions between the Group and the structured entities.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.



## **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

– *continued*

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

– *continued*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Benny Bing Yin Cheung.

### **Ernst & Young**

Certified Public Accountants

Hong Kong

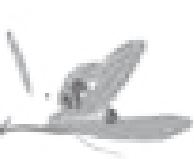
27 March 2020





	Notes	2019 RMB' 000	2018 RMB' 000
Revenue			
Commission and fee income	6	10,044,403	8,912,400
Interest income	7	10,844,582	11,938,696
Net investment gains	8	6,873,042	181,570
Total revenue		27,762,027	21,032,666
Other income and gains or losses	9	2,314,864	1,784,330
Total revenue and other income		30,076,891	22,816,996
Depreciation and amortisation	10	(650,193)	(340,049)
Staff costs	11	(6,418,921)	(4,763,017)
Commission and fee expenses	12	(283,635)	(293,783)
Interest expenses	13	(7,434,170)	(7,866,380)
Other operating expenses	14	(4,796,930)	(3,869,156)
Impairment losses	15	(1,535)	(31)
Credit loss expense	16	(679,676)	(303,293)
Total expenses		(20,265,060)	(17,435,709)
Share of results of associates and joint ventures		464,391	623,051
Profit before income tax		10,276,222	6,004,338
Income tax expense	17	(2,165,961)	(1,372,293)
Profit for the year		8,110,261	4,632,045
Attributable to:			
Owners of the Company		7,538,921	4,300,126
Non-controlling interests		571,340	331,919
		8,110,261	4,632,045
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	18	0.99	0.56

The accompanying notes form an integral part of these consolidated financial statements.



	2019 RMB' 000	2018 RMB' 000
Profit for the year	<b>8,110,261</b>	4,632,045
<b><i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i></b>		
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	<b>592,044</b>	(1,723,563)
Income tax related to the above	<b>(148,276)</b>	429,682
Total items that will not be reclassified to profit or loss in subsequent periods	<b>443,768</b>	(1,293,881)
<b><i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i></b>		
Exchange differences on translation of foreign operations	<b>109,132</b>	256,392
Debt instruments at fair value through other comprehensive income:		
– Net fair value changes during the year	<b>91,164</b>	367,805
– Reclassification to profit or loss on disposal	<b>(121,965)</b>	(112,420)
– Reclassification to profit or loss on impairment	<b>218,779</b>	137,151
– Income tax related to the above	<b>(7,253)</b>	(143,057)
Net gain on debt instruments at fair value through other comprehensive income	<b>180,725</b>	249,479
Share of other comprehensive income of associates and joint ventures:		
– Share of fair value gains/(losses) on financial assets of associates and joint ventures	<b>128,137</b>	(160,380)
– Share of exchange differences arising on translation of associates	<b>2,734</b>	3,160
Net gains/(losses) on other comprehensive income of associates and joint ventures	<b>130,871</b>	(157,220)
Total items that may be reclassified to profit or loss in subsequent periods	<b>420,728</b>	348,651
Other comprehensive income for the year, net of tax	<b>864,496</b>	(945,230)
Total comprehensive income for the year	<b>8,974,757</b>	3,686,815
Attributable to:		
Owners of the Company	<b>8,399,853</b>	3,345,252
Non-controlling interests	<b>574,904</b>	341,563
	<b>8,974,757</b>	3,686,815

The accompanying notes form an integral part of these consolidated financial statements.



	Notes	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current assets</b>			
Property and equipment	19	2,044,528	2,429,813
Prepaid lease payments	20	–	288,831
Right-of-use assets	20	850,641	–
Investment properties	21	45,499	20,067
Goodwill	22	2,325	2,274
Other intangible assets	23	272,354	261,806
Investments in associates	24	4,173,537	4,078,063
Investments in joint ventures	25	2,745,489	1,342,056
Debt instruments at amortised cost	27	332,004	2,386,518
Equity instruments at fair value through other comprehensive income	29	11,386,054	10,794,010
Financial assets at fair value through profit or loss	30	6,821,485	6,436,608
Advances to customers	31	521	170,717
Other accounts receivable, other receivables and prepayments	33	1,113,899	–
Financial leasing receivables	34	1,537,281	2,900,616
Financial assets held under resale agreements	36	382,617	6,555,966
Deferred tax assets	42	1,058,688	1,085,526
Total non-current assets		<b>32,766,922</b>	<b>38,752,871</b>

The accompanying notes form an integral part of these consolidated financial statements.



	Notes	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Current assets</b>			
Prepaid lease payments	20	–	9,628
Debt instruments at amortised cost	27	1,948,128	4,513,621
Debt instruments at fair value through other comprehensive income	28	98,597,038	79,513,048
Financial assets at fair value through profit or loss	30	74,091,687	81,677,388
Advances to customers	31	54,786,938	45,184,589
Accounts receivable	32	2,343,183	4,271,893
Contract assets		75,895	28,684
Other accounts receivable, other receivables and prepayments	33	911,829	765,404
Financial leasing receivables	34	1,534,797	1,940,896
Amounts due from joint ventures		13,797	7,744
Amounts due from associates	35	40,506	25,499
Financial assets held under resale agreements	36	20,305,993	30,257,103
Derivative financial assets	37	72,361	17,536,655
Deposits with exchanges and non-bank financial institutions	38	6,646,320	6,284,998
Clearing settlement funds	39	19,548,482	17,899,887
Bank balances	40	80,707,188	60,436,038
Total current assets		<u>361,624,142</u>	<u>350,353,075</u>
Total assets		<u>394,391,064</u>	<u>389,105,946</u>

The accompanying notes form an integral part of these consolidated financial statements.



	Notes	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Current liabilities</b>			
Borrowings	43	1,038,013	5,504,515
Short-term financing payables	44	14,880,673	24,049,740
Financial liabilities at fair value through profit or loss	45	652,350	107,976
Due to banks and other financial institutions	46	2,984,030	11,667,619
Accounts payable to brokerage clients	47	79,680,645	58,445,148
Accounts payable to underwriting clients		117,000	–
Accrued staff costs	48	3,614,336	2,847,689
Other accounts payable, other payables and accruals	49	3,763,147	4,783,060
Contract liabilities		68,653	39,636
Amounts due to joint ventures		190,999	335,853
Amounts due to associates		3,525	5,407
Provisions	50	447,521	33,360
Current tax liabilities		342,366	515,204
Other liabilities	51	5,704,495	8,639,515
Derivative financial liabilities	37	201,165	19,879,028
Financial assets sold under repurchase agreements	52	95,396,421	85,993,800
Bonds payable	53	32,353,680	24,374,247
Long-term loans	54	1,507,586	3,495,332
Lease liabilities	20	240,929	–
Total current liabilities		<u>243,187,534</u>	<u>250,717,129</u>
Net current assets		<u>118,436,608</u>	<u>99,635,946</u>
Total assets less current liabilities		<u>151,203,530</u>	<u>138,388,817</u>

The accompanying notes form an integral part of these consolidated financial statements.



	Notes	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	45	597,676	459,530
Accrued staff costs	48	2,482,112	2,245,763
Other accounts payable, other payables and accruals	49	96,430	124,615
Deferred tax liabilities	42	281,428	138,467
Bonds payable	53	50,325,973	44,322,807
Long-term loans	54	2,025,776	1,977,314
Lease liabilities	20	460,648	–
Other liabilities	51	796,891	491,147
Total non-current liabilities		<u>57,066,934</u>	<u>49,759,643</u>
Net assets		<u>94,136,596</u>	<u>88,629,174</u>
<b>Capital and reserves</b>			
Share capital	55	7,621,088	7,621,088
Capital reserve		31,205,149	31,864,816
Investment revaluation reserve	56	1,139,901	387,203
Translation reserve		403,050	294,816
General reserves	57	21,209,246	18,814,878
Retained profits	58	29,655,551	26,035,215
Equity attributable to owners of the Company		<u>91,233,985</u>	85,018,016
Non-controlling interests		<u>2,902,611</u>	3,611,158
Total equity		<u>94,136,596</u>	<u>88,629,174</u>

Approved and authorised for issue by the Board of Directors on 27 March 2020.

**Sun Shuming**  
Chairman

**Lin Zhihai**  
Executive Director and President

The accompanying notes form an integral part of these consolidated financial statements.



	Equity attributable to owners of the Company								
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Note 55)		(Note 56)		(Note 57)				
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 year	-	-	-	-	-	7,538,921	7,538,921	571,340	8,110,261
Other comprehensive income for the year	-	-	752,698	108,234	-	-	860,932	3,564	864,496
Total comprehensive income for the year	-	-	752,698	108,234	-	7,538,921	8,399,853	574,904	8,974,757
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	3,217	3,217
Acquisition of non-controlling interests	-	(749,950)	-	-	-	-	(749,950)	(640,050)	(1,390,000)
Appropriation to general reserves	-	-	-	-	2,394,368	(2,394,368)	-	-	-
Dividends recognised as distribution (Note 59)	-	-	-	-	-	(1,524,217)	(1,524,217)	(7,852)	(1,532,069)
Others	-	90,283	-	-	-	-	90,283	(638,766)	(548,483)
At 31 December 2019	<u>7,621,088</u>	<u>31,205,149</u>	<u>1,139,901</u>	<u>403,050</u>	<u>21,209,246</u>	<u>29,655,551</u>	<u>91,233,985</u>	<u>2,902,611</u>	<u>94,136,596</u>
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 year	-	-	-	-	-	4,300,126	4,300,126	331,919	4,632,045
Other comprehensive income for the year	-	-	(1,205,712)	250,838	-	-	(954,874)	9,644	(945,230)
Total comprehensive income for the year	-	-	(1,205,712)	250,838	-	4,300,126	3,345,252	341,563	3,686,815
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	126,255	126,255
Capital reduction by non-controlling shareholders	-	-	-	-	-	-	-	(471,722)	(471,722)
Appropriation to general reserves	-	-	-	-	1,458,974	(1,458,974)	-	-	-
Dividends recognised as distribution (Note 59)	-	-	-	-	-	(3,048,435)	(3,048,435)	(130,375)	(3,178,810)
At 31 December 2018	<u>7,621,088</u>	<u>31,864,816</u>	<u>387,203</u>	<u>294,816</u>	<u>18,814,878</u>	<u>26,035,215</u>	<u>85,018,016</u>	<u>3,611,158</u>	<u>88,629,174</u>

The accompanying notes form an integral part of these consolidated financial statements.



	2019 RMB' 000	2018 RMB' 000
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	<b>10,276,222</b>	6,004,338
Adjustments for:		
Interest expenses	<b>7,434,170</b>	7,866,380
Share of results of associates and joint ventures	<b>(464,391)</b>	(623,051)
Depreciation and amortisation	<b>650,193</b>	340,049
Impairment losses	<b>1,535</b>	31
Credit loss expense	<b>679,676</b>	303,293
Gain on disposal of property and equipment and other intangible assets	<b>(1,470)</b>	(1,502)
Gain on disposal of a subsidiary, associates and joint ventures	<b>(49,532)</b>	(97,063)
Foreign exchange (gains)/losses, net	<b>(5,354)</b>	20,988
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	<b>(121,965)</b>	(112,420)
Dividend income and interest income from financial instruments at fair value through other comprehensive income	<b>(3,919,290)</b>	(3,813,013)
Interest income from debt instruments at amortised cost	<b>(241,699)</b>	(666,090)
Unrealised fair value changes in financial assets at fair value through profit or loss	<b>(1,572,711)</b>	2,118,623
Unrealised fair value changes in financial liabilities at fair value through profit or loss	<b>126,851</b>	86,493
Unrealised fair value changes in derivatives	<b>27,100</b>	410,108

The accompanying notes form an integral part of these consolidated financial statements.





	2019 RMB' 000	2018 RMB' 000
Operating cash flows before movements in working capital	12,819,335	11,837,164
(Increase)/Decrease in advances to customers	(9,493,417)	16,321,045
Decrease/(Increase) in financial assets held under resale agreements	16,015,071	(3,255,589)
Decrease/(Increase) in financial assets at fair value through profit or loss	7,312,848	(11,109,532)
Increase in deposits with exchanges and non-bank financial institutions	(360,850)	(1,584,245)
Increase in restricted bank deposits	(1,691,204)	(1,678,505)
Decrease/(Increase) in other current assets	2,732,403	(11,551,710)
Increase in clearing settlement funds – clients	(1,353,805)	(1,413,692)
(Increase)/Decrease in cash held on behalf of customers	(18,849,826)	8,876,146
Increase/(Decrease) in financial liabilities at fair value through profit or loss	528,579	(1,820,694)
Increase/(Decrease) in accounts payable to brokerage clients	21,155,040	(6,585,955)
Increase/(Decrease) in accrued staff costs	999,840	(1,956,862)
(Decrease)/Increase in other accounts payable, other payables and accruals and other liabilities	(5,860,647)	12,643,194
Increase in financial assets sold under repurchase agreements	9,303,036	30,361,543
(Decrease)/Increase in amounts due to banks and other financial institutions	(8,643,825)	6,659,415
Increase in provision	406,887	–
Cash from operations	25,019,465	45,741,723
Income taxes paid	(2,414,953)	(1,932,420)
Interest paid	(2,509,718)	(2,951,152)
<b>Net cash from operating activities</b>	<b>20,094,794</b>	<b>40,858,151</b>

The accompanying notes form an integral part of these consolidated financial statements.



	2019 RMB' 000	2018 RMB' 000
<b>INVESTING ACTIVITIES</b>		
Dividends and interest received from investments	4,310,539	4,319,552
Purchases of property and equipment and other intangible assets	(391,646)	(646,558)
Proceeds from disposal of property and equipment and other intangible assets	4,390	2,410
Capital injection to associates and joint ventures	(506,131)	(891,511)
Proceeds from disposal of partial interests in associates and joint ventures	174,717	106,581
Acquisition of a subsidiary	(70,861)	–
Proceeds from disposal of a subsidiary	232,762	5,662
Purchase of financial instruments at fair value through other comprehensive income, net	(18,663,735)	(25,078,534)
Proceeds from disposal of debt instruments at amortised cost, net	4,781,736	6,869,696
<b>Net cash used in investing activities</b>	<b>(10,128,229)</b>	<b>(15,312,702)</b>

The accompanying notes form an integral part of these consolidated financial statements.



	2019 RMB' 000	2018 RMB' 000
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders and non-controlling interests	(1,531,878)	(3,177,062)
Repayment of borrowings interest	(206,330)	(280,940)
Repayment of short-term financing payables and bonds interest	(4,166,141)	(4,109,406)
Repayment of long-term loans interest	(224,767)	(227,732)
Capital injection from non-controlling shareholders	–	126,255
Capital reduction by non-controlling shareholders	(1,398,020)	(471,825)
Proceeds from short-term financing payables and bonds issued	67,772,930	42,835,422
Repayment of short-term financing payables and bonds	(63,197,659)	(49,699,970)
Proceeds from borrowings	764,102	1,213,000
Repayment of borrowings	(5,392,468)	(3,313,158)
Proceeds from long-term loans	872,669	1,912,440
Repayment of long-term loans	(2,835,937)	(1,082,387)
Repayment of principal and interest on lease liabilities	(235,783)	–
Proceeds from other financing activities	–	220,313
Repayment of other financing activities	(197,589)	–
<b>Net cash used in financing activities</b>	<b>(9,976,871)</b>	<b>(16,055,050)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(10,306)</b>	<b>9,490,399</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>21,285,579</b>	<b>11,729,410</b>
<b>Effect of foreign exchange rate changes</b>	<b>27,339</b>	<b>65,770</b>
<b>Cash and cash equivalents at end of the year</b>	<b>21,302,612</b>	<b>21,285,579</b>

The accompanying notes form an integral part of these consolidated financial statements.



## 1. GENERAL INFORMATION OF THE GROUP

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

The registered office of the Company is located at Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong, People's Republic of China ("PRC").

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

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



## 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.



## 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



## 2.2 BASIS OF CONSOLIDATION – *continued*

### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Group served as the manager of asset management schemes and funds. These asset management schemes and funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 *Consolidated Financial Statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such asset management schemes and funds for cash. These are presented as "Third-party interests in consolidated asset management schemes and funds" within other liabilities in the consolidated statement of financial position.



## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for the current year:

IFRS 16	<i>Leases</i>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</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>
Annual Improvements 2015-2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>

Except as described below, the application of the revised IFRSs has had no significant impact on the Group’s consolidated financial statements.

### 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 sets out 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 to recognise and measure right-of-use assets and lease liabilities except for certain recognition exemptions.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors 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 has 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.





## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

### IFRS 16 Leases – *continued*

#### *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.

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

##### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for properties. 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.



## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

### IFRS 16 Leases – *continued*

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

#### *Impacts on transition – continued*

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

- Applying 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.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics, and excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

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

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

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – 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 reconciled from the operating lease commitments as of 31 December 2018 are as follows:

	<b>RMB' 000</b>
<b>Operating lease commitments as at 31 December 2018</b>	667,607
Less: Commitments relating to leases with commencement date later than 1 January 2019	11,088
Weighted average incremental borrowing rate as at 1 January 2019	4.87%
	<hr/>
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 ended on or before 31 December 2019	65,397
	<hr/>
<b>Lease liabilities as at 1 January 2019</b>	<b><u>498,790</u></b>

**Changes in accounting estimates**

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

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



## 2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

Amendments to IFRS 3	<i>Definition of a Business</i> <sup>1</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>1</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IAS1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> No mandatory effective date yet determined but available for adoption

The application of the new and revised IFRSs will not have a significant impact on the Group's consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within a group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Investments in associates and joint ventures – *continued*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Revenue recognition – *continued*

#### *Revenue from contracts with customers – continued*

##### (a) *Securities brokerage and investment consulting business*

Income from the securities brokerage is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognised when the related services are rendered.

Income from the investment consulting business is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

##### (b) *Underwriting and sponsorship business*

Income from the underwriting and sponsorship business is recognised when the obligation of underwriting or sponsoring is completed.

##### (c) *Asset management business*

Income from regular management fees is recognised periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognised when the performance fee is determinable based on actual performance measurement, as and when contingent criteria associated are met.

##### (d) *Other business*

Income from other business is recognised when control of goods or services is transferred to the customers.

#### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

#### **Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods and services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Contract costs

Other than the costs which are capitalised as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

#### Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.





### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Leases (applicable from 1 January 2019) – *continued*

##### *Group as a lessee – continued*

##### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease 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 termination of 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 an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

##### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

##### *Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Leasing (applicable before 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

##### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### Leasehold land and buildings (applicable before 1 January 2019)

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) is allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under a finance lease.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

<b>Classes</b>	<b>Estimated residual value rates</b>	<b>Useful lives</b>
Properties and buildings	nil	30 - 50 years
Electronic and communication equipment	nil	3 - 5 years
Motor vehicles	nil	4 - 6 years
Office equipment	nil	5 - 11 years
Improvements	nil	5 - 10 years



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

#### Intangible assets

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading seats) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

The estimated useful lives of each class of intangible assets with finite useful lives are as follows:

<b>Classes</b>	<b>Useful lives</b>
Computer software	5 years
Others	5 years

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### *Intangible assets – continued*

#### *Intangible assets acquired in a business combination – continued*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### **Impairment of tangible and intangible assets other than goodwill and financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefit expenses for those services in profit or loss.

#### *Short-term social welfare*

Short-term social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on a certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

#### *Defined contribution plans*

Payments to defined contribution plans which include the mandatory the social pension insurance plan and unemployment insurance plan managed by the mainland government, the Mandatory Provident Fund Scheme to the employees in Hong Kong and the annuity scheme for qualified employees, are recognised as expenses when employees have rendered service entitling them to the contributions.

#### *Early retirement benefits*

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognised when the employees voluntarily retired before the normal retirement date, as approved by management. The early retirement benefits represented the liability at the end of the reporting period with the changes recognised in profit or loss.

#### *Other long-term benefits*

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.





### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

#### Financial instruments

##### *Financial assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

#### *Financial assets – continued*

#### *Initial recognition and measurement – continued*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

#### Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value changes recognised in other comprehensive income is recycled to the statement of profit or loss.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

#### *Financial assets – continued*

#### *Subsequent measurement – continued*

#### Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

#### *Financial assets – continued*

#### *Subsequent measurement – continued*

#### Financial assets at fair value through profit or loss – *continued*

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

##### *Impairment of financial assets*

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

##### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (“a 12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

#### *Impairment of financial assets – continued*

##### Simplified approach

For accounts receivables, contract assets and other receivables and prepayments that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivables, contract assets and other receivables and prepayments that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term financing payables, due to banks and other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### *Financial instruments – continued*

#### *Financial liabilities – continued*

#### *Subsequent measurement – continued*

#### Financial liabilities at fair value through profit or loss – *continued*

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

#### Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.





### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

##### *Derecognition of financial liabilities – continued*

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### *Derivative financial instruments*

##### *Initial recognition and subsequent measurement*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

##### *Financial assets held under resale agreements and financial assets sold under repurchase agreements*

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognised in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase is recognised as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.



### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

##### *Accounts payable to brokerage customers*

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognises the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of the purchased securities exceeds that of the sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of the sold securities exceeds that of the purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

##### *Margin financing and securities lending services*

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

##### *Margin financing services*

The Group recognises margin financing services to customers as margin accounts receivable, and recognises the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to the policy of provision for impairment of financial assets measured at amortised cost.

##### *Securities lending services*

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognised as interest income according to the margin financing agreement. The securities lending services are not derecognised. The financial assets are recognised as securities lending services in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, and are subsequently measured according to financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income.



#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Determination of consolidation scope*

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

##### *Fair values of financial assets and derivative financial instruments determined using valuation techniques*

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model. In practice, the discounted cash flow analysis model makes the maximum use of observable inputs, but management still needs to make estimations on counterparty credit risk, the volatility of the market interest rate and correlation factors. If there is a change in any assumption of the above factors, the assessment of the fair value of financial instruments will be affected.

##### *Impairment of financial instruments*

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgement and estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such judgement and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economic indicators, and industrial risk.



#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

– *continued*

##### *Income taxes*

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 42.

#### 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter referred to as the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group’s basis of organisation, whereby the businesses are organised and managed separately as individual strategic business units that offer different services and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group’s operating segments are as follows:

- (a) Investment banking, which primarily includes underwriting commissions and sponsorship and advisory fees from equity and debt underwriting and financial advisory services;
- (b) Wealth management, which primarily includes fees and commissions earned from providing brokerage and investment advisory services to retail clients, as well as interest income earned from margin financing and securities lending activities, reverse repurchase transactions, financial leasing, cash held on behalf of clients and fees earned from selling financial products developed by the Group and other financial institutions;
- (c) Trading and institution, which primarily includes investment gains and interest income earned from investment trading of, and market-making in equity, fixed income, derivative securities and other financial products, as well as investment gains from alternative investments, and fees and commissions earned from providing investment research and prime brokerage services to institutional clients;
- (d) Investment management, which primarily includes management and advisory fees earned from providing asset management, mutual fund management, private fund management services to clients and etc; and



## 5. SEGMENT REPORTING – *continued*

- (e) Others, which primarily includes income from head office operations.

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

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expenses as well as the share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities. Inter-segment balances mainly resulted from branches' operating funds injected by the head office are eliminated on consolidation. The segment results exclude income tax expense and share of results of associates and joint ventures, while the segment assets and liabilities include prepaid taxes, current tax liabilities as well as interests in associates and joint ventures, respectively.

## 5. SEGMENT REPORTING – *continued*

The operating and reportable segment information provided to the chief operating decision maker for the years ended 31 December 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
<b>For the year ended</b>								
<b>31 December 2019</b>								
<b>Segment revenue and results</b>								
Segment revenue	1,484,380	10,306,004	9,378,929	6,250,684	342,030	27,762,027	-	27,762,027
Segment other income and gains or losses	6,139	1,969,946	(5,950)	(180,023)	524,752	2,314,864	-	2,314,864
Segment revenue and other income	1,490,519	12,275,950	9,372,979	6,070,661	866,782	30,076,891	-	30,076,891
Segment expenses	(694,269)	(8,369,737)	(6,036,669)	(3,119,049)	(2,045,336)	(20,265,060)	-	(20,265,060)
Segment results	796,250	3,906,213	3,336,310	2,951,612	(1,178,554)	9,811,831	-	9,811,831
Share of results of associates and joint ventures	-	1,356	(91,432)	553,640	827	464,391	-	464,391
Profit/(loss) before income tax	796,250	3,907,569	3,244,878	3,505,252	(1,177,727)	10,276,222	-	10,276,222
<b>As at 31 December 2019</b>								
<b>Segment assets and liabilities</b>								
Segment assets	998,066	92,977,881	152,251,291	33,891,334	114,654,804	394,773,376	(1,441,000)	393,332,376
Deferred tax assets								1,058,688
Group's total assets								<u>394,391,064</u>
Segment liabilities	339,270	79,460,698	65,527,244	13,002,624	141,643,204	299,973,040	-	299,973,040
Deferred tax liabilities								281,428
Group's total liabilities								<u>300,254,468</u>
<b>Other segment information</b>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	16,917	348,570	27,881	69,165	187,660	650,193	-	650,193
Impairment losses	-	1,485	-	-	50	1,535	-	1,535
Credit loss expense	18,794	265,440	317,389	79,965	(1,912)	679,676	-	679,676
Capital expenditure	3,646	120,754	18,951	41,128	521,651	706,130	-	706,130



## 5. SEGMENT REPORTING – continued

	Investment banking RMB' 000	Wealth management RMB' 000	Trading and institution RMB' 000	Investment management RMB' 000	Others RMB' 000	Segment total RMB' 000	Elimination RMB' 000	Consolidated total RMB' 000
<b>For the year ended</b>								
<b>31 December 2018</b>								
<b>Segment revenue and results</b>								
Segment revenue	1,219,678	10,449,789	5,283,589	3,771,261	308,349	21,032,666	–	21,032,666
Segment other income and gains or losses	<u>7,885</u>	<u>1,276,232</u>	<u>(20,063)</u>	<u>112,697</u>	<u>407,579</u>	<u>1,784,330</u>	<u>–</u>	<u>1,784,330</u>
Segment revenue and other income	1,227,563	11,726,021	5,263,526	3,883,958	715,928	22,816,996	–	22,816,996
Segment expenses	<u>(456,573)</u>	<u>(7,709,440)</u>	<u>(5,208,418)</u>	<u>(2,631,621)</u>	<u>(1,429,657)</u>	<u>(17,435,709)</u>	<u>–</u>	<u>(17,435,709)</u>
Segment results	770,990	4,016,581	55,108	1,252,337	(713,729)	5,381,287	–	5,381,287
Share of results of associates and joint ventures	<u>–</u>	<u>572</u>	<u>(2,577)</u>	<u>605,341</u>	<u>19,715</u>	<u>623,051</u>	<u>–</u>	<u>623,051</u>
Profit/(loss) before income tax	<u>770,990</u>	<u>4,017,153</u>	<u>52,531</u>	<u>1,857,678</u>	<u>(694,014)</u>	<u>6,004,338</u>	<u>–</u>	<u>6,004,338</u>
<b>As at 31 December 2018</b>								
<b>Segment assets and liabilities</b>								
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								<u>1,085,526</u>
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								<u>138,467</u>
Group's total liabilities								<u>300,476,772</u>
<b>Other segment information</b>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	8,279	168,373	18,404	43,104	101,889	340,049	–	340,049
Impairment losses	–	(19)	–	–	50	31	–	31
Credit loss expense	(1,122)	127,402	151,703	6,611	18,699	303,293	–	303,293
Capital expenditure	4,380	120,367	19,371	46,496	416,785	607,399	–	607,399

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operations in the PRC. The Group's inter-segment revenue is not material and is not included in the report to the CODM.

No single customer contributes over 10% to the Group's revenue for the years ended 31 December 2019 and 2018.



## 6. COMMISSION AND FEE INCOME

	2019 RMB' 000	2018 RMB' 000
Securities brokerage business commission and fee income	4,099,301	3,344,375
Asset management and fund management fee income	3,910,623	3,742,910
Underwriting and sponsorship fee income	1,296,418	956,118
Consultancy and financial advisory fee income	250,775	347,112
Futures brokerage business commission and fee income	320,380	336,022
Others	166,906	185,863
	<u>10,044,403</u>	<u>8,912,400</u>

## 7. INTEREST INCOME

	2019 RMB' 000	2018 RMB' 000
Margin financing and securities lending	3,575,485	4,086,163
Debt instruments at fair value through other comprehensive income	3,233,746	2,919,217
Deposits with exchanges and financial institutions	2,155,897	2,059,219
Financial assets held under resale agreements	1,282,742	1,756,919
Debt instruments at amortised cost	241,699	666,090
Leasing business	312,721	374,212
Others	42,292	76,876
	<u>10,844,582</u>	<u>11,938,696</u>





## 8. NET INVESTMENT GAINS

	2019 RMB' 000	2018 RMB' 000
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	121,965	112,420
Net realised gains/(losses) from disposal of financial instruments at fair value through profit or loss	1,956,385	(1,425,531)
Dividend income and interest income from financial instruments at fair value through profit or loss	2,780,029	3,156,084
Dividend income from financial instruments at fair value through other comprehensive income	685,544	893,796
Net realised (losses)/gains from derivatives and others (Note)	(3,612)	28,957
Unrealised fair value changes of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	1,572,711	(2,118,623)
– Financial liabilities at fair value through profit or loss	(126,851)	(86,493)
– Derivatives	(113,129)	(379,040)
	<u>6,873,042</u>	<u>181,570</u>

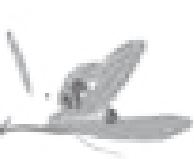
Note: Included the gains or losses related to an investment fund, GTEC Pandion Multi-Strategy Fund SP, amounting to USD44.33 million (approximately RMB305.59 million). Please refer to note 14 for details.

## 9. OTHER INCOME AND GAINS OR LOSSES

	2019 RMB' 000	2018 RMB' 000
Trading business income	1,897,918	1,186,513
Third-party interests in consolidated structured entities <sup>(i)</sup>	(495,659)	(219,433)
Government grants <sup>(ii)</sup>	761,361	678,720
Commission from tax withholding and remitting	63,958	27,380
Gain on disposal of subsidiaries, associates and joint ventures	49,532	97,063
Others	37,754	14,087
	<u>2,314,864</u>	<u>1,784,330</u>

(i) In 2019 and 2018, amounts of RMB242.32 million and RMB383.73 million were attributable to priority tranche holders of structured entities.

(ii) The government grants were received unconditionally by the Group from the local government to support operations in the designated locations.



## 10. DEPRECIATION AND AMORTISATION

	2019 RMB' 000	2018 RMB' 000
Depreciation of property and equipment	314,373	230,364
Depreciation of investment properties	2,987	1,736
Depreciation of right-of-use assets	230,569	–
Amortisation of prepaid lease payments	–	9,628
Amortisation of other intangible assets	102,264	98,321
	<u>650,193</u>	<u>340,049</u>

## 11. STAFF COSTS

	2019 RMB' 000	2018 RMB' 000
Salaries, bonuses and allowances and other long-term benefits	5,282,933	3,597,749
Short-term social welfare	318,001	297,431
Defined contribution plans	429,452	492,803
Others	388,535	375,034
	<u>6,418,921</u>	<u>4,763,017</u>

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans.

In addition to the above social welfare plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. These annuity schemes are defined contribution plans.

The Group also operates the Mandatory Provident Fund Scheme, also a defined contribution plan, for all qualified employees in Hong Kong. The Group contributes a certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The contributions to the defined contribution plans are expensed as incurred. The Group cannot withdraw or utilise its fund contributions made to the defined contribution plans under any circumstance.

**12. COMMISSION AND FEE EXPENSES**

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
Securities and futures brokerage business expenses	<b>222,055</b>	227,424
Underwriting and sponsorship fee expenses	<b>38,572</b>	20,966
Other service expenses	<b>23,008</b>	45,393
	<b>283,635</b>	293,783

Note: Distribution expenses for the fund and asset management business amounting to RMB682.42 million (year ended 31 December 2018: RMB696.24 million) are classified under other operating expenses as described in note 14.

**13. INTEREST EXPENSES**

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
Borrowings	<b>196,213</b>	321,366
Due to banks and other financial institutions	<b>179,325</b>	531,618
Accounts payable to brokerage clients	<b>232,022</b>	185,628
Financial assets sold under repurchase agreements	<b>1,846,373</b>	2,168,528
Gold leasing	<b>195,935</b>	72,200
Structured notes	<b>516,720</b>	518,823
Corporate bonds	<b>2,846,436</b>	2,713,894
Subordinated bonds	<b>893,506</b>	1,030,648
Long-term loans	<b>217,332</b>	237,992
Lease liabilities	<b>28,466</b>	-
Financial bond	<b>81,295</b>	-
Others	<b>200,547</b>	85,683
	<b>7,434,170</b>	7,866,380



#### 14. OTHER OPERATING EXPENSES

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
Trading business costs	<b>1,897,442</b>	1,185,527
General and administrative expenses	<b>698,307</b>	716,886
Taxes and surcharges	<b>135,373</b>	105,884
Rents and utilities	<b>224,715</b>	422,222
Distribution expenses for fund and asset management business	<b>682,418</b>	696,237
Post and telecommunications expenses	<b>205,327</b>	200,205
Securities and futures investor protection funds	<b>86,508</b>	79,965
Advertisement and business development expenses	<b>112,586</b>	129,696
Auditors' remuneration	<b>12,228</b>	5,099
Provision expenses (Note)	<b>409,230</b>	–
Sundry expenses	<b>332,796</b>	327,435
	<b><u>4,796,930</u></b>	<u>3,869,156</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 first half of 2019, 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 RMB305.59 million).

In connection with the above, potential litigation may arise against the Group's subsidiaries. The Group recognised a provision of USD58.27 million (approximately RMB401.76 million) in these financial statements as of 31 December 2019.

**15. IMPAIRMENT LOSSES**

	2019 RMB' 000	2018 RMB' 000
Other intangible assets (Note 23)	50	50
Others	1,485	(19)
	<u>1,535</u>	<u>31</u>

**16. CREDIT LOSS EXPENSE**

	2019 RMB' 000	2018 RMB' 000
Debt instruments at amortised cost (Note 27)	149,415	36,345
Debt instruments at fair value through other comprehensive income (Note 28)	218,779	137,151
Advances to customers (Note 31)	122,471	(3,506)
Accounts receivable (Note 32)	59,241	30,779
Financial leasing receivables (Note 34)	148,696	31,411
Financial assets held under resale agreements (Note 36)	(52,828)	69,372
Others	33,902	1,741
	<u>679,676</u>	<u>303,293</u>

**17. INCOME TAX EXPENSE**

	2019 RMB' 000	2018 RMB' 000
Current tax:		
PRC Enterprise Income Tax	2,151,249	1,662,999
Hong Kong Profits Tax and other jurisdictions	2,157	26,426
Subtotal	2,153,406	1,689,425
Deferred income tax (Note 42)	12,555	(317,132)
	<u>2,165,961</u>	<u>1,372,293</u>



## 17. INCOME TAX EXPENSE – *continued*

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

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

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
Profit before income tax	<b>10,276,222</b>	6,004,338
Tax at the statutory tax rate of 25%	<b>2,569,056</b>	1,501,085
Tax effect of share of profits of associates and joint ventures	<b>(98,488)</b>	(89,246)
Tax effect of costs, expenses and losses not deductible for tax purpose	<b>111,367</b>	142,975
Tax effect of income not taxable for tax purposes	<b>(454,758)</b>	(381,070)
Tax effect of tax losses and temporary differences not recognised	<b>36,796</b>	131,231
Utilisation of tax losses and temporary differences previously not recognised	<b>(17,528)</b>	(3,252)
Effect of different tax rates of subsidiaries	<b>18,676</b>	67,768
Others	<b>840</b>	2,802
Income tax expense for the year	<b>2,165,961</b>	1,372,293



## 18. EARNINGS PER SHARE

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

	2019	2018
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company (in thousand)	<u>7,538,921</u>	<u>4,300,126</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>0.99</u>	0.56
– Diluted	<u>0.99</u>	<u>0.56</u>

There were no potential dilutive ordinary shares outstanding for 2019 and 2018.

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.

## 19. 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
<b>Cost</b>							
As at 1 January 2019	802,786	912,993	126,541	166,129	612,293	1,429,391	4,050,133
Additions	–	82,475	5,913	12,182	43,332	447,110	591,012
Acquisitions of a subsidiary	–	247	–	258	39	–	544
Transfers during the year	741,803	34,362	–	85,670	344,035	(1,876,501)	(670,631)
Disposals/write-off	(640)	(98,001)	(9,917)	(15,101)	(43,110)	–	(166,769)
Disposal of subsidiary	–	(247)	–	(334)	(39)	–	(620)
Effect of foreign currency exchange differences	–	968	81	172	813	–	2,034
As at 31 December 2019	<u>1,543,949</u>	<u>932,797</u>	<u>122,618</u>	<u>248,976</u>	<u>957,363</u>	<u>–</u>	<u>3,805,703</u>
<b>Accumulated depreciation and impairment</b>							
As at 1 January 2019	369,199	574,135	76,859	120,990	479,137	–	1,620,320
Charge for the year	43,358	146,732	14,576	30,262	80,723	–	315,651
Acquisitions of a subsidiary	–	182	–	153	–	–	335
Disposals/write-off	(372)	(97,823)	(9,537)	(14,639)	(41,491)	–	(163,862)
Disposal of subsidiary	–	(202)	–	(191)	(25)	–	(418)
Transfers during the year	(12,359)	–	–	–	–	–	(12,359)
Effect of foreign currency exchange differences	–	719	56	147	586	–	1,508
As at 31 December 2019	<u>399,826</u>	<u>623,743</u>	<u>81,954</u>	<u>136,722</u>	<u>518,930</u>	<u>–</u>	<u>1,761,175</u>
<b>Net carrying amount</b>							
As at 31 December 2019	<u>1,144,123</u>	<u>309,054</u>	<u>40,664</u>	<u>112,254</u>	<u>438,433</u>	<u>–</u>	<u>2,044,528</u>





**19. 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
<b>Cost</b>							
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/write-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>
<b>Accumulated depreciation and impairment</b>							
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/write-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>
<b>Net carrying amount</b>							
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 31 December 2019, the Group's properties and buildings amounting to RMB377.58 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 accounted for as properties and buildings.

As at 31 December 2019, the Group is in the process of applying for the title certificates for its properties and buildings with a carrying amount of RMB13.42 million (31 December 2018: RMB14.94 million) and GF Securities Tower which was put into use in 2019. The Group expects that the aforesaid matter would not affect its rights over the assets or have no significant impact on its operation.



## 20. LEASES

### The Group as a lessee

The Group has lease contracts for various items of properties and buildings used in its operations. The Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (1) Prepaid land lease payments (before 1 January 2019)

	As at 31.12.2018 RMB'000
Analysed for reporting purposes as:	
Current assets	9,628
Non-current assets	288,831
	298,459

#### (2) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties and buildings RMB'000	Land use rights RMB'000	Total RMB'000
<b>Cost</b>			
As at 1 January 2019	522,948	385,108	908,056
Additions	415,690	–	415,690
Disposals/write-off	(3,708)	(154,043)	(157,751)
Effect of foreign currency exchange difference	1,930	–	1,930
As at 31 December 2019	936,860	231,065	1,167,925
<b>Accumulated depreciation and impairment</b>			
As at 1 January 2019	–	86,649	86,649
Additions	223,879	6,690	230,569
Disposals/write-off	(636)	–	(636)
Effect of foreign currency exchange difference	702	–	702
As at 31 December 2019	223,945	93,339	317,284
<b>Net carrying amount</b>			
As at 31 December 2019	712,915	137,726	850,641



## 20. LEASES – *continued*

The Group as a lessee – *continued*

### (3) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	<b>As at 31.12.2019 RMB' 000</b>
As at 1 January 2019	498,790
Additions	408,997
Interest expense	28,466
Payments	(235,783)
Effect of foreign currency exchange difference	1,107
As at 31 December 2019	<u>701,577</u>
Analysed into:	
Current	240,929
Non-current	<u>460,648</u>

### (4) *The amounts recognised in profit or loss in relation to leases are as follows:*

	<b>2019 RMB' 000</b>
Interest on lease liabilities	28,466
Depreciation of right-of-use assets	230,569
Expense relating to short-term leases (included in other operating expenses)	<u>81,518</u>
Total amount recognised in profit or loss	<u>340,553</u>



## 21. INVESTMENT PROPERTIES

	<b>As at 31.12.2019 RMB' 000</b>	<b>As at 31.12.2018 RMB' 000</b>
<b>COST</b>		
At the beginning of the year	<b>52,087</b>	52,087
Transfers during the year	<b>40,778</b>	–
At the end of the year	<b>92,865</b>	52,087
<b>ACCUMULATED DEPRECIATION</b>		
At the beginning of the year	<b>32,020</b>	30,284
Provided for the year	<b>2,987</b>	1,736
Transfers during the year	<b>12,359</b>	–
At the end of the year	<b>47,366</b>	32,020
<b>NET CARRYING AMOUNT</b>		
At the end of the year	<b>45,499</b>	20,067



## 22. GOODWILL

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
<b>COST</b>		
Unit A – securities brokerage branches	76,574	76,574
Unit B – GF Financial Markets (UK) Limited	2,040	2,040
At the beginning and the end of the year	<u>78,614</u>	<u>78,614</u>
<b>ACCUMULATED IMPAIRMENT LOSSES</b>		
Unit A – securities brokerage branches	76,574	76,574
Unit B – GF Financial Markets (UK) Limited	–	–
At the beginning and the end of the year	<u>76,574</u>	<u>76,574</u>
<b>NET CARRYING AMOUNT</b>		
Unit A – securities brokerage branches	–	–
Unit B – GF Financial Markets (UK) Limited	2,040	2,040
Unit B – effect of foreign currency exchange differences	285	234
At the end of the year	<u>2,325</u>	<u>2,274</u>

Unit A is the securities brokerage CGU acquired, the acquisition cost of which exceeds the fair value of the net identifiable assets. The commercial registration of these securities brokerage branches in the prior year was changed. As the CGU no longer generated future cash flows, Unit A was fully impaired in the prior year.

