

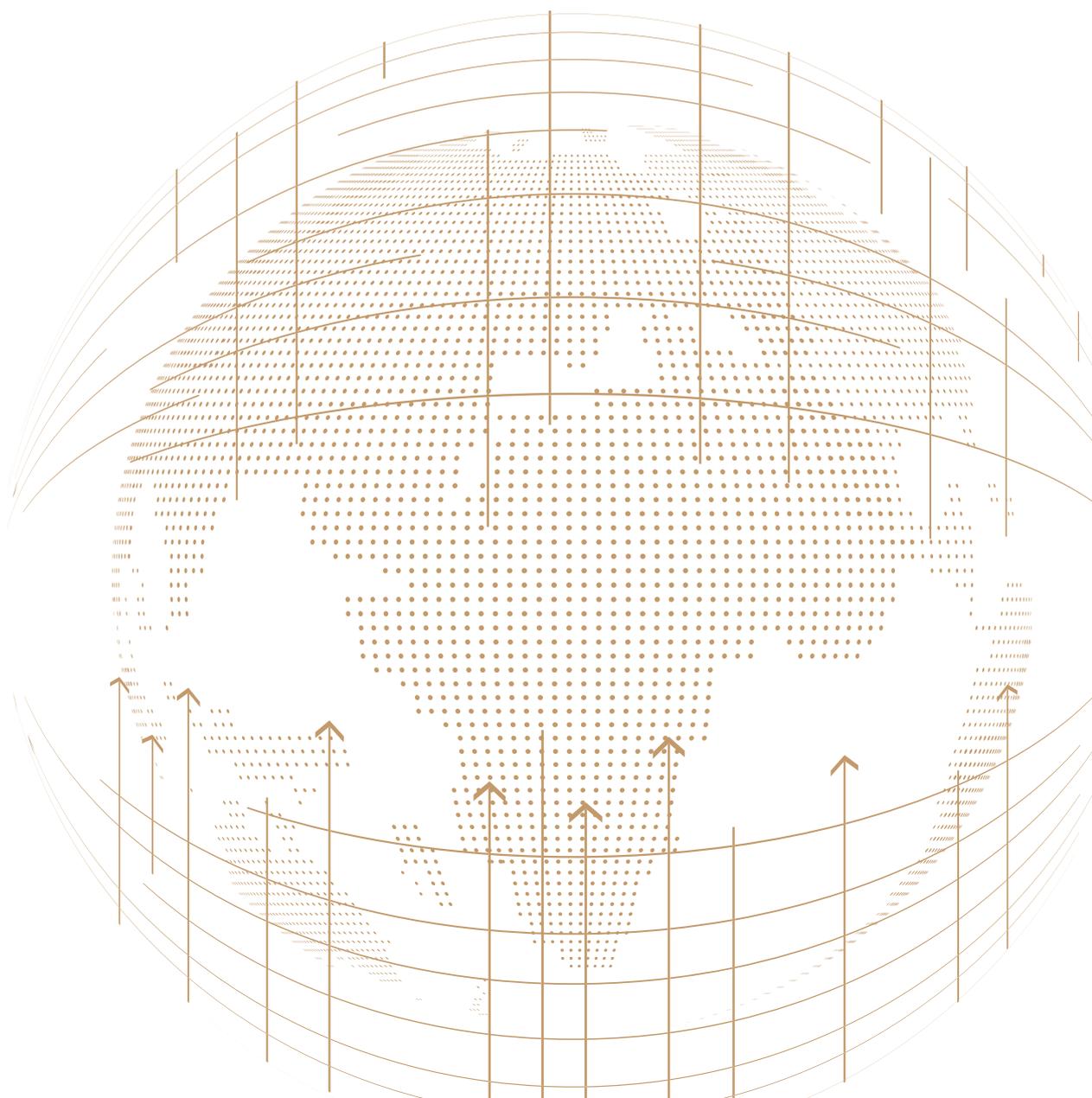


廣發證券股份有限公司
GF SECURITIES CO., LTD.

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

Stock Code: 1776.HK 000776.SZ

2017 | 中期報告 | INTERIM REPORT



Important Notice

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

None of the Directors, Supervisors or senior management have declared their inability to assure, or have dissenting views on, the truthfulness, accuracy and completeness of the contents of this report. This report has been considered and approved at the 3rd Meeting of the Ninth Session of the Board of Directors of the Company. All Directors attended the board meeting for consideration and approval of this report. Save for the following Directors, other Directors attended the board meeting in person in respect of considering and approving this half yearly report:

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

The 2017 interim financial statements of the Company prepared in accordance with the International Accounting Standards have been reviewed by Deloitte Touche Tohmatsu. Unless otherwise stated, financial information set out in this report is denominated in RMB.