Unit B is the CGU of GF Financial Markets (UK) Limited by GF Futures (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company. As at 31 December 2019, the management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.



## 23. OTHER INTANGIBLE ASSETS

	Trading seats RMB' 000	Computer software RMB' 000	Others RMB' 000	Total RMB' 000
<b>COST</b>				
As at 1 January 2018	76,471	610,110	1,368	687,949
Additions	–	68,984	–	68,984
Other transfer-in	–	10,767	–	10,767
Disposals/write-off	–	(8,619)	–	(8,619)
Effect of foreign currency exchange differences	35	(4)	–	31
As at 31 December 2018	<u>76,506</u>	<u>681,238</u>	<u>1,368</u>	<u>759,112</u>
Additions	–	<b>114,518</b>	<b>600</b>	<b>115,118</b>
Acquired on acquisition of a subsidiary	–	<b>1,064</b>	–	<b>1,064</b>
Disposals/write-off	–	<b>(17,596)</b>	–	<b>(17,596)</b>
Disposal of subsidiary	–	<b>(3,526)</b>	–	<b>(3,526)</b>
Effect of foreign currency exchange differences	17	414	–	431
As at 31 December 2019	<u><b>76,523</b></u>	<u><b>776,112</b></u>	<u><b>1,968</b></u>	<u><b>854,603</b></u>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
As at 1 January 2018	74,015	328,167	768	402,950
Charge for the year	–	98,321	–	98,321
Other transfer-in	–	4,182	–	4,182
Disposals/write-off	–	(8,295)	–	(8,295)
Effect of foreign currency exchange differences	–	98	–	98
Impairment loss recognised in the year	50	–	–	50
As at 31 December 2018	<u>74,065</u>	<u>422,473</u>	<u>768</u>	<u>497,306</u>
Charge for the year	–	<b>102,264</b>	–	<b>102,264</b>
Acquired on acquisition of a subsidiary	–	<b>263</b>	–	<b>263</b>
Disposals/write-off	–	<b>(17,495)</b>	–	<b>(17,495)</b>
Disposal of subsidiary	–	<b>(386)</b>	–	<b>(386)</b>
Effect of foreign currency exchange differences	–	247	–	247
Impairment loss recognised in the year	50	–	–	50
As at 31 December 2019	<u><b>74,115</b></u>	<u><b>507,366</b></u>	<u><b>768</b></u>	<u><b>582,249</b></u>
<b>NET CARRYING AMOUNT</b>				
As at 31 December 2019	<u><b>2,408</b></u>	<u><b>268,746</b></u>	<u><b>1,200</b></u>	<u><b>272,354</b></u>
As at 31 December 2018	<u>2,441</u>	<u>258,765</u>	<u>600</u>	<u>261,806</u>



## 24. INVESTMENTS IN ASSOCIATES

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Cost of unlisted investments in associates	<b>1,648,430</b>	1,833,591
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>2,333,046</b>	2,073,357
	<b>3,981,476</b>	3,906,948
Unlisted investment in an associate at fair value through profit or loss (Note)	<b>192,061</b>	171,115
	<b>4,173,537</b>	4,078,063

Note: The Group elected to measure its investment in GEJIA Corporation of RMB192.06 million (31 December 2018: RMB171.12 million) held through GF Xinde Capital Management Limited, a venture capital organization and an indirectly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this associate on a fair value basis as at 31 December 2019. Valuation determination information is set out in Note 69, including valuation techniques, key inputs and fair value information for the associate measured at fair value through profit or loss.

Details of the Group's significant associate at the end of the period are as follows:

Name of associate	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 31.12.2019	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	<b>22.65%</b>	25.00%	Fund raising, fund selling, asset management, and other CSRC approved businesses

### Summarised financial information of the material associate

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents the amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.



24. INVESTMENTS IN ASSOCIATES – *continued*

Summarised financial information of the material associate – *continued*

*E Fund*

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Total assets	<b>14,675,399</b>	11,698,424
Total liabilities	<b>4,579,305</b>	3,730,894
Net assets	<b><u>10,096,094</u></b>	<u>7,967,530</u>
	<b>2019 RMB' 000</b>	2018 RMB' 000
Total revenue	<b>6,182,579</b>	5,245,749
Profit for the year	<b>1,726,334</b>	1,364,580
Other comprehensive income/(expense)	<b>63,909</b>	(191,723)
Total comprehensive income	<b><u>1,790,243</u></b>	<u>1,172,857</u>
Dividend received from the associate during the year	<b><u>240,000</u></b>	<u>90,000</u>

The reconciliation of the above summarised financial information to the carrying amount of the interest in E Fund recognised in the consolidated financial statements:

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Net assets attributable to equity holders of the associate	<b>10,087,381</b>	7,951,087
Proportion of the Group's ownership interest	<b>22.65%</b>	25%
Proportion of equity interest held by the Group	<b>2,284,792</b>	1,987,772
Other adjustments	<b>(579)</b>	(315)
Carrying amount of the Group's interest	<b><u>2,284,213</u></b>	<u>1,987,457</u>



**24. INVESTMENTS IN ASSOCIATES – continued****Aggregate information of associates that are not individually material**

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
The Group's share of profit	<b>60,217</b>	185,316
The Group's share of other comprehensive income	<b>636</b>	42,223
The Group's share of total comprehensive income	<b>60,853</b>	227,539
Aggregate carrying amount of the Group's interests in these associates	<b>1,889,324</b>	2,090,606

**25. INVESTMENTS IN JOINT VENTURES**

	<b>As at</b>	As at
	<b>31.12.2019</b>	31.12.2018
	<b>RMB' 000</b>	RMB' 000
Cost of unlisted investments in joint ventures	<b>2,667,273</b>	1,345,657
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>78,216</b>	(3,601)
	<b>2,745,489</b>	1,342,056

**Aggregate information of joint ventures that are not individually material**

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
The Group's share of profit	<b>(28,402)</b>	97,320
The Group's share of other comprehensive income	<b>116,406</b>	(154,761)
The Group's share of total comprehensive income	<b>88,004</b>	(57,441)



## 26. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including asset management schemes and funds), therefore had power over them during the year. In the opinion of the directors of the Company, the variable returns the Group is exposed to over these asset management schemes and funds are not significant. The Group therefore did not consolidate these structured entities.

The total net assets of unconsolidated structured entities in which the Group acted as investment manager and held financial interests amounted to RMB293,820.01 million as at 31 December 2019 (31 December 2018: RMB363,387.24 million).

During the year, the amount of management fee income from the unconsolidated structured entities managed by the Group in which the Group had no interests was RMB2,588.10 million (2018: RMB2,280.56 million).

The table below shows the carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests as at 31 December 2019 and 2018.

### As at 31 December 2019

	Carrying amount RMB' 000	Maximum loss exposure RMB' 000
Financial assets at fair value through profit or loss	<u>12,647,197</u>	<u>12,647,197</u>

### As at 31 December 2018

	Carrying amount RMB' 000	Maximum loss exposure RMB' 000
Financial assets at fair value through profit or loss	<u>15,976,508</u>	<u>15,976,508</u>

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposures to loss in relation to the Group's interests in asset management schemes and wealth management products approximate to their respective carrying amounts as disclosed in notes 30.



## 27. DEBT INSTRUMENTS AT AMORTISED COST

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
Debt securities	153,128	1,647,452
Entrusted loan	4,586	25,356
Secured loan receivables	318,672	312,420
Unsecured loan receivables	–	3,832
Asset management schemes launched by securities companies	–	535,224
Less: Allowance for ECLs	144,382	137,766
	<u>332,004</u>	<u>2,386,518</u>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(i)</sup>	50,833	1,016,599
Unlisted	281,171	1,369,919
	<u>332,004</u>	<u>2,386,518</u>
<b>Current</b>		
Debt securities	1,392,232	3,337,955
Entrusted loan	17,908	35,992
Secured loan receivables	202,924	452,566
Unsecured loan receivables	–	62,381
Asset management schemes launched by securities companies	561,870	709,420
Less: Allowance for ECLs	226,806	84,693
	<u>1,948,128</u>	<u>4,513,621</u>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(i)</sup>	853,843	2,968,502
Unlisted	1,094,285	1,545,119
	<u>1,948,128</u>	<u>4,513,621</u>
Total	<u>2,280,132</u>	<u>6,900,139</u>

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



**27. DEBT INSTRUMENTS AT AMORTISED COST – *continued***

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

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
At beginning of year	<b>222,459</b>	183,548
Impairment losses recognised	<b>149,415</b>	36,345
Exchange rate changes and other	<b>(686)</b>	2,566
At end of year	<b><u>371,188</u></b>	<u>222,459</u>

Debt securities are analysed by external rating as follows:

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
External rating grade		
AAA	<b>648,113</b>	2,114,154
AA+ ~A-	<b>620,595</b>	1,085,105
Not rating	<b>274,923</b>	1,779,322
Total	<b><u>1,543,631</u></b>	<u>4,978,581</u>

In this year, the debt instruments at amortised cost with gross carrying amount of RMB212.73 million was transferred from Stage 1 to Stage 3, and the corresponding impairment allowance was RMB5.09 million. Other transfers among stages were not significant.

As at 31 December 2019, the provision of debt instruments at amortised cost classified within Stage 1, Stage 2 and Stage 3 were RMB5.98 million, RMB4.26 million and RMB360.95 million (As at 31 December 2018: RMB19.64 million, RMB0.42 million and RMB202.40 million).



## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Current</b>		
Debt securities	<u>98,597,038</u>	<u>79,513,048</u>
<b>Analysed as:</b>		
Listed in Hong Kong	–	1,831,391
Listed outside Hong Kong <sup>(i)</sup>	<u>36,111,685</u>	<u>35,594,179</u>
Unlisted	<u>62,485,353</u>	<u>42,087,478</u>
	<u><u>98,597,038</u></u>	<u><u>79,513,048</u></u>

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

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

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
At beginning of year	233,826	95,083
Impairment losses for the year	218,779	137,151
Effect of foreign currency exchange differences	<u>1,144</u>	<u>1,592</u>
At end of year	<u><u>453,749</u></u>	<u><u>233,826</u></u>

Debt securities are analysed by external rating as follows:

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
AAA	74,184,730	51,554,135
AA+ ~A-	6,608,212	10,209,195
BBB+~B-	84,026	2,900,640
Not rating	<u>17,720,070</u>	<u>14,849,078</u>
Total	<u><u>98,597,038</u></u>	<u><u>79,513,048</u></u>



## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – *continued*

In this year, the debt instruments at fair value through other comprehensive income with gross carrying amount of RMB412.30 million was transferred from Stage 2 to Stage 3, and the corresponding impairment allowance was RMB86.24 million. Other transfers among stages were not significant.

As at 31 December 2019, the provision of debt instruments at fair value through other comprehensive income classified within Stage 1, Stage 2 and Stage 3 were RMB151.44 million, RMB1.78 million and RMB300.53 million (As at 31 December 2018: RMB121.05 million, RMB86.24 million, and RMB26.54 million).

Fair values of the Group's debt instruments at fair value through other comprehensive income ("FVTOCI") are determined in the manner described in note 69.

## 29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
China Securities Finance Co., Ltd. <sup>(i)</sup>	10,572,875	10,070,729
Jilin Aodong Pharmaceutical Group Co., Ltd.	715,956	624,999
E-Capital Transfer Co., Ltd.	80,000	80,000
Others	17,223	18,282
	<u>11,386,054</u>	<u>10,794,010</u>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(ii)</sup>	715,956	624,999
Unlisted	10,670,098	10,169,011
	<u>11,386,054</u>	<u>10,794,010</u>

(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 (31 December 2018: 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.



**29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME –**  
*continued*

The above equity instruments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2019, the Group received dividends in the amounts of RMB676.88 million and RMB8.66 million from China Securities Finance Co., Ltd. and Jilin Aodong Pharmaceutical Group Co., Ltd., respectively.

As at 31 December 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 with a total fair value of RMB0.04 million (31 December 2018: 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 69.



### 30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
At fair value through profit or loss <sup>(i)</sup> :		
Listed equity securities	420,997	96,340
Unlisted equity instruments	5,666,524	5,087,588
Funds	307,226	216,063
Collective trust	–	1,459
Convertible debt instruments	73,580	30,000
Convertible preference shares	176,172	–
Asset management schemes launched by securities companies <sup>(ii),(iii)</sup>	176,986	1,005,158
	<u>6,821,485</u>	<u>6,436,608</u>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(iv)</sup>	420,997	96,340
Unlisted <sup>(v)</sup>	6,400,488	6,340,268
	<u>6,821,485</u>	<u>6,436,608</u>
<b>Current</b>		
At fair value through profit or loss <sup>(i)</sup> :		
Debt securities	29,353,195	38,131,324
Listed equity securities	6,166,542	6,344,353
Funds	28,830,953	22,382,302
Convertible debt instruments	162,000	258,722
Asset management schemes launched by securities companies <sup>(ii),(iii)</sup>	3,198,710	9,904,935
Collective trust	8,939	261,964
Wealth management products launched by banks <sup>(iii)</sup>	5,640,364	950,347
Other investments <sup>(iii)</sup>	552,529	2,898,719
Redeemable convertible preference shares	178,455	544,722
	<u>74,091,687</u>	<u>81,677,388</u>
<b>Analysed as:</b>		
Listed in Hong Kong	515,982	1,013,025
Listed outside Hong Kong <sup>(iv)</sup>	17,770,060	22,549,524
Unlisted <sup>(v)</sup>	55,805,645	58,114,839
	<u>74,091,687</u>	<u>81,677,388</u>
<b>Total</b>	<u>80,913,172</u>	<u>88,113,996</u>





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

As at 31 December 2019, the listed equity securities of the Group included approximately RMB1,128.42 million (31 December 2018: RMB408.14 million) of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of them within the specified period.

As at 31 December 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 (including equity securities and exchange traded funds) with a total fair value of RMB276.96 million (31 December 2018: RMB445.91 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair value of the Group's financial assets at fair value through profit or loss is determined in the manner described in note 69.

- (i) During the year, the Group classified the following financial assets at fair value through profit or loss: debt instruments that do not qualify for measurement at either amortised cost or FVTOCI; equity instruments that are held for trading, and equity instruments for which the Group has not elected to recognise fair value gains and losses through OCI.
- (ii) The Group has committed to hold some of its investments in asset management schemes launched and managed by the Group for specified periods or till the end of the investment period, the amount of which was RMB1,104.23 million as at 31 December 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 interests in these asset management schemes managed by the Group are not individually significant.
- (iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.
- (v) Unlisted securities mainly comprise unlisted funds, debt securities traded on the Interbank Bond Market, unlisted equity instruments, convertible debt instruments, exchangeable debt instruments, redeemable convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.



### 31. ADVANCES TO CUSTOMERS

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
Restricted equity incentive financing	524	171,298
Less: Allowance for ECLs	3	581
	<u>521</u>	<u>170,717</u>
<b>Current</b>		
Loans to margin clients (Note)	54,951,893	45,051,309
Restricted equity incentive financing	111,212	282,237
Less: Allowance for ECLs	276,167	148,957
	<u>54,786,938</u>	<u>45,184,589</u>
<b>Total</b>	<u><b>54,787,459</b></u>	<u><b>45,355,306</b></u>

Note: At the end of the reporting period, there was a margin loan of which the listed securities pledged as collateral were judicially frozen. As at 31 December 2019, the carrying amount of the margin loan amounted to HK\$503 million (approximately RMB451 million) and the market value of the listed securities pledged as collateral was approximately HK\$1,345 million (approximately RMB1,205 million).

The judicial freeze applied on the collateral has an unspecified expiry date. This margin loan is classified under stage 3 and in assessing the ECL impairment, management has, based on the current circumstances and available information, as well as a legal opinion from an external legal counsel, considered the recoverability of the collateral in various scenarios and applied a probability-weighted method in assessing the ECL allowance as at 31 December 2019. A life-time ECL impairment of HK\$16 million (approximately RMB14 million) was provided in the financial statements as at 31 December 2019.

Pursuant to the margin financing agreement and the opinion from the external legal counsel, the Company has the pledging rights over the collateral and the interest on the collateral. The Company will proactively take measures to recover the margin loan, including but not limited to, seeking a variation of the frozen collateral from the court. It is not possible to predict whether the court will lift the judicial freeze and if they do so when this would occur. The extent of the amount of future losses depends on the on-going development of the matter.

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

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
At beginning of year	149,538	146,149
Impairment losses for the year	122,471	(3,506)
Effect of foreign currency exchange differences	4,161	6,895
<b>At end of year</b>	<u><b>276,170</b></u>	<u><b>149,538</b></u>



### 31. ADVANCES TO CUSTOMERS – *continued*

In this year, the advances to customers with gross carrying amount of RMB729.64 million was transferred from Stage 1 to Stage 3, and the corresponding impairment allowance was RMB4.65 million. The gross carrying amount of advances to customers transferred from Stage 2 to Stage 3 was RMB328.75 million, with a corresponding impairment allowance of nil. Other transfers among stages were not significant.

As at 31 December 2019, the provision of advances to customers classified within Stage 1, Stage 2 and Stage 3 were RMB34.30 million, RMB0.54 million and RMB241.33 million (As at 31 December 2018: RMB53.07 million, RMB17.19 million, RMB79.27 million).

The credit facility limits to margin clients and restricted equity incentive financing clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients and restricted equity incentive financing clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 47 are interest-bearing. The Group maintains a list of approved stocks at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call where the customers have to make up the difference.

Advances to customers as at 31 December 2019 were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with an undiscounted market value of approximately RMB194,681.62 million (31 December 2018: RMB140,752.04 million).

There were 22 impaired debts for the year ended 31 December 2019 (2018: 38), and after the force sale, the amount of uncollected principal and accrued interest were approximately RMB62.20 million (31 December 2018: RMB66.91 million) which had been reclassified as accounts receivable and was fully impaired.

The concentration of credit risk is limited due to the size and uncorrelated nature of the customer base.

As at 31 December 2019 and 2018, the overall advances to customers have been assessed for impairment on a forward-looking approach in accordance with the policies as set out in note 3.

## 32. ACCOUNTS RECEIVABLE

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
Accounts receivable from/related to:		
<b>Current</b>		
Commission and fee	1,184,085	966,370
Brokers	509,607	2,672,693
Cash clients	146,082	245,679
Clearing house	134,299	10,518
Others	537,262	486,328
Less: Allowance for ECLs	168,152	109,695
	<u>2,343,183</u>	<u>4,271,893</u>

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

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Current</b>		
Within 1 year	2,182,537	4,096,967
Between 1 and 2 years	99,037	128,512
Between 2 and 3 years	29,453	18,153
More than 3 years	32,156	28,261
	<u>2,343,183</u>	<u>4,271,893</u>

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

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
At beginning of year	109,695	78,755
Impairment losses for the year	59,241	30,779
Amounts written off as uncollectible	(923)	–
Effect of foreign currency exchange differences	139	161
At end of year	<u>168,152</u>	<u>109,695</u>

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management and most of them were impaired as at 31 December 2019 and 2018.



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

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
Investment prepayments	137,774	—
Receivables arising from sale and leaseback arrangements	204,581	—
Other receivables	9,034	—
Other long-term assets	783,896	—
Less: Allowance for impairment	21,386	—
	<u>1,113,899</u>	<u>—</u>
<b>Current</b>		
Investment prepayments	13,226	—
Receivables arising from sale and leaseback arrangements	322,284	—
Other receivables	475,888	418,932
Others	120,240	353,230
Less: Allowance for impairment	19,809	6,758
	<u>911,829</u>	<u>765,404</u>
<b>Total</b>	<u>2,025,728</u>	<u>765,404</u>

Movements of impairment allowance during the year are as follows:

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
At beginning of year	6,758	6,440
Impairment losses for the year	35,910	635
Amounts written off as uncollectible	(1,485)	(353)
Effect of foreign currency exchange differences	12	36
<b>At end of year</b>	<u>41,195</u>	<u>6,758</u>



### 34. FINANCIAL LEASING RECEIVABLES

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Analysis as:		
Current assets	<b>1,534,797</b>	1,940,896
Non-current assets	<b>1,537,281</b>	2,900,616
	<b><u>3,072,078</u></b>	<u>4,841,512</u>

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

	<b>As at 31.12.2019</b>	
	<b>Minimum lease payments RMB' 000</b>	<b>Present value RMB' 000</b>
Within 1 year (including 1 year)	<b>1,822,895</b>	1,675,139
Between 1 year and 2 years (including 2 years)	<b>1,065,122</b>	983,482
Between 2 and 3 years (including 3 years)	<b>561,777</b>	529,145
Between 3 and 4 years (including 4 years)	<b>92,128</b>	87,801
Total	<b>3,541,922</b>	3,275,567
Less: unrealised finance income	<b>266,355</b>	N/A
Balance of financial leasing receivables	<b>3,275,567</b>	3,275,567
Less: Allowance for ECLs	<b>203,489</b>	203,489
Financial leasing receivables, net	<b><u>3,072,078</u></b>	<u>3,072,078</u>



### 34. FINANCIAL LEASING RECEIVABLES – *continued*

	As at 31.12.2018	
	Minimum lease payments RMB' 000	Present value RMB' 000
Within 1 year	2,180,750	1,964,254
1 to 5 years	<u>3,189,148</u>	<u>2,932,051</u>
Total	5,369,898	4,896,305
Less: unrealised finance income	<u>473,593</u>	N/A
Balance of financial leasing receivables	4,896,305	4,896,305
Less: Allowance for ECLs	<u>54,793</u>	<u>54,793</u>
Financial leasing receivables, net	<u><u>4,841,512</u></u>	<u><u>4,841,512</u></u>

As at 31 December 2019, the effective interest rate ranged from 5% to 17% (31 December 2018: 5% to 13%) per annum.

Movements of ECLs during the year are as follows:

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
At beginning of year	<b>54,793</b>	23,382
Impairment losses for the year	<b><u>148,696</u></b>	<u>31,411</u>
At end of year	<b><u><u>203,489</u></u></b>	<u><u>54,793</u></u>

In this year, the financial leasing receivables with gross carrying amount of RMB291.23 million was transferred from Stage 1 to Stage 2, and the corresponding impairment allowance was RMB16.35 million. The gross carrying amount of financial leasing receivables transferred from Stage 1 to Stage 3 was RMB227.51 million, with a corresponding impairment allowance of RMB3.05 million. The gross carrying amount of financial leasing receivables transferred from Stage 2 to Stage 3 was RMB88.36 million, with a corresponding impairment allowance of RMB1.05 million.

As at 31 December 2019, the provision of financial leasing receivables which were classified within Stage 1, Stage 2 and Stage 3 were RMB25.67 million, RMB47.24 million and RMB130.57 million (As at 31 December 2018: RMB53.74 million, RMB1.05 million and nil).



### 35. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2019, amounts due from associates are unsecured, repayable on demand, and non-interest-bearing. The Group expected that the amounts due from associates can be recovered within one year from the end of the year.

### 36. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
Analysed by collateral type:		
Stocks <sup>(i)</sup>	384,100	5,459,178
Bonds <sup>(ii)</sup>	–	1,132,244
Less: Allowance for ECLs	1,483	35,456
	<u>382,617</u>	<u>6,555,966</u>
Analysed by market:		
Stock exchanges	382,617	5,423,722
Over the counter	–	1,132,244
	<u>382,617</u>	<u>6,555,966</u>
<b>Current</b>		
Analysed by collateral type:		
Stocks <sup>(i)</sup>	11,847,564	17,598,151
Bonds <sup>(ii)</sup>	8,618,448	12,837,825
Less: Allowance for ECLs	160,019	178,873
	<u>20,305,993</u>	<u>30,257,103</u>
Analysed by market:		
Stock exchanges	11,713,374	18,493,017
Interbank bond market	7,663,331	11,621,233
Over the counter	929,288	142,853
	<u>20,305,993</u>	<u>30,257,103</u>



**36. 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 RMB41,677.10 million as at 31 December 2019 (31 December 2018: RMB57,067.78 million).
- (ii) The financial assets (pledged by bond) held under resale agreements are mainly for inter-bank pledged resale agreement and inter-bank outright resale agreement, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB10,361.55 million as at 31 December 2019 (31 December 2018: RMB15,399.66 million).

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

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
At beginning of year	<b>214,329</b>	144,568
Impairment losses for the year	<b>(52,828)</b>	69,372
Effect of foreign currency exchange differences	<b>1</b>	389
At end of year	<b><u>161,502</u></b>	<u>214,329</u>

In this year, the financial assets held under resale agreements with gross carrying amount of RMB496.04 million was transferred from Stage 1 to Stage 2, and the corresponding impairment allowance was RMB5.18 million. The gross carrying amount of financial assets held under resale agreements transferred from Stage 1 to Stage 3 was RMB571.32 million, with a corresponding impairment allowance of RMB10.20 million. Other transfers among stages were not significant.

As at 31 December 2019, the provision of financial assets held under resale agreements classified within Stage 1, Stage 2 and Stage 3 were RMB76.50 million, RMB10.39 million and RMB74.62 million (As at 31 December 2018: RMB122.17 million, RMB47.77 million and RMB44.39 million).

### 37. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31.12.2019			As at 31.12.2018		
	Notional principal amount RMB' 000	Assets RMB' 000	Liabilities RMB' 000	Notional principal amount RMB' 000	Assets RMB' 000	Liabilities RMB' 000
<b>Interest rate derivatives</b>						
– Interest rate swaps	155,320,000	881	647	270,766,027	732,083	8,266
– Standard bond forward	87,252	–	–	19,275	–	–
<b>Currency derivatives</b>						
– Currency swaps	98,504	3,288	–	1,029,333	–	1,886
– Currency forward	7,870	–	44	185,603,707	6,951,384	7,303,396
– Currency options	–	–	–	874,557,544	9,398,485	11,065,236
<b>Equity derivatives</b>						
– Stock index futures <sup>(i)</sup>	3,155,820	26	945	1,994,576	2,789	336
– Over-the-counter options	1,863,985	14,193	–	16,257,044	35,629	42,531
– Structured notes <sup>(ii)</sup>	–	–	20,530	–	–	5,059
– Exchange-traded options	4,823,614	39,392	65,835	1,150,564	20,509	16,810
<b>Credit derivatives</b>						
– Credit default swaps	75,000	892	512	1,233,501	786	727,150
– Credit risk mitigation warrants	20,000	17	–	–	–	–
<b>Others</b>						
– Treasury bond futures <sup>(iii)</sup>	8,911,261	–	15	7,014,521	–	4,241
– Commodity futures <sup>(iii)</sup>	1,745,920	–	–	1,203,844	–	–
– Variance swaps	–	–	–	62,810,904	393,059	574,568
– Others	4,141,477	13,672	112,637	17,267,974	1,931	129,549
<b>Total</b>	<b>180,250,703</b>	<b>72,361</b>	<b>201,165</b>	<b>1,440,908,814</b>	<b>17,536,655</b>	<b>19,879,028</b>



### 37. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

- (i) Stock index futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC stock index futures (including the "PRC SIF", "PRC SIH" and "PRC SIC") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2019 and 31 December 2018. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the year end date. Balances as at 31 December 2019 were the unrealised profits and losses from stock index futures in United States, Hong Kong, Japan, Korea and Singapore.

Details of the Group's PRC stock index futures are set out below:

	As at 31 December			
	2019		2018	
	Notional principal amounts RMB' 000	Fair value RMB' 000	Notional principal amounts RMB' 000	Fair value RMB' 000
PRC SIF	1,724,767	(26,307)	832,689	40,735
PRC SIH	599,349	(9)	249,879	(295)
PRC SIC	765,916	(4,695)	451,741	19,917
Less: Settlement		(31,011)		60,356
Net position of PRC stock index future contracts		<u>–</u>		<u>–</u>

- (ii) The amount represents the fair value of embedded derivatives of structured notes, details of which are set out in notes 44 and 53.
- (iii) Treasury bond futures and commodity futures in the PRC: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's onshore position in treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2019 and 31 December 2018. Accordingly, the net onshore position of the treasury bond future contracts and commodity future contracts was nil at the year-end dates. Balances as at 31 December 2019 were the unrealised losses from treasury bond futures in Hong Kong.

Details of the Group's treasury bond futures and commodity futures are set out below:

	As at 31 December			
	2019		2018	
	Notional principal amounts RMB' 000	Fair value RMB' 000	Notional principal amounts RMB' 000	Fair value RMB' 000
Treasury bond futures	8,911,261	4,934	7,014,521	4,933
Commodity futures	1,745,920	2,741	1,203,844	950
Less: Settlement		7,690		10,124
Net position of treasury bond futures contracts and commodity futures contracts		<u>(15)</u>		<u>(4,241)</u>



### 38. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
Deposits with stock exchanges:		
Shanghai Stock Exchange	608,913	358,256
Shenzhen Stock Exchange	197,982	110,524
Hong Kong Stock Exchange	20,320	19,049
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	204,049	247,850
Shanghai Futures Exchange	1,155,451	919,387
Zhengzhou Commodity Exchange	239,992	404,671
Dalian Commodity Exchange	660,977	498,975
China Financial Futures Exchange	1,946,273	1,069,793
Intercontinental Exchange, Inc.	254,392	406,899
China Securities Finance Corporation Limited	104,072	295,638
Shanghai Clearing House	169,358	121,429
Guarantee fund paid to China Financial Futures Exchange	20,127	20,116
LME Clear Limited	572,748	747,662
Brokers	462,674	1,031,166
Shanghai International Energy Exchange Co., Ltd.	19,947	30,549
Others	9,045	3,034
<b>Total</b>	<b>6,646,320</b>	<b>6,284,998</b>

### 39. CLEARING SETTLEMENT FUNDS

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
Clearing settlement funds held with clearing houses for:		
House accounts	2,460,234	2,165,444
Clients	17,088,248	15,734,443
	<b>19,548,482</b>	<b>17,899,887</b>

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



#### 40. BANK BALANCES

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
Bank balances:		
House accounts	22,341,547	20,920,824
Cash held on behalf of customers <sup>(i)</sup>	58,365,641	39,515,214
	<u>80,707,188</u>	<u>60,436,038</u>

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

As at 31 December 2019, the Group's bank balances of RMB2,233.22 million were restricted.

- (i) The Group maintain accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 47).

#### 41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
Bank balances – house	18,843,915	19,121,189
Clearing settlement funds – house	2,458,697	2,164,390
	<u>21,302,612</u>	<u>21,285,579</u>

## 42. 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:

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Deferred tax assets	<b>1,058,688</b>	1,085,526
Deferred tax liabilities	<b>(281,428)</b>	(138,467)
	<b><u>777,260</u></b>	<u>947,059</u>

The following are the major deferred tax assets/liabilities recognised and movements thereon during the current 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	(244,443)	(456,558)	919,191	111,517	(19,133)	56,433	367,007
Charge/(credit) to profit or loss (Note 17)	520,079	27,158	(283,566)	38,612	984	13,865	317,132
Charge/(credit) to other comprehensive income	(5,092)	286,065	-	-	-	(18,053)	262,920
At 31 December 2018	<u>270,544</u>	<u>(143,335)</u>	<u>635,625</u>	<u>150,129</u>	<u>(18,149)</u>	<u>52,245</u>	<u>947,059</u>
Charge/(credit) to profit or loss (Note 17)	<b>(328,699)</b>	<b>60,772</b>	<b>154,394</b>	<b>59,013</b>	<b>983</b>	<b>40,982</b>	<b>(12,555)</b>
Charge/(credit) to other comprehensive income	<b>563</b>	<b>(155,369)</b>	<b>-</b>	<b>(148)</b>	<b>-</b>	<b>(2,290)</b>	<b>(157,244)</b>
At 31 December 2019	<b><u>(57,592)</u></b>	<b><u>(237,932)</u></b>	<b><u>790,019</u></b>	<b><u>208,994</u></b>	<b><u>(17,166)</u></b>	<b><u>90,937</u></b>	<b><u>777,260</u></b>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

As at 31 December 2019, the Group has unused tax losses of approximately RMB1,755.56 million (31 December 2018: RMB1,341.69 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. Most of these tax losses may be carried forward indefinitely.



#### 43. BORROWINGS

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Secured short-term bank loans <sup>(i)</sup>	<b>134,523</b>	679,001
Unsecured short-term bank loans <sup>(ii)</sup>	<b>903,490</b>	4,825,514
<b>Total</b>	<b><u>1,038,013</u></b>	<b><u>5,504,515</u></b>

- (i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 31 December 2019, the total market value of securities pledged amounted to RMB2,204.28 million (31 December 2018: RMB3,592.38 million) and the credit facilities utilised amounted to RMB89.45 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 a short-term loan amounting to RMB45.08 million (31 December 2018: RMB388.42 million) secured by rights and interests in financial leasing receivables. The loan bears fixed interest rate of 6.10% (31 December 2018: 6.00% to 7.00%).

- (ii) As at 31 December 2019, the Group's unsecured short-term bank loans bear fixed interest rates ranging from 4.35% to 6.35% (31 December 2018: 5.66% to 6.96%), or variable interest rates ranging from LIBOR+1.30% to LIBOR+1.65% (31 December 2018: HIBOR+1.30% to HIBOR+1.65% or LIBOR+1.30%).

The principal amount of the group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>HKD RMB' 000</b>	<b>USD RMB' 000</b>
As at 31 December 2019	73,456	621,719
As at 31 December 2018	87,620	4,615,502



#### 44. SHORT-TERM FINANCING PAYABLES

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Unsecured and unguaranteed:		
Short-term bonds	–	19,552,041
Short-term financing bills (Note 1)	<b>6,031,421</b>	–
Structured notes (Note 2)	<b>8,849,252</b>	4,497,699
<b>Total</b>	<b><u>14,880,673</u></b>	<b><u>24,049,740</u></b>

Note 1: Short-term financing bills

The details of short-term financing bills as at 31 December 2019 are as follows:

Name	Issue amount RMB' 000	Value date	Maturity date	Coupon rate
19GFCP006	2,999,852	15/10/2019	13/01/2020	2.85%
19GFCP007	2,999,852	08/11/2019	06/02/2020	3.00%

Note 2: Structured notes

The amount included principals received from investors for subscription of structured notes issued by the Company and accrued interest. The structured notes bear fixed rate interest or variable rate linked to certain stock index. The principals and interests are repayable upon maturity within one year. The structured notes with variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of stock index. For those embedded derivatives, they are accounted for in the consolidated financial statements after being bifurcated from their respective host contracts.





#### 45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
Equity return swaps	<u>597,676</u>	<u>459,530</u>
Analysed as:		
Unlisted	<u>597,676</u>	<u>459,530</u>
<b>Current</b>		
Bonds	652,350	–
Stocks	–	107,976
	<u>652,350</u>	<u>107,976</u>
Analysed as:		
Listed in Hong Kong	–	76,451
Listed outside Hong Kong	–	31,525
Unlisted	<u>652,350</u>	–
	<u>652,350</u>	<u>107,976</u>
<b>Total</b>	<u><b>1,250,026</b></u>	<u><b>567,506</b></u>

Fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 69.

#### 46. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Due to banks and other financial institutions	<u>2,984,030</u>	<u>11,667,619</u>

As at 31 December 2019, the effective interest rates on due to banks ranged from 2.72% to 3.10% (31 December 2018: 2.89% to 5.80%) per annum. Included in the balance was an amount of RMB683.25 million (31 December 2018: RMB113.07 million) which was secured by the Group's securities amounting to RMB805.96 million as at 31 December 2019 (31 December 2018: RMB232.74 million).



#### 47. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group respectively, and are interest-bearing at the prevailing market interest rate.

As at 31 December 2019, accounts payable to brokerage clients of approximately RMB6,379.76 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.

#### 48. ACCRUED STAFF COSTS

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
Other long-term benefits	<u>2,482,112</u>	<u>2,245,763</u>
<b>Current</b>		
Salaries, bonus and allowances	3,508,909	2,797,430
Short-term social welfare	866	934
Defined contribution plans <sup>(i)</sup>	47,985	3,630
Others	<u>56,576</u>	<u>45,695</u>
	<u>3,614,336</u>	<u>2,847,689</u>
<b>Total</b>	<u><u>6,096,448</u></u>	<u><u>5,093,452</u></u>

(i) The defined contribution plans refer to the social pension insurance plan and the unemployment insurance plan required by the government, and the annuity schemes launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the Group sets up the annuity schemes and Mandatory Provident Fund Scheme for qualified employees in Mainland China and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis. Except for the amounts contributed, the Group will assume no further payment obligations. The amounts accrued have been paid in subsequent periods.



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

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
Deposits of financial leasing business	<u>96,430</u>	<u>124,615</u>
<b>Current</b>		
Interest payable	52,102	15,585
Payables for open-ended fund clearing and other clearing	712,385	2,065,064
Payable to R&F <sup>(i)</sup>	732,993	692,518
Other taxes	363,357	400,858
Commission payable and related accrued expenses for the sale of funds	307,108	418,621
Accrued expenses	151,694	134,889
Futures risk reserve	139,217	128,935
Block trade deposits	100,000	100,000
Fund risk reserve	156,672	136,508
Payables for property and equipment purchases	356,228	54,871
Payables for securities investor protection fund and futures investor protection fund	30,024	37,152
Project quality deposits <sup>(ii)</sup>	40,000	40,000
Deposits of equity return swaps	30,046	170,220
Others <sup>(iii)</sup>	<u>591,321</u>	<u>387,839</u>
	<u>3,763,147</u>	<u>4,783,060</u>
<b>Total</b>	<u><u>3,859,577</u></u>	<u><u>4,907,675</u></u>

- (i) The balance represents the construction expenditure of GF Securities Tower which was paid by Guangzhou R&F Properties Corporation Co., Ltd. ("R&F") on behalf of the Company.
- (ii) The balances represent the project quality deposits from R&F which is the construction agent of the GF Securities Tower, to ensure the construction quality of the GF Securities Tower.
- (iii) Others represent primarily other accounts payable and accrued operating expenses which are non-interest bearing and are repayable within one year.



## 50. PROVISIONS

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
At beginning of the year	33,360	33,360
Addition of provision (Note)	<u>414,161</u>	<u>–</u>
At end of the year	<u><b>447,521</b></u>	<u>33,360</u>

Note: Please refer to note 14 for more details.

## 51. OTHER LIABILITIES

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
<b>Non-current</b>		
Third-party interests in consolidated structured entities	<u>796,891</u>	<u>491,147</u>
<b>Current</b>		
Third-party interests in consolidated structured entities	<u>5,704,495</u>	<u>8,639,515</u>
Total	<u><b>6,501,386</b></u>	<u>9,130,662</u>

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

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

As at 31 December 2019 and 2018, the balances of payables to priority tranche holders of structured entities were RMB4,609.18 million and RMB7,764.31 million, respectively.



## 52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Current</b>		
Analysed by collateral type:		
Bonds <sup>(i)</sup>	89,281,817	84,470,267
Rights and interests in financial leasing receivables	–	41,368
Gold leasing <sup>(ii)</sup>	5,639,804	1,121,149
Others	474,800	361,016
	<u>95,396,421</u>	<u>85,993,800</u>
Analysed by market:		
Stock exchanges	35,249,722	36,832,312
Interbank bond market	52,235,859	46,109,597
Shanghai gold exchange	5,639,804	1,221,982
Over the counter	2,271,036	1,829,909
	<u>95,396,421</u>	<u>85,993,800</u>
<b>Total</b>	<u>95,396,421</u>	<u>85,993,800</u>

- (i) As at 31 December 2019, included in the balance was an amount of RMB9,122.34 million (31 December 2018: RMB20,911.13 million) which was secured by bonds borrowed from the interbank bond market, which were not recognised in the consolidated financial statements as it is the banks rather than the Group that are subject to all the risks and returns of the bonds, and the fair value of such bonds was RMB10,096.17 million (31 December 2018: RMB22,384.38 million).
- (ii) As at 31 December 2019, the fair value of gold transferred, which was from leasing and is not recognised in the consolidated financial statements, was RMB6,645.60 million (31 December 2018: RMB1,138.40 million).

Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in note 60.



### 53. BONDS PAYABLE

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
Unsecured and unguaranteed:		
<b>Non-current</b>		
Corporate bonds (Note 1)	36,648,285	33,887,271
Subordinated bonds (Note 1)	8,600,000	8,100,000
Structured notes (Note 2)	81,949	2,335,536
Financial bond (Note 1)	4,995,739	–
	<u>50,325,973</u>	<u>44,322,807</u>
<b>Current</b>		
Corporate bonds (Note 1)	20,000,715	6,883,144
Subordinated bonds (Note 1)	3,721,924	15,267,968
Structured notes (Note 2)	8,550,485	2,223,135
Financial bond (Note 1)	80,556	–
	<u>32,353,680</u>	<u>24,374,247</u>
Total	<u>82,679,653</u>	<u>68,697,054</u>

**53. BONDS PAYABLE – continued**

Note 1: Details of the bonds as of 31 December 2019 are as follows:

<b>Name</b>	<b>Issue amount</b> RMB' 000	<b>Value date</b>	<b>Maturity date</b>	<b>Coupon rate</b>
Corporate bonds				
13GF03	8,983,700	17/06/2013	17/06/2023	5.10%
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%
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%
Subordinated bonds				
17GFC1	3,500,000	20/10/2017	20/10/2020	5.09%
18GFC1	4,600,000	09/11/2018	09/11/2021	4.40%
19GFC1	4,000,000	21/01/2019	21/01/2022	4.15%
Financial bond				
19GFF01	4,995,000	23/07/2019	23/07/2022	3.63%

Note 2: Structured notes

The amounts included principals received from investors for subscription of structured notes issued by the Company and accrued interest. As at 31 December 2019, the undue structured notes bear interest at fixed interest rates ranging from 3.40% to 5.10% per annum (31 December 2018: 4.00% to 5.10%). Structured notes maturing within one year as at 31 December 2019 amounting to RMB8,550.49 million (31 December 2018: RMB2,223.14 million) are classified under current liabilities.