The Company has no plan to distribute cash interim dividends and bonus shares or transfer capital reserves fund into its capital for the first half of 2017.

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

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

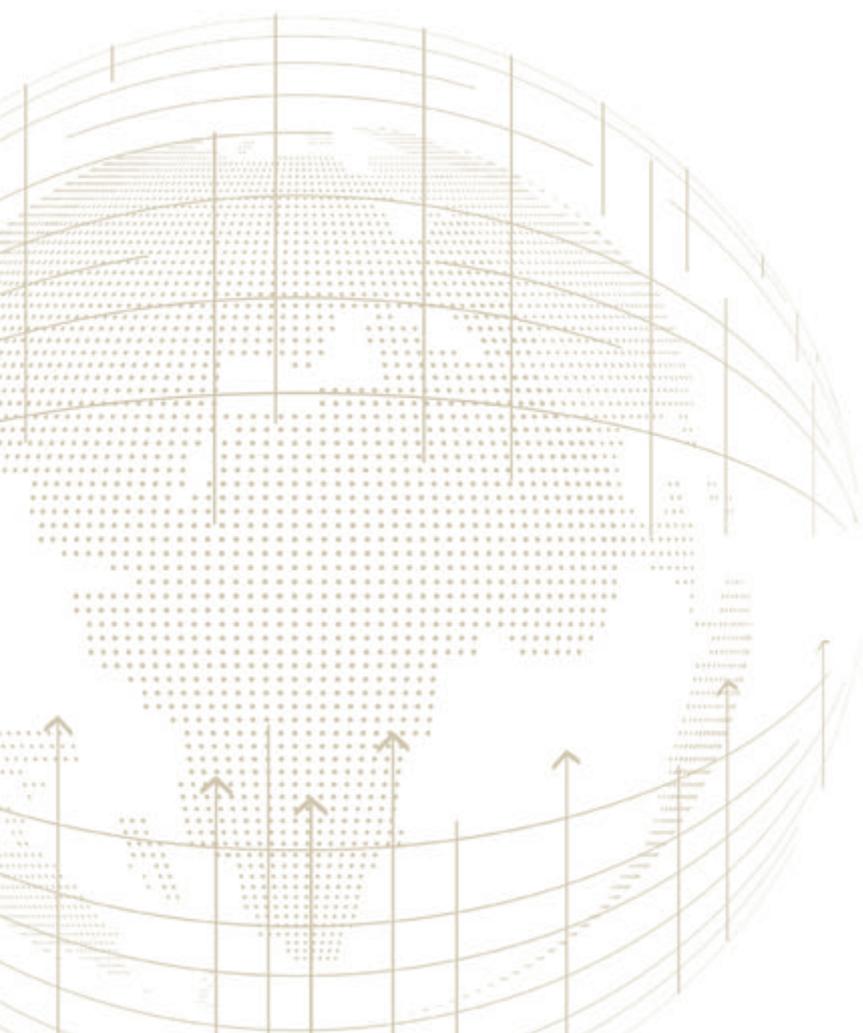
WARNING ABOUT MATERIAL RISK FACTORS

The Company faced many risks in its operations, which mainly include: policy risk that may cause adverse effects to the operations of securities companies as a result of macroeconomic adjustment and control measures promulgated by the State or changes in laws and regulations, regulatory policies and trading rules relevant to the securities industry; liquidity risk that may arise from the failure of the Company to obtain sufficient funds at reasonable cost in time 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 equity securities, interest rates, exchange rates or commodity prices); 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; operational risk that may cause losses to be incurred as a result of deficiency or problems involving internal procedures, personnel, system and external events; and information technology risk that may cause potential impact due to the imperfection of the design and the instability of the operation of the information system.

In response to the risks mentioned above, the Company has established a comprehensive internal control system, compliance management system and a comprehensive risk management system to ensure the healthy operations of the Company 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 4 of this interim report carefully and to pay particular attention to the above risk factors.