## 54. LONG-TERM LOANS

	<b>As at 31.12.2019 RMB' 000</b>	<b>As at 31.12.2018 RMB' 000</b>
<b>Non-current</b>		
Unsecured long-term loans <sup>(i)</sup>	1,309,717	435,686
Secured long-term loans <sup>(ii)</sup>	<u>716,059</u>	<u>1,541,628</u>
	<u><b>2,025,776</b></u>	<u><b>1,977,314</b></u>
<b>Current</b>		
Unsecured long-term loans <sup>(i)</sup>	147,786	2,356,248
Secured long-term loans <sup>(ii)</sup>	<u>1,359,800</u>	<u>1,139,084</u>
	<u><b>1,507,586</b></u>	<u><b>3,495,332</b></u>
<b>Total</b>	<u><b>3,533,362</b></u>	<u><b>5,472,646</b></u>

- (i) As at 31 December 2019, the syndicated loan amounting to RMB1,084.40 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 two years. The remaining unsecured loans amounted to RMB373.11 million (31 December 2018: RMB688.05 million). The loans bear interest at fixed interest rates from 4.85% to 7.25% (31 December 2018: 4.75% to 7.25%) per annum, with principals amounting to RMB144.56 million (31 December 2018: RMB248.31 million) due within one year, principals amounting to RMB161.90 million (31 December 2018: RMB204.56 million) due within two years, and the remaining due within five years.
- (ii) As at 31 December 2019, the long-term loans amounting to RMB2,075.86 million (31 December 2018: RMB2,680.71 million) are secured by rights and interests in financial leasing receivables. The loans bear interest at fixed interest rates ranging from 4.75% to 7.36% (31 December 2018: 4.75% to 7.36%) per annum, with principals amounting to RMB1,346.90 million (31 December 2018: RMB1,123.76 million) due within one year, principals amounting to RMB544.06 million (31 December 2018: RMB1,157.26 million) due within two years, and the remaining due within five years.





## 55. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31.12.2019	As at 31.12.2018
Number of registered, issued and fully paid ordinary shares of RMB1 each (in thousands):		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>
Share capital (in RMB' 000)		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>

## 56. INVESTMENT REVALUATION RESERVE

The movements of investment revaluation reserve of the Group are set out below:

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
At beginning of the year	387,203	1,592,915
Equity instruments at fair value through other comprehensive income		
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	592,044	(1,723,563)
Income tax impact	(148,276)	429,682
Debt instruments at fair value through other comprehensive income		
Net fair value changes during the year	91,164	367,805
Reclassification to profit or loss	(121,965)	(112,420)
Changes in allowance for expected credit losses	218,779	137,151
Income tax impact	(7,253)	(143,057)
Share of fair value gains/(losses) on financial assets of associates and joint ventures	128,205	(161,310)
At end of the year	<u>1,139,901</u>	<u>387,203</u>



## 57. GENERAL RESERVES

General reserves comprise the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalisation. If the statutory reserve is capitalised into share capital, the remaining reserve is required to be no less than 25% of the Company's registered capital before capitalisation.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk; and in accordance with *Interim Measures for the Supervision and Administration of Risk Reserve of the Public Offering of Securities Investment Fund*, the Company, as a custodian of securities investment fund, is required to appropriate no less than 2.50% of fund custodian revenue as reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve, the reserve for general risk and the transaction risk reserve.

The movements of general reserves of the Group are set out below:

### As at 31 December 2019

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	5,582,392	592,939	6,175,331
Discretionary reserve	169,428	–	169,428
Reserve for general risk	6,897,540	1,110,290	8,007,830
Transaction risk reserve	6,165,518	691,139	6,856,657
	<u>18,814,878</u>	<u>2,394,368</u>	<u>21,209,246</u>

**57. GENERAL RESERVES – continued****As at 31 December 2018**

	Opening	Addition	Closing
	RMB' 000	RMB' 000	RMB' 000
Statutory reserve	5,191,169	391,223	5,582,392
Discretionary reserve	169,428	–	169,428
Reserve for general risk	6,312,708	584,832	6,897,540
Transaction risk reserve	5,682,599	482,919	6,165,518
	<u>17,355,904</u>	<u>1,458,974</u>	<u>18,814,878</u>

**58. RETAINED PROFITS**

The movements of retained profits of the Group are set out below:

	<b>As at</b>	As at
	<b>31.12.2019</b>	31.12.2018
	<b>RMB' 000</b>	RMB' 000
At beginning of the year	<b>26,035,215</b>	26,242,498
Profit for the year	<b>7,538,921</b>	4,300,126
Appropriation to general reserve	<b>(2,394,368)</b>	(1,458,974)
Dividends recognised as distribution	<b>(1,524,217)</b>	(3,048,435)
At end of the year	<u><b>29,655,551</b></u>	<u>26,035,215</u>



## 59. DIVIDENDS

	<b>As at 31.12.2019 RMB'000</b>	As at 31.12.2018 RMB'000
Dividends recognised as distribution	<u><b>1,524,217</b></u>	<u>3,048,435</u>

Pursuant to the resolution of the first extraordinary shareholders meeting held on 22 October 2019. The Company distributed cash dividends of RMB2.0 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB1.52 billion in total for the period ended 30 June 2019.

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.

## 60. TRANSFER OF FINANCIAL ASSETS

### Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells securities, rights and interests in financial leasing receivables (collectively as “the transferred assets”) and simultaneously agrees to repurchase them (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of the transferred assets. The transferred assets are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of the transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights of the cash flows of the transferred assets, it does not have the ability to use the transferred assets during the term of the arrangements.



## 60. TRANSFER OF FINANCIAL ASSETS – *continued*

### Repurchase agreements – *continued*

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

#### As at 31 December 2019

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at amortised cost RMB' 000	Debt instruments at fair value through other comprehensive income RMB' 000	Financial assets held under resale arrangements RMB' 000	Total RMB' 000
Carrying amount of transferred assets	9,939,521	800,522	75,408,262	1,495,449	87,643,754
Carrying amount of associated liabilities	8,674,158	803,595	70,019,766	1,136,758	80,634,277
Net position	<u>1,265,363</u>	<u>(3,073)</u>	<u>5,388,496</u>	<u>358,691</u>	<u>7,009,477</u>

#### As at 31 December 2018

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at amortised cost RMB' 000	Debt instruments at fair value through other comprehensive income RMB' 000	Financial assets held under resale arrangements RMB' 000	Financial leasing receivables RMB' 000	Total RMB' 000
Carrying amount of transferred assets	11,974,739	3,706,877	51,322,079	2,033,255	59,466	69,096,416
Carrying amount of associated liabilities	10,615,781	3,644,011	48,029,974	1,529,556	41,368	63,860,690
Net position	<u>1,358,958</u>	<u>62,866</u>	<u>3,292,105</u>	<u>503,699</u>	<u>18,098</u>	<u>5,235,726</u>

### Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss with carrying amount totalling RMB276.96 million as at 31 December 2019 (31 December 2018: RMB445.91 million), equity instruments at fair value through other comprehensive income with carrying amount totalling RMB0.04 million as at 31 December 2019 (31 December 2018: RMB0.14 million), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore have not derecognised these securities in the consolidated financial statements.



**60. TRANSFER OF FINANCIAL ASSETS – continued**

**Securities borrowing from banks**

As at 31 December 2019 and 2018, the type and fair values of securities borrowed from banks through inter-bank securities market trading platform are as follows:

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Type of securities		
Government bonds	<b>7,997,548</b>	15,854,607
Financial bond	<b>3,906,587</b>	527,071
Local government bonds	–	7,056,683
	<b><u>11,904,135</u></b>	<u>23,438,361</u>

As at 31 December 2019 and 2018, the above securities were due to return to banks before 13 March 2020 and 23 January 2019, respectively.

In order to borrow the securities mentioned above from banks, the Group has pledged its assets to banks, the type and fair values of assets pledged to banks as at 31 December 2019 and 2018 are as follows:

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Type of assets		
Debt instruments at fair value through other comprehensive income	<b>4,060,665</b>	11,615,617
Financial assets at fair value through profit or loss	<b>4,181,260</b>	3,561,104
Financial assets at amortised cost	<b>112,309</b>	379,257
Financial assets held under resale agreements	<b>237,252</b>	799,655
	<b><u>8,591,486</u></b>	<u>16,355,633</u>



## 61. CAPITAL COMMITMENTS

	<b>As at 31 12 2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	<b><u>52,430</u></b>	<u>606,975</u>

## 62. OPERATING LEASE COMMITMENTS

### The Group as lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31.12.2018 RMB' 000
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>

### The Group as lessor

In 2019 and 2018, the Group did not have material lease commitments as lessor.



### 63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year is as follows:

For the year ended 31 December 2019

Name	Directors'	Salaries	Employer's	Bonuses	Total <sup>(i)</sup>
	fees	and	contribution		
	RMB' 000	allowances	to pension	RMB' 000	RMB' 000
		RMB' 000	schemes		
			RMB' 000		
<b>A) EXECUTIVE DIRECTORS:</b>					
Sun Shuming	–	1,356	30	612	1,998
Lin Zhihai	–	1,298	39	600	1,937
Qin Li	–	1,271	40	720	2,031
Sun Xiaoyan	–	1,198	40	756	1,994
Subtotal	–	5,123	149	2,688	7,960

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Directors'	Salaries	Employer's	Bonuses	Total <sup>(i)</sup>
	fees	and	contribution		
	RMB' 000	allowances	to pension	RMB' 000	RMB' 000
		RMB' 000	schemes		
			RMB' 000		
<b>B) NON-EXECUTIVE DIRECTORS:</b>					
Shang Shuzhi	180	–	–	–	180
Li Xiulin	180	–	–	–	180
Liu Xuetao	105	–	–	–	105
Subtotal	465	–	–	–	465

The non-executive directors' emoluments shown above were for their services as directors of the Company.





63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2019 – *continued*

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>C) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>					
Yang Xiong	270	–	–	–	270
Tang Xin	270	–	–	–	270
Chan Kalok	270	–	–	–	270
Fan Lifu <sup>(ii)</sup>	270	–	–	–	270
Subtotal	<u>1,080</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,080</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>D) SUPERVISORS:</b>					
Zhang Shaohua	–	1,049	38	828	1,915
Cheng Huaiyuan	–	644	33	2,876	3,553
TanYue	150	–	–	–	150
Gu Naikang	150	–	–	–	150
Lan Hailin <sup>(iii)</sup>	150	–	–	–	150
Subtotal	<u>450</u>	<u>1,693</u>	<u>71</u>	<u>3,704</u>	<u>5,918</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.

### 63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2018

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>A) EXECUTIVE DIRECTORS:</b>					
Sun Shuming	–	1,685	66	16,832	18,583
Lin Zhihai	–	1,851	88	15,106	17,045
Qin Li	–	1,517	92	13,559	15,168
Sun Xiaoyan	–	1,431	92	12,582	14,105
Subtotal	–	6,484	338	58,079	64,901

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>B) NON-EXECUTIVE DIRECTORS:</b>					
Shang Shuzhi	180	–	–	–	180
Li Xiulin	180	–	–	–	180
Liu Xuetao	180	–	–	–	180
Subtotal	540	–	–	–	540

The non-executive directors' emoluments shown above were for their services as directors of the Company.



**63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued**

For the year ended 31 December 2018 – continued

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>C) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>					
Yang Xiong	270	–	–	–	270
Tang Xin	270	–	–	–	270
Chan Kalok	270	–	–	–	270
Li Yanxi <sup>(v)</sup>	270	–	–	–	270
Fan Lifu <sup>(iii)</sup>	23	–	–	–	23
Subtotal	<u>1,103</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,103</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>D) SUPERVISORS:</b>					
Zhang Shaohua	–	1,091	80	5,412	6,583
Cheng Huaiyuan	–	739	75	2,694	3,508
Tan Yue	150	–	–	–	150
Gu Naikang	150	–	–	–	150
Lan Hailin <sup>(iii)</sup>	13	–	–	–	13
Subtotal	<u>313</u>	<u>1,830</u>	<u>155</u>	<u>8,106</u>	<u>10,404</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.



### 63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

During the year ended 31 December 2019, no directors or supervisors of the Company waived any emoluments and during the year ended 31 December 2018, Zhan Lingzhi, the supervisor of the Company agreed to waive remuneration before tax of RMB100 thousand.

During the years ended 31 December 2019 and 31 December 2018, no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

- (i) The Company did not have any share option scheme during the years ended 31 December 2019 and 31 December 2018.
- (ii) Fan Lifu was appointed as independent non-executive director in November 2018.
- (iii) Lan Hailin was appointed as supervisor in December 2018.
- (iv) Zhan Lingzhi resigned as supervisor in August 2018.
- (v) Li Yanxi resigned as independent non-executive director in November 2018.

### 64. FIVE HIGHEST PAID EMPLOYEES

No directors (2018: four directors) are included in the five highest paid employees during the year and the details of directors' remuneration are set out in note 63 above. Details of the remuneration for the year of the five (2018: the remaining one) highest paid employees who is neither a director nor chief executive of the Company are as follows:

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
Basic salaries and allowances	<b>4,714</b>	558
Bonuses	<b>45,991</b>	30,960
Employer's contribution to pension schemes	<b>142</b>	92
	<b><u>50,847</u></b>	<u>31,610</u>

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2019 and 31 December 2018.

There are five (2018 : one) highest paid employees who are not director nor supervisor of the Company, among which, no (2018: one) employee's remuneration is more than HKD25.00 million and five (2018: no) employees are below HKD25.00 million. The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows: one between HKD5.00 million to HKD10.00 million, three between HKD10.00 million to HKD15.00 million and one between HKD15.00 million to HKD20.00 million.



## 65. RELATED PARTY TRANSACTIONS

### (1) Shareholders

#### *Holding equity interests in shareholders and their subsidiaries*

	As at 31.12.2019		As at 31.12.2018	
	Number of shares/ bonds '000	Carrying amount RMB'000	Number of shares/ bonds '000	Carrying amount RMB'000
<b>Financial assets at FVTPL – stocks</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	110	1,821	118	1,702
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	1	11	59	613
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	<u>3,975</u>	<u>146,666</u>	<u>4,106</u>	<u>52,512</u>
<b>Financial assets at FVTPL – bonds</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	<u>899</u>	<u>99,301</u>	<u>1,028</u>	<u>98,748</u>
<b>Financial assets at FVTOCI – stocks</b>				
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>715,956</u>	<u>43,312</u>	<u>624,999</u>

\* English names are translated for identification purposes only.

Note: Liaoning Cheng Da Biotechnology Co., Ltd. is a subsidiary of Liaoning Cheng Da Co., Ltd.



**65. RELATED PARTY TRANSACTIONS – continued**

**(1) Shareholders – continued**

*Cash dividends arising from equity interests in shareholders and their subsidiaries*

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.*	<b>8,687</b>	13,029
遼寧成大生物股份有限公司		
– Liaoning Cheng Da Biotechnology Co., Ltd.*	<b>2,289</b>	1,828
遼寧成大股份有限公司		
– Liaoning Cheng Da Co., Ltd.*	<u>–</u>	<u>11</u>

*Transaction with shareholders*

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
<b>Commission and fee income</b>		
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co., Ltd.*	<b>3,605</b>	3,277
遼寧成大生物股份有限公司		
– Liaoning Cheng Da Biotechnology Co., Ltd.*	<b>3,452</b>	–
持有本公司5%以上股份的股東及其子公司		
– Shareholders with subsidiaries holding more than 5% of the company's shares	<u>203</u>	<u>–</u>

*Balance with a shareholder*

	<b>As at</b>	As at
	<b>31.12.2019</b>	31.12.2018
	<b>RMB' 000</b>	RMB' 000
<b>Other receivables</b>		
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.*	<u>–</u>	<u>192</u>

\* English names are translated for identification purposes only.



65. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties

*Transactions with associates/joint ventures*

	2019 RMB' 000	2018 RMB' 000
<b>Commission and fee income</b>		
易方達基金管理有限公司 – E Fund Management Co., Ltd.	21,657	32,270
中證信用增進股份有限公司 – China Securities Credit Investment Co., Ltd.	312	–
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.*	19,227	18,085
珠海廣發信德環保產業投資基金合夥企業(有限合夥) – Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.*	10,894	10,894
珠海廣發信德科技文化產業股權投資基金(有限合夥) – Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.*	10,566	10,566
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.*	4,057	8,395
廣州信德創業營股權投資合夥企業(有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.*	7,547	7,551
廣州廣發信德一期健康產業投資企業(有限合夥) – Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	5,698	5,698
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.*	9,292	4,201
珠海廣發信德高成長現代服務業股權投資企業(有限合夥) – Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P.*	3,656	3,898
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥) – Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	2,736	2,736
珠海廣發信德智能創新升級股權投資基金(有限合夥) – Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.*	3,184	2,190
廣州南鑫珠海港股權投資合夥企業(有限合夥) – Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.*	2,607	1,273
廣東股權交易中心股份有限公司 – Guangdong Equity Exchange Co., Ltd.*	–	96
	–	96

\* English names are translated for identification purposes only.



65. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

*Transactions with associates/joint ventures – continued*

	2019 RMB' 000	2018 RMB' 000
<b>Commission and fee income – <i>continued</i></b>		
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.*	2,830	217
杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥)		
– Hangzhou GF Xinde Pingpang Honghu Equity Investment Fund Partnership L.P.	1,684	–
珠海格金廣發信德智能製造產業投資基金(有限合夥)		
– Zhuhai Gejin Guangfa Xinde Intelligent Manufacturing Industry Investment Fund L.P.	2,292	–
廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥)		
– Guangfa Xinde (Suzhou) Health Industry Venture Capital Partnership L.P.	<u>3,304</u>	<u>–</u>
<b>Interest income</b>		
– GHS Investment Management (Cayman) Company Limited	<u>375</u>	<u>471</u>
<b>Other income and gains or losses</b>		
– Horizon Partners Fund, L.P.	<u>870</u>	<u>837</u>
<b>Interest expenses</b>		
– Global Health Science Fund I, L.P.	319	2,365
– Global Health Science Fund II, L.P.	7,690	2,053
– Horizon Partners Fund, L.P.	162	217
上海樹融數據科技有限公司		
– Shanghai Shurong Data Technology Co., Ltd.	<u>26</u>	<u>–</u>
<b>Other operating expenses</b>		
珠海盈米財富管理有限公司		
– Zhuhai Yingmi Fortune Management Co., Ltd.*	9,760	6,896
廣發鈞策海外投資基金管理(上海)有限公司		
– GF-Persistent Overseas Investment Fund Management (Shanghai) Co., Ltd.*	3,072	3,085
持有本公司5%以上股份的股東及其子公司		
– Shareholders with subsidiaries holding more than 5% of the company's shares	<u>34</u>	<u>–</u>

\* English names are translated for identification purposes only.





65. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

*Balances with associates/joint ventures*

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Commission receivable from exchange trading units and distributing financial products</b>		
易方達基金管理有限公司 – E Fund Management Co., Ltd.	<u>6,357</u>	<u>6,246</u>
<b>Receivables for custodian fee</b>		
易方達基金管理有限公司 – E Fund Management Co., Ltd.	<u>427</u>	<u>442</u>
<b>Receivables for asset and fund management fee income</b>		
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*	4,350	1,450
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*	6,040	–
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.	9,850	–
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.*	–	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.*	<u>–</u>	<u>140</u>
<b>Amount due from an associate – costs and dividends receivables</b>		
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 Environmental Protection Industrial Investment Fund Partnership L.P.	<u>13,482</u>	<u>–</u>
<b>Amounts due from joint ventures – other receivables</b>		
– GHS Investment Management (Cayman) Company Limited	8,745	7,744
– Global Health Science Fund II, L.P.	<u>5,052</u>	<u>–</u>
<b>Amount due from an associate – other receivables</b>		
– Horizon Partners Fund, L.P.	<u>–</u>	<u>13,725</u>

\* English names are translated for identification purposes only.



65. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

*Balances with associates/joint ventures – continued*

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Amounts due to joint ventures – notes payable and interest and other payables</b>		
– Global Health Science Fund II, L.P.	190,972	264,727
– Global Health Science Fund I, L.P.	27	71,126
	<u>          </u>	<u>          </u>
<b>Amounts due to associates – notes payable and interest and other payables</b>		
珠海盈米财富管理有限公司		
– Zhuhai Yingmi Fortune Management Co., Ltd.*	3,525	1,754
– Horizon Partners Fund L.P.	–	3,653
	<u>          </u>	<u>          </u>

(3) Key management personnel

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

	2019 RMB' 000	2018 RMB' 000
Short-term benefits		
– Salaries, allowance and bonuses	167,088	33,030
Post-employment benefits		
– Employer's contribution to pension schemes/annuity schemes	357	839
	<u>          </u>	<u>          </u>
Total	<u>167,445</u>	<u>33,869</u>



## 66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

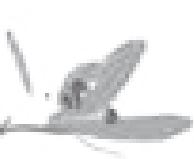
The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on a net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements**

	As at 31 December 2019					
	Gross amounts of financial liabilities set off in the consolidated statement of financial assets	Gross amounts of financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
Type of financial assets	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral received	RMB' 000
Advances to customers	3,048,735	(393,826)	2,654,909	–	(2,654,909)	–
Accounts receivable from clearing houses, brokers and cash clients	1,305,585	(550,265)	755,320	(182,505)	–	572,815
Deposits with exchanges and non-bank financial institutions	15,514,740	(14,599,412)	915,328	(54,605)	(1,754)	858,969
<b>Total</b>	<b>19,869,060</b>	<b>(15,543,503)</b>	<b>4,325,557</b>	<b>(237,110)</b>	<b>(2,656,663)</b>	<b>1,431,784</b>



**66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – continued**

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements – continued

	As at 31 December 2019					
	Gross amounts of financial liabilities recognised	Gross amounts of financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
Type of financial liabilities	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral pledged	RMB' 000
Accounts payable to brokerage clients	19,528,476	(14,993,238)	4,535,238	(176,135)	(1,754)	4,357,349
Payables for open-ended fund clearing and other clearing	643,096	(550,265)	92,831	(60,974)	–	31,857
<b>Total</b>	<b>20,171,572</b>	<b>(15,543,503)</b>	<b>4,628,069</b>	<b>(237,109)</b>	<b>(1,754)</b>	<b>4,389,206</b>

	As at 31 December 2018					
	Gross amounts of financial liabilities set off in the consolidated statement of financial position	Gross amounts of financial assets set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
Type of financial assets	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral received	RMB' 000
Advances to customers	3,818,979	(503,298)	3,315,681	–	(3,315,681)	–
Accounts receivable from clearing houses, brokers and cash clients	3,627,647	(691,356)	2,936,291	(390,210)	–	2,546,081
<b>Total</b>	<b>7,446,626</b>	<b>(1,194,654)</b>	<b>6,251,972</b>	<b>(390,210)</b>	<b>(3,315,681)</b>	<b>2,546,081</b>



66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements – *continued*

	As at 31 December 2018					
	Gross amounts of financial assets set off in the consolidated statement of financial liabilities	Gross amounts of financial liabilities recognised in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
Type of financial liabilities	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral pledged	Net amount
Accounts payable to brokerage clients	4,047,264	(503,298)	3,543,966	(231,934)	–	3,312,032
Payables for open-ended fund clearing and other clearing	1,003,316	(691,356)	311,960	(158,276)	–	153,684
<b>Total</b>	<b>5,050,580</b>	<b>(1,194,654)</b>	<b>3,855,926</b>	<b>(390,210)</b>	<b>–</b>	<b>3,465,716</b>

The tables below reconcile the “Net amount of financial assets and financial liabilities presented in the consolidated statement of financial position” as set out above, to the line items presented in the consolidated statement of financial position:

**Advances to customers**

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Net amount of advances to customers as stated above	<b>2,654,909</b>	3,315,681
Amount not in the scope of offsetting disclosures	<b>52,132,550</b>	42,039,626
<b>Total amount of advances to customers as stated in note 31</b>	<b>54,787,459</b>	45,355,307



**66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued***

**Accounts receivable**

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Net amount of accounts receivable as stated above	<b>755,320</b>	2,936,291
Amount not in the scope of offsetting disclosures	<b>1,587,863</b>	1,335,602
Total amount of accounts receivable as stated in note 32	<b><u>2,343,183</u></b>	<u>4,271,893</u>

**Deposits with exchanges and non-bank financial institutions**

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Net amount of deposits with exchanges and non-bank financial institutions as stated above	<b>915,328</b>	–
Amount not in the scope of offsetting disclosures	<b>5,730,992</b>	6,284,998
Total amount of deposits with exchanges and non-bank financial institutions as stated in note 38	<b><u>6,646,320</u></b>	<u>6,284,998</u>

**Accounts payable to brokerage clients**

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Net amount of accounts payable to brokerage clients as stated above	<b>4,535,238</b>	3,543,966
Amount not in the scope of offsetting disclosures	<b>75,145,407</b>	54,901,182
Total amount of accounts payable to brokerage clients as stated in note 47	<b><u>79,680,645</u></b>	<u>58,445,148</u>



**66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – continued**

**Other accounts payable, other payables and accruals**

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Net amount of payables for open-ended fund clearing and other clearing as stated above	<b>92,831</b>	311,960
Amount not in the scope of offsetting disclosures	<b>619,554</b>	1,753,104
Total amount of payables for open-ended fund clearing and other clearing as stated in note 49	<b>712,385</b>	2,065,064

**67. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

	<b>As at 31 December 2019</b>			<b>Financial assets at fair value through profit or loss</b>
	<b>Financial assets at amortised cost</b>	<b>Financial assets at fair value through other comprehensive income Debt investments</b>	<b>Equity investments</b>	
<b>Financial assets</b>				
Bank balances	<b>80,707,188</b>			
Clearing settlement funds	<b>19,548,482</b>			
Advances to customers	<b>54,787,459</b>			
Financial assets at fair value through profit or loss				<b>80,913,172</b>
Derivative financial assets				<b>72,361</b>
Financial assets held under resale agreements	<b>20,688,610</b>			
Account receivable	<b>2,343,183</b>			
Deposits with exchanges and non-bank financial institutions	<b>6,646,320</b>			
Debt instruments at amortised cost	<b>2,280,132</b>			
Debt instruments at fair value through other comprehensive income		<b>98,597,038</b>		
Equity instruments at fair value through other comprehensive income			<b>11,386,054</b>	
Financial leasing receivables	<b>3,072,078</b>			
Other financial assets	<b>1,059,250</b>			
<b>Total</b>	<b>191,132,702</b>	<b>98,597,038</b>	<b>11,386,054</b>	<b>80,985,533</b>



67. FINANCIAL INSTRUMENTS – *continued*

Categories of financial instruments – *continued*

	As at 31 December 2019	
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss
<b>Financial liabilities</b>		
Borrowings	1,038,013	
Short-term financing payables	14,880,673	
Due to banks and other financial institutions	2,984,030	
Financial liabilities at fair value through profit or loss		1,250,026
Derivative financial liabilities		201,165
Financial assets sold under repurchase agreements	95,396,421	
Accounts payable to brokerage clients	79,680,645	
Accounts payable to underwriting clients	117,000	
Other liabilities	4,609,183	1,892,203
Long-term loans	3,533,362	
Bonds payable	82,679,653	
Other financial liabilities	3,539,050	
<b>Total</b>	<b>288,458,030</b>	<b>3,343,394</b>
		As at
		31.12.2018
		RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost		183,357,754
Financial assets at fair value through other comprehensive income		90,307,058
Financial assets at fair value through profit or loss		88,113,996
Investment in an associate at fair value through profit or loss		171,115
Derivative financial assets		17,536,655
		<u>379,486,578</u>
<b>Financial liabilities</b>		
Derivative financial liabilities		19,879,028
Financial liabilities at amortised cost		272,292,431
Financial liabilities at fair value through profit or loss		567,506
Other liabilities		1,366,357
		<u>294,105,322</u>





## 68. FINANCIAL RISK MANAGEMENT

### 68.1 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 is facing, to implement risk management within the range of risk tolerance and risk limit setting and to measure, monitor, report and address the risks comprehensively, timely and accurately. 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; openness and transparency".

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

#### (2) *Structure of the risk-management 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 staff 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, and they perform risk assessment before the projects implement, on-going control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business of the Company.



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.1 Risk management policies and organisation structure – *continued*

#### (2) *Structure of the risk-management organisation – continued*

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, 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, coordinating with other departments to manage operational risk and performing compliance inspection and management on operational administration activities and code of conduct of the employees of the Group. The auditing department is the third defensive line of risk control. It is responsible for the check, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedure, and operating management performance.

#### 68.2 Credit risk

Credit risk is the probability that the market value of debts may change due to the fact that the issuer or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group is exposed to mainly relates to the following assets: (i) fixed income financial assets; (ii) financing businesses such as advances to customers, financial leasing receivables and financial assets held under resale agreements (mainly refer to securities transactions with repurchase agreements and stock-pledged repos); (iii) over-the-counter derivative financial assets.

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.



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.2 Credit risk (*Continued*)

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. As at 31 December 2019 and 2018, the average ratios of guarantee maintained by the Group for all the clients who have liabilities in margin financing and securities lending of the Group were 281.58% and 230.45% respectively. As at 31 December 2019 and 2018, the average coverage ratios of contract performance for clients of security transactions with repurchase agreements were 264.56% and 164.10%, respectively, and the average coverage ratios of contract performance securities for clients of the stock-pledged repos were 311.80% and 228.20%, respectively. The guarantees provided are sufficient and the credit risk of the financing business is managed at an acceptable level.

The credit risk of over-the-counter derivative transactions is mainly the counterparty default risk in conducting over-the-counter derivative transactions such as forward, swaps, options. Counterparties of over-the-counter derivative transactions are mainly banks, securities companies and other financial institutions, with low overall risks.

The credit risk of the bond investments is mainly mitigated by means of credit rating management, transaction limits, position limits, exposure limits on issuers, etc.

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

In terms of managing counterparty credit risks of over-the-counter derivative transactions, the Group applies measures such as enhancing credit rating and credit limit management of counterparty, optimizing limit control processes and mechanism of counterparty, using Central Counterparty (CCP) settlement, collateral, contract performance guarantees, netting agreements, credit derivatives to mitigate or even eliminate counterparty risks. Specific counterparty credit risk limit includes diligence request of the customer and setting of admission criteria, credit limit control, authorisation setting for a single transaction, investment limit control, etc.



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.2 Credit risk – *continued*

During the year, the Group's impairment assessment was based on an expected credit loss model. The Group applies the simplified approach to measure ECLs on accounts receivable, other accounts receivable, other receivables and prepayments and the general approach to measure ECLs on advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, bank balances, 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 loss allowance at an amount equal to the lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-months ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

The Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information when determining whether the risk of default has increased significantly since initial recognition.

#### *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 the end of the reporting period. 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 at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

#### Quantitative criteria

- By the end of the reporting period, debtor's defaulting days have been over certain days
- Mark-to-market ratios are unable to meet certain criteria



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.2 Credit risk – *continued*

#### *Criteria for judging significant increases in credit risk – continued*

##### Qualitative criteria

- Significant adverse change in debtor's operation or financial status
- Be listed on the watch-list

#### *Definition of credit-impaired financial asset*

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.2 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 collateral, and repayments) 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 collateral, 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*

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applied experts' judgement in this process, according to the result of experts' judgement, the Group predicts these economic indicators and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.



68. FINANCIAL RISK MANAGEMENT – *continued*

68.2 Credit risk – *continued*

*Forward-looking information – continued*

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
Advances to customers	54,787,459	45,355,306
Accounts receivable	2,343,183	4,271,893
Other accounts receivable and other receivables	1,004,948	521,670
Financial leasing receivables	3,072,078	4,841,512
Amounts due from joint ventures	13,797	7,744
Amount due from an associate	40,506	25,499
Financial assets held under resale agreements	20,688,610	36,813,069
Financial assets at fair value through profit or loss <sup>(i)</sup>	65,099,347	73,677,904
Including: Monetary funds	25,685,482	19,833,047
Including: Securities lent to customers	276,960	445,909
Equity instruments at fair value through other comprehensive income <sup>(ii)</sup>	43	143
Including: Securities lent to customers	43	143
Debt instruments at fair value through other comprehensive income	98,597,038	79,513,048
Debt instruments at amortised cost	2,280,132	6,900,139
Derivative financial assets	1,957,588	17,536,655
Deposits with exchanges and non-bank financial institutions	6,646,320	6,284,998
Clearing settlement funds	19,548,482	17,899,887
Bank balances	80,707,188	60,436,038
	<b>356,786,719</b>	<b>354,085,505</b>



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.2 Credit risk – *continued*

#### *Forward-looking information – continued*

- (i) Financial assets at fair value through profit or loss contain only debt securities, monetary funds managed by third parties, debt financing products and securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.
- (ii) Equity instruments at fair value through other comprehensive income contain only securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.

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

### 68.3 Market risk

Market risks faced by the Group refer to the risk that causes loss of the Company's each business as a result of unfavourable changes in market prices, including equity securities price risk, interest rate risk, exchange rate risk and commodity price risk.

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

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 units, 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 independently monitor the Company's position of market risks, meanwhile, continuously communicate risk information with teams of business units to discuss risk status, extreme loss scenarios and its counter-measures. Market risk conditions and their changes of the Group as a whole and each business units are reported in a timely manner to the Company's management through regular risk reporting.





## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.3 Market risk – *continued*

The Risk Management Department has set up a perfect market risk limits management system, to guarantee market risk is in accordance with requirements for the Company's risk preference and risk tolerance through system controlling risk at the front and monitoring and pre-warning mechanism. The Risk Management Department uses a series of quantitative methods to estimate possible losses resulted from market risks, and measures possible short-term losses from normal fluctuations mainly by means of VaR and sensitivity analysis. The Group's VaR is measured using the historical simulation method with a confidence interval of 95%. The Group is clearly aware that VaR involves certain limitations because it is a risk indicator. Possible losses in extreme cases are estimated through stress testing.

#### *Interest rate risk*

Interest rate risk is the risk of fluctuation in the 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 fixed-income investments, etc. Interest-bearing financial liabilities mainly include borrowings, short-term financing payables, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients and bonds payable, etc. Fixed-income investments of the Group mainly include government bonds, financial bond, interbank negotiable certificates of deposit, medium-term notes, high-quality short-term papers, asset backed securities, treasury bond futures, interest rate swaps and standard bond forward. 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 on a daily basis.

## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.3 Market risk – *continued*

#### *Interest rate risk – continued*

The tables below summarise the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

	As at 31 December 2019						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest- bearing RMB' 000	
Financial assets							
Advances to customers	6,456,149	11,245,013	36,342,246	419	-	743,632	54,787,459
Investment in an associate at fair value through profit or loss	-	-	-	-	-	192,061	192,061
Amounts due from associates	-	-	-	-	-	40,506	40,506
Amounts due from joint ventures	-	-	-	-	-	13,797	13,797
Accounts receivable	370,175	-	-	-	-	1,973,008	2,343,183
Debt instruments at fair value through other comprehensive income	2,240,957	6,777,646	38,371,008	48,717,612	792,516	1,697,299	98,597,038
Financial leasing receivables	113,639	303,209	1,009,545	1,537,281	-	108,404	3,072,078
Debt instruments at amortised cost	-	299,814	1,493,386	157,520	-	329,412	2,280,132
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	11,386,054	11,386,054
Other accounts receivable, other receivables and prepayments	44,431	45,847	225,415	199,523	-	489,732	1,004,948
Financial assets held under resale agreements	8,738,978	1,897,321	9,540,989	382,617	-	128,705	20,688,610
Financial assets at fair value through profit or loss	2,142,843	25,811,809	20,739,492	11,000,254	879,286	20,339,488	80,913,172
Derivative financial assets	-	-	-	-	-	72,361	72,361
Deposits with exchanges and financial institutions	1,975,341	-	-	-	-	4,670,979	6,646,320
Clearing settlement funds	19,536,344	-	-	-	-	12,138	19,548,482
Bank balances	71,914,864	2,339,730	6,041,703	-	-	410,891	80,707,188
<b>Total</b>	<b>113,533,721</b>	<b>48,720,389</b>	<b>113,763,784</b>	<b>61,995,226</b>	<b>1,671,802</b>	<b>42,608,467</b>	<b>382,293,389</b>



68. FINANCIAL RISK MANAGEMENT – *continued*

68.3 Market risk – *continued*

*Interest rate risk – continued*

	As at 31 December 2019						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest- bearing RMB' 000	
Financial liabilities							
Borrowings	711,235	–	325,500	–	–	1,278	1,038,013
Short-term financing payables	3,571,447	4,466,882	6,719,263	–	–	123,081	14,880,673
Due to banks and other financial institutions	2,981,762	–	–	–	–	2,268	2,984,030
Accounts payable to brokerage clients	67,521,441	–	–	–	–	12,159,204	79,680,645
Accounts payable to underwriting clients	117,000	–	–	–	–	–	117,000
Other payables and accruals	–	–	–	–	–	3,344,526	3,344,526
Amounts due to associates	–	–	–	–	–	3,525	3,525
Amounts due to joint ventures	–	–	–	183,498	–	7,501	190,999
Other liabilities	1,617,984	2,991,199	–	–	–	1,892,203	6,501,386
Financial liabilities at fair value through profit or loss	–	–	–	–	–	1,250,026	1,250,026
Derivative financial liabilities	–	–	–	–	–	201,165	201,165
Financial assets sold under repurchase agreement	90,145,984	3,065,156	2,014,690	–	–	170,591	95,396,421
Lease liabilities	–	793	27,182	510,093	159,974	3,535	701,577
Bonds payable	12,750	42,530	30,241,033	50,324,345	–	2,058,995	82,679,653
Long-term loans	72,601	304,264	1,114,601	2,025,776	–	16,120	3,533,362
<b>Total</b>	<b>166,752,204</b>	<b>10,870,824</b>	<b>40,442,269</b>	<b>53,043,712</b>	<b>159,974</b>	<b>21,234,018</b>	<b>292,503,001</b>
<b>Net exposure</b>	<b>(53,218,483)</b>	<b>37,849,565</b>	<b>73,321,515</b>	<b>8,951,514</b>	<b>1,511,828</b>	<b>21,374,449</b>	<b>89,790,388</b>

## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.3 Market risk – *continued*

#### *Interest rate risk – continued*

	As at 31 December 2018						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest- bearing RMB' 000	
	Financial assets						
Advances to customers	8,999,912	9,565,890	25,869,484	170,717	–	749,303	45,355,306
Investment in an associate at fair value through profit or loss	–	–	–	–	–	171,115	171,115
Amounts due from associates	–	–	–	–	–	25,499	25,499
Amounts due from joint ventures	–	–	–	–	–	7,744	7,744
Accounts receivable	444,510	–	–	–	–	3,827,383	4,271,893
Debt instruments at fair value through other comprehensive income	784,666	7,142,256	27,281,502	40,089,301	2,774,860	1,440,463	79,513,048
Financial leasing receivables	137,493	347,340	1,389,314	2,900,616	–	66,749	4,841,512
Debt instruments at amortised cost	261,890	1,017,925	3,151,762	2,161,789	–	306,773	6,900,139
Equity instruments at fair value through other comprehensive income	–	–	–	–	–	10,794,010	10,794,010
Other accounts receivable, other receivables and prepayments	14,202	108,488	83,919	–	–	315,061	521,670
Financial assets held under resale agreements	14,425,750	2,058,543	13,635,856	6,555,966	–	136,954	36,813,069
Financial assets at fair value through profit or loss	9,101,493	15,809,094	22,458,491	17,879,455	3,725,992	19,139,471	88,113,996
Derivative financial assets	–	–	–	–	–	17,536,655	17,536,655
Deposits with exchanges and financial institutions	1,302,028	–	–	–	–	4,982,970	6,284,998
Clearing settlement funds	17,877,631	–	–	–	–	22,256	17,899,887
Bank balances	52,755,176	1,718,572	5,600,691	–	–	361,599	60,436,038
<b>Total</b>	<b>106,104,751</b>	<b>37,768,108</b>	<b>99,471,019</b>	<b>69,757,844</b>	<b>6,500,852</b>	<b>59,884,005</b>	<b>379,486,579</b>



68. FINANCIAL RISK MANAGEMENT – *continued*

68.3 Market risk – *continued*

*Interest rate risk – continued*

	As at 31 December 2018						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest- bearing RMB' 000	
Financial liabilities							
Borrowings	4,710,446	369,575	413,843	–	–	10,651	5,504,515
Short-term financing payables	1,292,260	5,020,620	17,121,940	–	–	614,920	24,049,740
Due to banks and other financial institutions	9,113,072	2,500,000	–	–	–	54,547	11,667,619
Accounts payable to brokerage clients	47,792,512	–	–	–	–	10,652,636	58,445,148
Other payables and accruals	–	–	–	–	–	4,356,344	4,356,344
Amounts due to associates	–	–	–	–	–	5,407	5,407
Amounts due to joint ventures	–	–	–	–	–	335,853	335,853
Other liabilities	2,598,176	5,104,560	61,570	–	–	1,366,356	9,130,662
Financial liabilities at fair value through profit or loss	–	–	–	–	–	567,506	567,506
Derivative financial liabilities	–	–	–	–	–	19,879,028	19,879,028
Financial assets sold under repurchase agreements	84,309,585	858,581	709,785	–	–	115,849	85,993,800
Bonds payable	1,480	61,890	23,123,940	44,282,601	–	1,227,143	68,697,054
Long-term loans	2,245,729	328,353	900,869	1,977,314	–	20,381	5,472,646
<b>Total</b>	<b>152,063,260</b>	<b>14,243,579</b>	<b>42,331,947</b>	<b>46,259,915</b>	<b>–</b>	<b>39,206,621</b>	<b>294,105,322</b>
<b>Net exposure</b>	<b>(45,958,509)</b>	<b>23,524,529</b>	<b>57,139,072</b>	<b>23,497,929</b>	<b>6,500,852</b>	<b>20,677,384</b>	<b>85,381,257</b>



**68. FINANCIAL RISK MANAGEMENT – continued**

**68.3 Market risk – continued**

***Sensitivity analysis***

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. 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 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 and vice versa.