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Definitions

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Term	Definition
Reporting Period	first half of 2017 (January 1, 2017 to June 30, 2017)
Company, the Company, parent company, GF Securities	GF Securities Co., Ltd.
Group, the Group	the Company and its subsidiaries which fall within the scope of the consolidated financial statements
Jilin Aodong	Jilin Aodong Pharmaceutical Industry Group Co., Ltd. (吉林敖東藥業集團股份有限公司)
Liaoning Cheng Da	Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司)
Zhongshan Public Utilities	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司)
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股 (香港) 有限公司)
GF Brokerage (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券 (香港) 經紀有限公司)
GF Capital (Hong Kong)	GF Capital (Hong Kong) Limited (廣發融資 (香港) 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 Futures	GF Futures Co., Ltd. (廣發期貨有限公司)
GF Futures (Hong Kong)	GF Futures (Hong Kong) Co., Limited (廣發期貨 (香港) 有限公司)
GF Xinde	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司)
GF Qianhe	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司)
GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理 (廣東) 有限公司)
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
Guangdong Equity Exchange	Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)

Term	Definition
China, PRC, domestic	Mainland China
CSRC	the China Securities Regulatory Commission
Guangdong Bureau of CSRC	Guangdong Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers
Stock Index Futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
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

Definitions

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Term	Definition
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)
Financial leasing	a transaction in which a lessor, based on a lessee's selections with respect of the seller and the leased object, agrees to purchase the assets underlying the leases from a seller, makes the leased object available to the lessee for use and collects rental from the lessee
QDLP	Qualified Domestic Limited Partner
QFII	Qualified Foreign Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
ETF	an open index fund available for trading, commonly known as Exchange Traded Fund, which is an open fund listed for trading on a stock exchange with variable portions of the fund components
FICC	Fixed Income, Currencies & Commodities
PPP	Public-Private-Partnership
ABS	Asset-Backed Securities
A Share	Domestic shares of RMB1.00 per share of the Company, listed on the SZSE and traded in RMB
H Share	Foreign shares of RMB1.00 per share of the Company, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollar

I. COMPANY PROFILE

Stock Names	GF Securities	Stock Codes	000776 (SZSE); 1776 (Hong Kong Stock Exchange)
Places of Listing	SZSE, Hong Kong Stock Exchange		
Name of Company in Chinese	廣發證券股份有限公司		
Short Name of Company in Chinese	廣發證券		
Name of Company in English	GF Securities Co., Ltd.		
Legal representative of the Company	Sun Shuming		
Authorized representatives of the Company	Lin Zhihai, Wan Ka Hung		
Joint company secretaries	Luo Binhua, Wan Ka Hung		

II. CONTACT PERSONS AND CONTACT CHANNELS

	SECRETARY TO THE BOARD	SECURITIES AFFAIRS REPRESENTATIVE
Name	Luo Binhua	Xu Youjun
Address	43rd Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou	39th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou
Telephone	020-87550265/87550565	020-87550265/87550565
Facsimile	020-87553600	020-87554163
E-mail	lbh@gf.com.cn	xuyj@gf.com.cn

III. OTHER INFORMATION

1. Company Contact Channels

Changes in Registered Address of the Company

Registered Address of the Company	Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong
Postal Code of Registered Address of the Company	510555
Business Address of the Company	5th, 7th, 8th, 17th, 18th, 19th, 38th, 39th, 40th, 41st, 42nd, 43rd and 44th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou
Postal Code of Business Address of the Company	510620
Company Website:	www.gf.com.cn
Company E-mail:	gfzq@gf.com.cn
Index for enquiry on designated website for temporary announcement disclosure	Please refer to the related announcements dated June 10, 2017 as disclosed on the CN Info website (www.cninfo.com.cn) and the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) for details

2. Information Disclosure and Place of Inspection

There is no change in the newspapers designated for information disclosure by the Company, the website designated by the CSRC for the publication of the interim report and the place where the interim report of the Company is available for inspection during the Reporting Period. Please refer to the 2016 Annual Report for details.