	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
<b>Profit before income tax for the year</b>		
Increase by 100bps	<b>(534,819)</b>	(893,614)
Decrease by 100bps	<b>557,908</b>	936,380
	<b>2019</b>	2018
	<b>RMB' 000</b>	RMB' 000
<b>Other comprehensive income before income tax</b>		
Increase by 100bps	<b>(1,038,612)</b>	(944,646)
Decrease by 100bps	<b>1,067,888</b>	981,622

***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.

68. FINANCIAL RISK MANAGEMENT – *continued*68.3 Market risk – *continued**Price risk*

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instrument prices, and commodity prices that cause financial loss during the Group's on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. Other than daily monitoring the investment position, trading and earnings indicators, Risk Management Department mainly uses VaR, risk sensitivity indicators, stress testing indicators, position transactions and changes in profit and loss in daily risk monitoring of price risk.

*Sensitivity analysis*

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

	2019 RMB' 000	2018 RMB' 000
<b>Profit before income tax for the year</b>		
Increase by 10%	1,075,076	946,655
Decrease by 10%	(1,071,818)	(961,905)
	2019 RMB' 000	2018 RMB' 000
<b>Other comprehensive income before income tax</b>		
Increase by 10%	1,130,605	1,071,401
Decrease by 10%	(1,130,605)	(1,071,401)



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.4 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 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.

As at 31 December 2019 and 31 December 2018, cash and bank deposits and clearing settlement funds held by the Group amounted to RMB96.69 billion and RMB76.49 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounted to RMB33.53 billion and RMB24.57 billion, respectively, providing a strong capability of quick liquidation to meet foreseeable financing commitments or clients' withdrawal demands on maturity. Therefore, the Group considers the exposure to liquidity risk to be insignificant.

The Group 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 investment profiles, and performed routine monitoring and report on indicators; regularly or irregularly evaluated liquidity risk stress testing and carried out liquidity risk drill, optimized and perfected liquidity risk emergency disposal processes and mechanism of the Company.

Currently, the Group has set up two departments for liquidity risk management, namely treasury department and risk management department. The treasury department is mainly responsible for coordinating sources of funds, addressing capital needs, formulating and optimizing financial strategies, implementing liquidity management during daytime and taking initiative to prevent liquidity risks. The risk management department is responsible for performing independent identification, evaluation, measuring and monitoring of liquidity risks of the Group together with management of market risks and credit risks, and paying attention on an on-going basis to the conversion of other types of risk to liquidity risk. The Group uses concentration control and trading limit control and monitors 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.





## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.4 Liquidity risk – *continued*

#### *Undiscounted cash flows by contractual maturities*

The tables below present the cash flows payable by the Group within the remaining contractual maturities as at 31 December 2019 and 31 December 2018. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is based on the interest rate at the end of the year.

#### **As at 31 December 2019**

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 year	Over 5 years	Total undiscounted cash flow	Carrying amount
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Borrowings	–	717,293	329,434	–	–	1,046,727	1,038,013
Short-term financing payables	–	8,096,798	6,894,416	–	–	14,991,214	14,880,673
Due to banks and other financial institutions	683,246	2,301,344	–	–	–	2,984,590	2,984,030
Accounts payable to brokerage clients	79,470,233	210,412	–	–	–	79,680,645	79,680,645
Accounts payable to underwriting clients	117,000	–	–	–	–	117,000	117,000
Other financial liabilities	983,199	1,147,818	1,117,077	96,431	–	3,344,525	3,344,526
Amounts due to associates	–	3,525	–	–	–	3,525	3,525
Amounts due to joint ventures	27	–	–	190,972	–	190,999	190,999
Financial liabilities at fair value through profit or loss	652,350	–	–	597,676	–	1,250,026	1,250,026
Other liabilities	1,481,432	4,858,408	–	180,020	–	6,519,860	6,501,386
Financial assets sold under repurchase agreements	160,435	93,267,204	2,082,269	–	–	95,509,908	95,396,421
Bonds payable	–	938,426	33,040,474	54,607,326	–	88,586,226	82,679,653
Lease liabilities	–	68,159	197,967	450,430	61,385	777,941	701,577
Long-term loans	–	416,822	1,194,849	2,085,839	–	3,697,510	3,533,362
<b>Total</b>	<b>83,547,922</b>	<b>112,026,209</b>	<b>44,856,486</b>	<b>58,208,694</b>	<b>61,385</b>	<b>298,700,696</b>	<b>292,301,836</b>
<b>Derivative financial liabilities net settlement</b>	<b>–</b>	<b>157,445</b>	<b>42,569</b>	<b>1,192</b>	<b>–</b>	<b>201,206</b>	<b>201,165</b>

## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.4 Liquidity risk – *continued*

#### *Undiscounted cash flows by contractual maturities – continued*

##### **As at 31 December 2018**

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 year	Over 5 years	Total undiscounted cash flow	Carrying amount
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Borrowings	961,958	4,148,397	422,193	–	–	5,532,548	5,504,515
Short-term financing							
payables	–	6,541,045	17,875,381	–	–	24,416,426	24,049,740
Due to banks and other							
financial institutions	113,363	11,573,538	–	–	–	11,686,901	11,667,619
Accounts payable to							
brokerage clients	58,273,962	171,186	–	–	–	58,445,148	58,445,148
Other financial liabilities	3,212,567	792,062	226,206	125,509	–	4,356,344	4,356,344
Amounts due to associates	–	1,754	3,653	–	–	5,407	5,407
Amounts due to joint ventures	–	–	335,853	–	–	335,853	335,853
Financial liabilities at fair							
value through profit or loss	107,976	–	–	459,530	–	567,506	567,506
Other liabilities	315,988	8,030,269	332,339	491,147	–	9,169,743	9,130,662
Financial assets sold under							
repurchase agreements	455,256	84,864,103	723,799	–	–	86,043,158	85,993,800
Bonds payable	–	67,537	21,041,606	53,723,767	–	74,832,910	68,697,054
Long-term loans	<u>2,103,889</u>	<u>517,979</u>	<u>1,014,816</u>	<u>2,107,885</u>	–	<u>5,744,569</u>	<u>5,472,646</u>
<b>Total</b>	<u><u>65,544,959</u></u>	<u><u>116,707,870</u></u>	<u><u>41,975,846</u></u>	<u><u>56,907,838</u></u>	–	<u><u>281,136,513</u></u>	<u><u>274,226,294</u></u>
<b>Derivative financial</b>							
<b>liabilities net settlement</b>	<u>1,094</u>	<u>2,841,162</u>	<u>6,971,398</u>	<u>10,065,871</u>	–	<u>19,879,525</u>	<u>19,879,028</u>



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.4 Liquidity risk – *continued*

#### *Capital management*

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the China Securities Regulatory Commission ("CSRC"), the Company is required to meet the following standards for risk indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100%;
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet and off-balance-sheet assets) shall be no less than 8%;
3. Liquidity coverage ratio (high quality liquidity assets divided by net cash outflow in 30 days) shall be no less than 100%;
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100%;
5. The ratio of net capital divided by net assets shall be no less than 20%;
6. The ratio of net capital divided by liabilities shall be no less than 8%;
7. The ratio of net assets divided by liabilities shall be no less than 10%;
8. The ratio of the value of proprietary equity securities and securities derivatives held divided by net capital shall not exceed 100% ("equity concentration ratio");
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% ("non-equity concentration ratio").

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemented capital and other adjustments as defined in the Administrative Measures.



## 68. FINANCIAL RISK MANAGEMENT – *continued*

### 68.4 Liquidity risk – *continued*

#### *Capital management – continued*

As at 31 December 2019 and 2018, the Company maintained the above ratios as follows:

	<b>As at 31.12.2019</b>	As at 31.12.2018
Net capital (RMB' 000)	<b>60,863,538</b>	58,562,866
Risk coverage ratio	<b>233.36%</b>	222.75%
Capital leverage ratio	<b>19.73%</b>	19.51%
Liquidity coverage ratio	<b>322.27%</b>	404.53%
Net stable funding ratio	<b>159.77%</b>	139.77%
The ratio of net capital divided by net assets	<b>75.30%</b>	77.20%
The ratio of net capital divided by liabilities	<b>30.46%</b>	30.36%
The ratio of net assets divided by liabilities	<b>40.46%</b>	39.33%
Equity concentration ratio	<b>27.59%</b>	29.35%
Non-equity concentration ratio	<b>250.55%</b>	240.67%

The above ratios are calculated based on the financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.

## 69. FAIR VALUES 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 than the entity can access at the measurement date;
- Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Inputs are unobservable inputs for the asset or liability.

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



69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(1) Fair value hierarchy – *continued*

As at 31 December 2019

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>Financial assets:</b>				
Debt instruments at fair value through other comprehensive income:				
– Debt securities	36,027,659	62,218,788	350,591	98,597,038
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	715,956	–	92,709	808,665
– Other investments	–	10,577,389	–	10,577,389
Financial assets at fair value through profit or loss				
– Equity instruments	3,910,056	1,506,474	7,192,160	12,608,690
– Debt instruments	7,553,149	21,257,429	778,197	29,588,775
– Funds	28,881,253	187,155	69,771	29,138,179
– Other investments	–	9,301,034	276,494	9,577,528
Other investment				
– Unlisted investment in an associate	–	–	192,061	192,061
Derivative financial assets	39,418	16,848	16,095	72,361
<b>Total</b>	<b>77,127,491</b>	<b>105,065,117</b>	<b>8,968,078</b>	<b>191,160,686</b>
<b>Financial liabilities:</b>				
Financial liabilities at fair value through profit or loss	–	(652,350)	(597,676)	(1,250,026)
Derivative financial liabilities	(66,796)	(4,364)	(130,005)	(201,165)
Other liabilities	(425,582)	(287,054)	(1,179,567)	(1,892,203)
<b>Total</b>	<b>(492,378)</b>	<b>(943,768)</b>	<b>(1,907,248)</b>	<b>(3,343,394)</b>



## 69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (1) Fair value hierarchy – *continued*

As at 31 December 2018

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>Financial assets:</b>				
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	<u>23,297</u>	<u>6,963,573</u>	<u>10,549,785</u>	<u>17,536,655</u>
<b>Total</b>	<b><u>68,228,246</u></b>	<b><u>109,010,346</u></b>	<b><u>18,890,232</u></b>	<b><u>196,128,824</u></b>
<b>Financial liabilities:</b>				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	(107,976)	–	(459,530)	(567,506)
Other liabilities	(21,738)	(7,478,332)	(12,378,958)	(19,879,028)
Other liabilities	<u>(748,117)</u>	<u>(618,240)</u>	<u>–</u>	<u>(1,366,357)</u>
<b>Total</b>	<b><u>(877,831)</u></b>	<b><u>(8,096,572)</u></b>	<b><u>(12,838,488)</u></b>	<b><u>(21,812,891)</u></b>



**69. FAIR VALUES OF FINANCIAL INSTRUMENTS – continued**

**(2) Fair values of the financial assets and financial liabilities that are not measured on a recurring basis**

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

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate to their fair values as at 31 December 2019 and 31 December 2018.

	As at 31 December 2019			Fair value hierarchy
	Carrying amount RMB' 000	Fair value RMB' 000	Difference RMB' 000	
Bonds payable – corporate bonds	56,649,000	57,204,266	555,266	Level 2
Bonds payable – subordinated bonds	12,321,924	12,424,285	102,361	Level 2
Bonds payable – financial bond	5,076,295	5,111,669	35,374	Level 2

	As at 31 December 2018			Fair value hierarchy
	Carrying amount RMB' 000	Fair value RMB' 000	Difference RMB' 000	
Bonds payable – corporate bonds	40,770,415	41,285,360	514,945	Level 2
Bonds payable – subordinated bonds	23,367,968	23,453,758	85,790	Level 2

**(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.

**(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 values are available on China bond pricing system on the valuation date are measured using the latest valuation results published by China bond pricing system.



## 69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (4) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised within Level 2 – *continued*

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose values are not available in active markets, equity instruments at fair value through profit or loss, asset management schemes, the fair values are determined by recent transaction prices, bid prices and valuation technique. The inputs of those valuation techniques include risk-free interest rate, quoted prices of underlying investment portfolio, liquidity discount by China Securities Index Company Limited, etc., which are all observable.

For derivative financial instruments, the fair values are determined by different valuation techniques. For interest rate swaps and currency forward, the fair values are measured by discounting the differences between the contract prices and market prices of the underlying financial instruments. Fair values of over-the-counter options contracts, are determined by using the volatility input option pricing model of relevant underlying instruments. For commodity options, currency swaps and currency options, the fair values are using the bid prices made by market dealers.

During the year ended 31 December 2019, there were no changes of valuation techniques for level 2.

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

For restricted shares, unlisted equity investments, other investments, trusts, financial liabilities, derivatives, the Group adopts the valuation techniques and quotation from counterparties quotations or valuation techniques to determine the fair values. 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 values of the financial instruments in level 3 are not significantly sensitive to a reasonable change in these unobservable inputs.

During the year ended 31 December 2019, there were no changes of valuation techniques for level 3.





**69. FAIR VALUES 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
	31 December 2019 RMB' 000	31 December 2018 RMB' 000			
<b>1) Financial assets</b>					
Debt instruments	<b>235,580</b>	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	<b>893,208</b>	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	<b>1,275,029</b>	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	<b>6,009,840</b>	5,058,584	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Funds	<b>69,771</b>	–	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Other Investments	<b>276,494</b>	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
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



**69. FAIR VALUES 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
	31 December 2019 RMB' 000	31 December 2018 RMB' 000			
<b>1) Financial assets</b>					
Equity swaps	13,974	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	–	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
Commodity options	2,121	–	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
Unlisted investment in an associate	192,061	–	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
	<u>8,968,078</u>	<u>18,890,232</u>			



69. FAIR VALUES 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
	31 December 2019 RMB' 000	31 December 2018 RMB' 000			
<b>2) Financial liabilities</b>					
Equity return swaps	597,676	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	20,530	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	–	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
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
Commodity options	109,475	–	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
Third-party interests	1,179,567	–	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
	<b>1,907,248</b>	<b>12,838,488</b>			



69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(6) Reconciliation of Level 3 fair value measurements

For the year ended 31 December 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	160,164	5,454	(138,146)	(17,740)	(6,222)	(74,825)
– Profit or loss	160,164	–	(138,146)	(17,740)	(6,222)	(74,825)
– Other comprehensive income	–	5,454	–	–	–	–
Additions	1,093,615	–	–	2,490	(112,789)	(636,807)
Settlements/disposals	(1,782,069)	–	–	(10,518,440)	12,367,964	42,362
Transfers into level 3	2,178,442	357,846	–	–	–	(510,297)
Transfers out of level 3	(1,593,977)	–	–	–	–	–
As at 31 December 2019	<u>8,316,622</u>	<u>443,300</u>	<u>(597,676)</u>	<u>16,095</u>	<u>(130,005)</u>	<u>(1,179,567)</u>
Total unrealised gains/ losses for the year for assets/liabilities held as at 31 December 2019						
– Included in profit or loss	<u>52,503</u>	<u>–</u>	<u>(138,146)</u>	<u>(17,740)</u>	<u>(6,222)</u>	<u>(74,825)</u>



69. FAIR VALUES 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)
Purchases (issues)	1,936,620	–	–	10,125,355	(11,615,858)
Settlements/disposals	(424,678)	–	–	–	5,525
Transfers into level 3	1,611,514	–	–	–	–
Transfers out of level 3	(1,440,063)	–	–	–	–
As at 31 December 2018	<u>8,260,447</u>	<u>80,000</u>	<u>(459,530)</u>	<u>10,549,785</u>	<u>(12,378,958)</u>
Total unrealised 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.



## 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

### General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the year are set out below:

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group		Share capital/ registered and paid-up capital as at 31 December 2019	Principal activities
			as at 31 December 2019	2018		
廣發期貨有限公司 GF Futures Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 23 March 1993	100%	100%	RMB1,400,000,000	Commodity futures brokerage, financial futures brokerage, investment consulting and asset management
廣發商貿有限公司 GF Commodities Co., Ltd*	有限責任公司 Limited liability company	PRC 3 April 2013	100%	100%	RMB200,000,000	Trading and trading agent
廣發期貨(香港)有限公司 GF Futures (Hong Kong) Co., Limited*	有限責任公司 Limited liability company	Hong Kong 8 May 2006	100%	100%	HKD777,000,000	Futures brokerage
GF Financial Markets (UK) Limited	有限責任公司 Limited liability company	United Kingdom 2 February 1976	100%	100%	GBP55,969,014	Commodities and futures brokerage
廣發乾和投資有限公司 GF Qianhe Investment Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 11 May 2012	100%	100%	RMB3,603,500,000	Project investment, investment management and financial advisory
廣發合信產業投資管理有限公司 GF Hexin Industry Investment Management Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 27 August 2015	100%	100%	RMB100,000,000	Project investment
珠海乾鑫投資合夥企業(有限合夥) Zuhai Qianxin Investment Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited partnership	PRC 16 April 2015	66.67%	66.67%	RMB15,034,532	Project investment
珠海乾明投資合夥企業(有限合夥) Zuhai Qianming Investment Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited partnership	PRC 20 April 2015	80%	80%	RMB12,536,998	Project investment



**70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued**

**General information of subsidiaries – continued**

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group		Share capital/ registered and paid-up capital as at 31 December 2019	Principal activities
			as at 31 December 2019	2018		
廣發合信(山東)產業投資管理 有限公司 GF Hexin (Shandong) Industry Investment Management Co., Ltd*	有限責任公司 Limited liability company	PRC 15 December 2015	100%	100%	RMB10,000,000	Equity investment management
廣發融資租賃(廣東)有限公司 Guangfa Financial Leasing (Guangdong) Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 5 June 2015	100%	100%	RMB800,000,000	Financial leasing
廣發基金管理有限公司 GF Fund Management Co., Ltd.* <sup>(1)</sup> (Note 3)	有限責任公司 Limited liability company	PRC 5 August 2003	60.59%	51.13%	RMB126,880,000	Fund raising, fund sales and fund management
廣發國際資產管理有限公司 GF International Investment Management Limited	有限責任公司 Limited liability company	Hong Kong 10 December 2010	60.59%	51.13%	HKD500,000,000	Asset management
瑞元資本管理有限公司 Ruiyuan Capital Asset Management Co., Ltd.* (Note 1)	有限責任公司 Limited liability company	PRC 4 June 2013	32.35%	27.30%	RMB75,000,000	Project investment, investment management and investment advisory
珠海瑞元祥和股權投資基金 合夥企業(有限合夥) Zhuhai Ruiyuan Xianghe Equity Investment Fund Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 9 April 2014	23.94%	11.42%	RMB22,069,764	Non-listed company investment
GF International Asset Management (UK) Company Limited	有限責任公司 Limited liability company	London 1 November 2014	60.59%	51.13%	GBP 7,000,100	Asset management



## 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2019	Principal activities
			2019	2018		
廣發控股(香港)有限公司 GF Holdings (Hong Kong) Corporation Limited <sup>(1)</sup>	有限責任公司 Limited liability company	Hong Kong 14 June 2006	100%	100%	HKD5,600,000,000	Investment holding
廣發投資(香港)有限公司 GF Investments (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 21 September 2011	100%	100%	HKD5,000,000	Investment holding
廣發融資(香港)有限公司 GF Capital (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD130,000,000	Advisory services
廣發資產管理(香港)有限公司 GF Asset Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD325,000,000	Asset management
廣發證券(香港)經紀有限公司 GF Securities (Hong Kong) Brokerage Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD2,800,000,000	Securities brokerage
廣發財富管理(香港)有限公司 GF Wealth Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 20 November 2014	100%	100%	HKD15,000,000	Financial management
廣發投資管理(香港)有限公司 GF Investment Management (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 7 October 2011	100%	100%	HKD3,800,000	Advisory services
廣發證券(加拿大)有限公司 GF Securities (Canada) Company Limited	有限責任公司 Limited liability company	Canada 10 March 2014	100%	100%	CAD16,400,000	Financial management
廣發金控(深圳)投資管理有限公司 GF Financial Holdings (Shenzhen) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 1 April 2014	100%	100%	RMB10,000,000	Investment advisory





## 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2019	Principal activities
			2019	2018		
廣發信德資本管理有限公司 Guangfa Xinde Capital Management Limited <sup>(2)</sup>	有限責任公司 Limited liability company	British Virgin Islands 3 September 2014	100%	100%	USD0	Investment management
GF Bright Investment Limited <sup>(2)</sup>	有限責任公司 Limited liability company	British Virgin Islands 21 August 2014	100%	100%	USD0	Equity investment
GF Energy Investment Limited	有限責任公司 Limited liability company	British Virgin Islands 6 February 2015	91.85%	91.85%	USD1	Equity investment
GF Wise Ltd.	有限責任公司 Limited liability company	British Virgin Islands 9 August 2012	100%	100%	USD50,000	Investment trading
廣發投資(開曼)有限公司 GF Investments (Cayman) Company Limited	有限責任公司 Limited liability company	Cayman Islands 8 September 2011	100%	100%	USD600,000	Advisory services
廣發合夥有限公司 GF Partners Ltd.	有限責任公司 Limited liability company	Cayman Islands 26 May 2011	51%	51%	USD1	Investment trading
廣發中國優勢基金(有限合夥) GF China Advantage Fund L.P. (Note 2)	有限合夥 Limited partnership	Cayman Islands 2 June 2011	57.12%	57.12%	USD20,004,400	Investment trading
廣發全球資本有限公司 GF Global Capital Limited	有限責任公司 Limited liability company	Hong Kong 26 November 2015	100%	100%	HKD1,600,000,000	Investment trading
SF Project (Cayman) Limited	有限責任公司 Limited liability company	Cayman Islands 16 December 2016	100%	100%	USD0.1	Investment holding
Canton Fortune Limited	有限責任公司 Limited liability Company	Hong Kong 3 December 2015	100%	100%	USD6,510,410	Investment holding
GF GTEC Investment Management Limited	有限責任公司 Limited liability company	Cayman Islands 13 May 2016	100%	100%	USD100	Asset management



## 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group		Share capital/ registered and paid-up capital as at 31 December 2019	Principal activities
			as at 31 December 2019	2018		
GF Optimus Ltd. <sup>(2)</sup>	有限責任公司 Limited liability company	British Virgin Islands 26 February 2016	100%	100%	USD0	Equity Investment
GF Global Partners Limited	有限責任公司 Limited liability company	Cayman Islands 31 August 2015	100%	100%	USD0.01	Investment holding
GFGI Limited	有限責任公司 Limited liability company	Cayman Islands 23 December 2016	100%	100%	USD0.01	Equity investment
GF Global Investment Fund I, L.P. (Note 2)	有限合夥 Limited partnership	Cayman Islands 25 September 2015	50.44%	50.44%	USD40,678,400	Equity investment
Horizon Holdings	有限責任公司 Limited liability Company	Cayman Islands 7 July 2017	36.86%	36.86%	USD1	Investment holding
廣發信德投資管理有限公司 GF Xinde Investment Management Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 3 December 2008	100%	100%	RMB2,800,000,000	Investment management and provision of equity investment services for customers
深圳前海廣發信德中山公用 並購基金管理有限公司 Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 11 July 2015	60%	60%	RMB10,000,000	Equity investment equity investment management
珠海廣發信德新界泵業產業 投資基金(有限合夥) GFXD Shimage Pump Industry Fund L.P.* (Note 2)	有限合夥 Limited partnership	PRC 11 July 2015	40%	40%	RMB89,700,000	Equity investment
廣發信德智勝投資管理有限公司 GF Xinde Zhisheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 18 November 2014	100%	100%	RMB100,000,000	Equity investment and trust management



**70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued**

**General information of subsidiaries – continued**

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group		Share capital/ registered and paid-up capital as at 31 December 2019	Principal activities
			as at 31 December 2019	2018		
廣發信德醫療資本管理有限公司	有限責任公司	PRC	55%	55%	RMB50,000,000	Investment management
GF Xinde Healthcare Capital Management Co., Ltd.*	Limited liability company	12 September 2013				
珠海廣發信德放東醫藥產業投資中心(有限合夥)	有限合夥	PRC	60%	60%	RMB476,000,000	Equity investment
Zhuhai GF Xinde Aodong Medical Industry Investment Centre L.P.* (Note 2)	Limited partnership	28 October 2015				
中山廣發信德公用環保夾層投資企業(有限合夥)	有限合夥	PRC	60%	59.99%	RMB317,633,333	Equity investment
Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P.* (Note 2)	Limited partnership	30 September 2015				
珠海廣發信德今緣股權投資基金(有限合夥)	有限合夥	PRC	60%	60%	RMB210,187,501	Equity investment
Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P.* (Note 2)	Limited partnership	13 June 2016				
珠海橫琴金投廣發信德厚學股權投資合夥企業(有限合夥)	有限合夥	PRC	100%	65.67%	RMB38,250,000	Equity investment
Zhuhai Hengqin Jintou GF Xinde Houzhi Equity Investment Partnership L.P.* (Note 2)	Limited partnership	30 September 2016				
上海廣發永壽投資管理合夥企業(有限合夥)	有限合夥	PRC	99%	99%	RMB100,200,000	Investment management and asset management
Shanghai GF Yongxu Equity Investment partnership L.P.* (Note 2)	Limited partnership	10 November 2015				



## 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2019	Principal activities
			2019	2018		
上海廣發永腎醫療投資管理中心 (有限合夥) Shanghai GF Yongxu Medicine Investment management Center L.P.* (Note 2)	有限合夥 Limited partnership	PRC 9 November 2015	89.59%	89.59%	RMB105,200,000	Investment management and asset management
深圳市大河信德企業管理有限公司 Shenzhen Dahe Xinde Corporate Management Co., Ltd. *	有限責任公司 Limited liability company	PRC 29 January 2007	100%	100%	RMB453,600,000	Financial consulting and management consulting
廣發證券資產管理(廣東)有限公司 GF Securities Asset Management (Guangdong) Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 2 January 2014	100%	100%	RMB1,000,000,000	Asset management
GF Canada Holdings Company Limited	Limited liability company	Canada 26 February 2018	100%	100%	CAD3,000,000	Investment holding
GF Asset Management (Canada) Company Limited	Limited liability company	Canada 26 February 2018	100%	100%	CAD3,000,000	Asset management
Ever Glory Limited	Limited liability company	Cayman Islands 23 January 2018	100%	100%	USD1	Investment trading
Ever Alpha Fund L.P. (Note 2)	Limited partnership	Cayman Islands 23 January 2018	21.43%	21.32%	USD70,000,000	Equity Investment



## 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

### General information of subsidiaries – *continued*

\* These subsidiaries do not have official English names. English names are translated for identification purposes only.

- (1) These subsidiaries are directly held by the Company.
- (2) The capital injections are still in the process.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. The major operation area of the principal subsidiaries is in the Mainland China.

Note 1: Ruiyuan Capital Asset Management Co., Ltd. (“Ruiyuan Capital”) is a non-wholly-owned subsidiary of GF Fund Management Co., Ltd. (“GF Fund”). According to the Company Articles of Ruiyuan Capital, GF Fund has majority vote rights in the board of directors, thus the Group is able to exercise control over its operations. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 2: The Group holds certain financial interests in such limited partnership and acts as its general partner to exercise control over its operations according to the partnership agreement. The Group’s financial interests in the limited partnership exposed it to significant variable return and such partnership is regarded as consolidated structured entities of the Group. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 3: On 28 January 2019, GF Securities Co., Ltd. held the seventeenth meeting of the Ninth Session of the Board of Directors, which entered into agreements that the Company acquired 9.458% equity interest in GF Fund from Kangmei Pharmaceutical Co., Ltd. On 21 October 2019, the CSRC provided approval for the equity transfers. On 12 November 2019, GF Fund completed change of business registration.



**70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued**

**Details of a non-wholly-owned subsidiary that has material non-controlling interests**

The table below shows details of a non-wholly-owned subsidiary, GF Fund, which was acquired in 2014, and has material non-controlling interests before certain intragroup adjustments:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018
		RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
GF Fund <sup>(i)</sup>	PRC/ Mainland China	<u>39.41%</u>	48.87%	<u>551,125</u>	252,988	<u>2,747,279</u>	2,832,507

(i) GF Fund was accounted for as an associate of the Group prior to its acquisition by the Group in 2014.

Summarised financial information in respect of GF Fund that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup adjustments.

	<b>As at 31.12.2019 RMB' 000</b>	As at 31.12.2018 RMB' 000
Total assets	<u>9,648,220</u>	<u>7,851,085</u>
Total liabilities	<u>2,565,786</u>	<u>1,925,116</u>
Equity attributable to owners of GF Fund	<u>6,971,020</u>	<u>5,796,003</u>
Non-controlling interests of subsidiaries of GF Fund	<u>111,414</u>	<u>129,966</u>

70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*Details of a non-wholly-owned subsidiary that has material non-controlling interests – *continued*

	Year ended 31 December 2019 RMB' 000	Year ended 31 December 2018 RMB' 000
Total revenue	<u>3,258,093</u>	<u>2,104,466</u>
Expenses	<u>1,772,179</u>	<u>1,676,027</u>
Profit for the year	<u>1,183,261</u>	<u>451,134</u>
Profit attributable to owners	1,167,381	517,675
Profit attributable to the non-controlling interests	15,880	(66,541)
Profit for the year	<u>1,183,261</u>	<u>451,134</u>
Other comprehensive income attributable to owners	7,636	14,208
Other comprehensive income for the year	<u>7,636</u>	<u>14,208</u>
Total comprehensive income attributable to owners	1,175,017	531,883
Total comprehensive income attributable to the non-controlling interests	15,880	(66,541)
Total comprehensive income for the year	<u>1,190,897</u>	<u>465,342</u>
Dividends paid to non-controlling interests	<u>–</u>	<u>62,000</u>
Net cash inflow from operating activities	125,285	3,627
Net cash outflow from investing activities	(27,930)	(38,599)
Net cash outflow from financing activities	(24,977)	(154,317)
Effect of foreign exchange rate changes	1,581	3,644
Net cash inflow	<u>73,959</u>	<u>185,646</u>



## 71. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings Note 43 RMB' 000	Short-term financing payables Note 44 RMB' 000	Bonds payable Note 53 RMB' 000	Long-term loans Note 54 RMB' 000	Dividends payable RMB' 000
At 1 January 2019	5,504,515	24,049,740	68,697,054	5,472,646	–
Financing cash flows	(4,834,696)	(9,803,172)	10,212,302	(2,188,035)	(1,531,878)
Foreign exchange	31,981	–	–	28,250	–
Interest expenses	196,213	634,105	3,832,965	217,332	–
Other non-cash movements	140,000	–	(62,668)	3,169	(191)
Dividend declared	–	–	–	–	1,532,069
At 31 December 2019	<u>1,038,013</u>	<u>14,880,673</u>	<u>82,679,653</u>	<u>3,533,362</u>	<u>–</u>

	Borrowings Note 43 RMB' 000	Short-term financing payables Note 44 RMB' 000	Bonds payable Note 53 RMB' 000	Long-term loans Note 54 RMB' 000	Interest payable RMB' 000	Dividends payable RMB' 000
At 1 January 2018	7,349,536	25,101,447	72,672,721	4,525,492	1,700,449	–
Financing cash flows	(2,100,158)	(1,666,627)	(5,197,921)	830,053	(4,618,078)	(3,177,062)
Foreign exchange	244,486	–	–	96,719	(145)	–
Interest expenses	–	–	–	–	4,831,094	–
Other non-cash movements	10,651	614,920	1,222,254	20,382	(1,913,320)	(1,748)
Dividend declared	–	–	–	–	–	3,178,810
At 31 December 2018	<u>5,504,515</u>	<u>24,049,740</u>	<u>68,697,054</u>	<u>5,472,646</u>	<u>–</u>	<u>–</u>

The interest payable disclosed here is solely in relation to the financing activities.

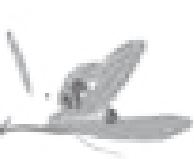




## 72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### Statement of financial position

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Non-current assets</b>		
Property and equipment	1,806,428	2,154,293
Prepaid lease payments	–	288,831
Right-of-use assets	660,891	–
Investment properties	18,330	20,067
Other intangible assets	198,190	205,386
Investments in subsidiaries	16,443,143	15,543,143
Investments in associates	1,198,948	1,198,948
Investments in joint ventures	990,000	–
Debt instruments at amortised cost	152,981	2,175,143
Equity instruments at fair value through other comprehensive income	11,338,831	10,745,728
Advances to customers	521	170,717
Other accounts receivable, other receivables and prepayments	783,896	–
Financial assets held under resale agreements	382,617	5,423,722
Financial assets at fair value through profit or loss	1,457,718	2,249,407
Deferred tax assets	658,901	664,582
<b>Total non-current assets</b>	<b>36,091,395</b>	<b>40,839,967</b>
<b>Current assets</b>		
Prepaid lease payments	–	9,628
Debt instruments at amortised cost	1,869,639	4,039,656
Debt instruments at fair value through other comprehensive income	96,312,634	75,482,482
Advances to customers	52,132,029	41,868,908
Accounts receivable	812,616	619,281
Contract assets	75,895	28,684
Other accounts receivables, other receivables and prepayments	178,777	174,223
Amounts due from subsidiaries	1,536,866	2,525,236
Amounts due from associates	6,784	6,688
Financial assets held under resale agreements	19,350,896	29,567,600
Financial assets at fair value through profit or loss	50,972,426	50,782,097
Derivative financial assets	59,081	31,724
Deposits with exchanges and non-bank financial institutions	1,067,073	875,249
Clearing settlement funds	17,261,909	14,786,158
Bank balances	64,903,837	48,534,797
<b>Total current assets</b>	<b>306,540,462</b>	<b>269,332,411</b>
<b>Total assets</b>	<b>342,631,857</b>	<b>310,172,378</b>



## 72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

### Statement of financial position – *continued*

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Current liabilities</b>		
Short-term financing payables	14,880,673	24,049,740
Financial liabilities at fair value through profit or loss	578,311	–
Due to banks and other financial institutions	2,300,784	11,554,256
Accounts payable to brokerage clients	63,950,633	43,143,438
Accounts payable to underwriting clients	117,000	–
Accrued staff costs	2,596,209	1,786,055
Other accounts payable, other payables and accruals	2,526,307	3,190,173
Contract liabilities	59,039	32,054
Amounts due to subsidiaries	4,835	34,698
Provisions	35,134	33,360
Current tax liabilities	157,896	316,698
Derivative financial liabilities	200,093	191,304
Financial assets sold under repurchase agreements	91,504,338	81,311,807
Bonds payable	32,353,680	24,374,247
Lease liabilities	156,413	–
Total current liabilities	<u>211,421,345</u>	<u>190,017,830</u>
Net current assets	<u>95,119,117</u>	<u>79,314,581</u>
Total assets less current liabilities	<u>131,210,512</u>	<u>120,154,548</u>
<b>Non-current liabilities</b>		
Accrued staff costs	1,757,619	1,715,305
Bonds payable	50,325,973	44,322,807
Lease liabilities	361,271	–
Total non-current liabilities	<u>52,444,863</u>	<u>46,038,112</u>
Net assets	<u>78,765,649</u>	<u>74,116,436</u>
<b>Capital and reserves</b>		
Share capital	7,621,088	7,621,088
Capital reserve	31,679,184	31,679,184
Investment revaluation reserve	1,100,572	640,256
General reserves	19,235,648	17,456,429
Retained profits	19,129,157	16,719,479
Total equity	<u>78,765,649</u>	<u>74,116,436</u>



72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Movement in the Company's reserves

*Capital reserve*

**As at 31 December 2019**

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Share premium	31,679,003	–	31,679,003
Others	181	–	181
	<u>31,679,184</u>	<u>–</u>	<u>31,679,184</u>

**As at 31 December 2018**

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Share premium	31,679,003	–	31,679,003
Others	181	–	181
	<u>31,679,184</u>	<u>–</u>	<u>31,679,184</u>

	As at 31.12.2019 RMB' 000	As at 31.12.2018 RMB' 000
<b>Investment revaluation reserve</b>		
At beginning of the year	640,256	1,498,452
Equity instruments at fair value through other comprehensive income		
Revaluation losses on equity instruments at fair value through other comprehensive income	593,104	(1,718,728)
Income tax impact	(148,276)	429,682
Debt instruments at fair value through other comprehensive income		
Net fair value changes during the year	13,849	654,136
Reclassification adjustment to profit or loss on disposal	(200,991)	(188,304)
Changes in allowance for expected credit losses	207,793	108,634
Income tax impact	(5,163)	(143,616)
At end of the year	<u>1,100,572</u>	<u>640,256</u>



**72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued***

**Movement in the Company’s reserves – *continued***

***General reserve***

**As at 31 December 2019**

	Opening RMB’ 000	Additions RMB’ 000	Closing RMB’ 000
Statutory reserve	5,567,062	592,939	6,160,001
Discretionary reserve	169,428	–	169,428
Reserve for general risk	5,960,351	593,341	6,553,692
Transaction risk reserve	5,759,588	592,939	6,352,527
	<u>17,456,429</u>	<u>1,779,219</u>	<u>19,235,648</u>

**As at 31 December 2018**

	Opening RMB’ 000	Additions RMB’ 000	Closing RMB’ 000
Statutory reserve	5,175,839	391,223	5,567,062
Discretionary reserve	169,428	–	169,428
Reserve for general risk	5,568,970	391,381	5,960,351
Transaction risk reserve	5,368,365	391,223	5,759,588
	<u>16,282,602</u>	<u>1,173,827</u>	<u>17,456,429</u>

***Retained profits***

	<b>As at 31.12.2019 RMB’ 000</b>	As at 31.12.2018 RMB’ 000
At beginning of the year	16,719,479	17,291,647
Profit for the year	5,713,114	3,650,094
Appropriation to general reserves	(1,779,219)	(1,173,827)
Dividends recognised as distribution	(1,524,217)	(3,048,435)
At end of the year	<u>19,129,157</u>	<u>16,719,479</u>



### 73. OUTSTANDING LITIGATIONS

As at 31 December 2019 and 31 December 2018, the Group was involved as a defendant in certain lawsuits with claim amounts of approximately RMB45.51 million and RMB32.01 million, respectively. Based on the court rulings, advice from legal representatives and management judgement, no provision had been made to the claim amounts. The directors of the Company are of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations.

### 74. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (1) On 9 January 2020, the Company completed the issuance of a 90-day short-term financing bill 20GFCP001 (Security Code: 072000004), amounting to RMB3.00 billion, with an annual interest rate of 2.75%.
- (2) On 20 January 2020, the Company completed the issuance of 3-year non-public corporate bonds 20GF01 (Security Code: 114655), amounting to RMB5.00 billion, with an annual interest rate of 3.65%.
- (3) On 22 January 2020, the Twenty-fifth meeting of the Ninth session of Board of the Company considered and approved the connected transactions between GF Fund Management Co., Ltd. and Kangmei Healthcare Industry Investment Co., Ltd. GF Fund Management Co., Ltd., the subsidiary of the Company, proposed to acquire a land parcel situated at AH040248, Zone A, Pazhou, Haizhu District, Guangzhou and a land parcel situated at No. ⑩-2 Joint Buildings at intercrossed municipal roads, Pazhou Internet Innovation Industry Cluster, Haizhu District, Guangzhou; and the buildings on ground and underground and the construction in progress on the abovementioned two parcels of land, held by Kangmei Health Industry Investment Co., Ltd (a wholly-owned subsidiary of Kangmei Pharmaceutical Co., Ltd), at a consideration of no more than RMB1.13 billion. As of the date of this report, both parties have signed the agreement and are in the process of execution.
- (4) On 21 February 2020, the Company completed the issuance of a 90-day short-term financing bill 20GFCP002 (Security Code: 072000037), amounting to RMB4.00 billion, with an annual interest rate of 2.52%.
- (5) On 3 March 2020, the Company completed the issuance of non-public Subordinated bonds (Tranche 1), and Type 1 is a 3-year bond 20GFC1 (Security Code:115105), amounting to RMB2.00 billion, with an annual interest rate of 3.35%; Type 2 is a 5-year bond 20GFC2 (Security Code:115106), amounting to RMB2.50 billion, with an annual interest rate of 3.80%.
- (6) On 12 March 2020, the Company completed the issuance of a 90-day short-term financing bill 20GFCP003 (Security Code: 072000066), amounting to RMB5.00 billion, with an annual interest rate of 2.25%.
- (7) On 16 March 2020, the Company completed the issuance of non-public corporate bonds (Tranche 2), and Type 1 is a 3-year bond 20GF02 (Security Code: 114687), amounting to RMB5.80 billion, with an annual interest rate of 3.20%; Type 2 is a 5-year bond 20GF03 (Security Code: 114688), with no actual issuance.



#### 74. EVENTS AFTER THE END OF THE REPORTING PERIOD – *continued*

- (8) The novel coronavirus (“COVID-19”) outbreak in China and other countries around the world since 2020. The impact depends on the development of this pandemic, and the prevention and control against it. The Group will continue to pay close attention to the development of the situation and to evaluate the impact of COVID-19 on the Group’s financial and operating results.
- (9) In accordance with the 2019 profit distribution plan approved by the board of directors on 27 March 2020, the Company proposed cash dividends of RMB3.50 per 10 shares (inclusive of tax) to shareholders based on the number of shares held as at the record date. The proposed profit distribution plan is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

#### 75. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on 27 March 2020.