3. Other Relevant Information

Auditors engaged by the Company (domestic)	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Auditors engaged by the Company (overseas)	Deloitte Touche Tohmatsu
PRC Legal Advisor	Jia Yuan Law Offices, Beijing
Hong Kong Legal Advisor	Latham & Watkins
A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
H Share Registrar	Computershare Hong Kong Investor Services Limited

Class Rating from Regulatory Authorities:

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

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

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

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

Section 2 Accounting Data and Financial Indicators Summary

| 2017 GF SECURITIES | INTERIM REPORT

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS (CONSOLIDATED STATEMENTS)

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

Unit: RMB million

Item	January to June 2017	January to June 2016	Change
Total revenue and other income	13,536	13,654	-0.86%
Profit before income tax	5,798	5,305	9.29%
Net profit attributable to owners of the Company	4,301	4,030	6.72%
Net cash from operating activities	8,883	18,243	-51.30%
Basic earnings per share (RMB/share)	0.56	0.53	5.66%
			Increased by 0.21 percentage point
Return on weighted average net assets (%)	5.34	5.13	percentage point
Item	June 30, 2017	December 31, 2016	Change
Total assets	358,328	359,801	-0.41%
Total liabilities	274,451	278,448	-1.44%
Equity attributable to owners of the Company	80,775	78,530	2.86%
Total share capital	7,621	7,621	—
Net assets per share attributable to owners of the Company (RMB/share)	10.60	10.30	2.91%
			Deceased by 0.09 percentage point
Gearing ratio (%) (Note 1)	70.23	70.32	percentage point

Note1: Gearing ratio = (Total liabilities-Accounts payable to brokerage clients)/(Total assets-Accounts payable to brokerage clients)

II. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profits from January to June 2017 and January to June 2016 and the net assets as at June 30, 2017 and December 31, 2016 as disclosed in the consolidated financial statements of the Company prepared in accordance with IAS are consistent with those in accordance with PRC GAAP.

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

Item	Unit: RMB		
	30 June 2017	31 December 2016	Change
Core net capital	50,855,336,356.54	50,219,411,786.96	1.27%
Supplementary net capital	13,100,000,000.00	16,600,000,000.00	-21.08%
Net capital	63,955,336,356.54	66,819,411,786.96	-4.29%
Net assets	72,535,160,700.32	71,678,864,866.04	1.19%
Total risk capital reserves	26,511,960,599.61	26,068,251,883.47	1.70%
Total on- and off-balance sheet assets	248,784,830,147.60	242,011,780,555.29	2.80%
Risk coverage ratio	241.23%	256.32%	Decreased by 15.09 percentage points
Capital leverage ratio	21.05%	21.37%	Decreased by 0.32 percentage point
Liquidity coverage ratio	158.20%	305.17%	Decreased by 146.97 percentage points
Net stable funding ratio	135.61%	139.14%	Decreased by 3.53 percentage points
Net capital/net assets	88.17%	93.22%	Decreased by 5.05 percentage points
Net capital/liabilities	37.61%	40.61%	Decreased by 3.00 percentage points
Net assets/liabilities	42.66%	43.57%	Decreased by 0.91 percentage point
Propriety equity securities and securities derivatives/net capital	31.08%	32.09%	Decreased by 1.01 percentage points
Propriety non-equity securities and securities derivatives/net capital	178.63%	156.62%	Increased by 22.01 percentage points

Note: Risk coverage ratio = Net capital/Total risk capital reserves × 100%;

Capital leverage ratio = Core net capital/Total on- and off-balance sheet assets × 100%. No adjustment in respect of risk of contingent liabilities, such as guarantee, was made for the core net capital;

Liquidity coverage ratio = High quality liquid asset/Net cash outflow in 30 days × 100%;

Net stable funding ratio = The available amount of stable funding/The required amount of stable funding × 100%.

IV. REVIEW OF THE AUDIT COMMITTEE

The Audit Committee under the Board has reviewed and confirmed the report on the review of the condensed consolidated financial statements of the Company for the six months ended June 30, 2017 disclosed in accordance with the International Accounting Standards, and has no objection against matters including the accounting policies and practices adopted by the Company.

Section 3 Summary of the Company's Business

| 2017 GF SECURITIES | INTERIM REPORT

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

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

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

Investment Banking	Wealth Management	Trading and Institution	Investment Management
◆ Equity finance	◆ Retail brokerage and wealth management	◆ Equity and derivatives trading	◆ 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
		◆ Investment research	◆ Alternative investment
		◆ Asset custody	

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

Wealth Management: the Group earns its fees, consultant 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 and cash holding 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 market services from stock, fixed income and derivatives and self-support transactions, and earning its fees and commissions through providing transaction consultation and execution, investment research services and the main brokerage services to institutional customers;

Investment Management: the Group earns its management and advisory fees through providing services for the asset management, public fund management and private fund management, and obtaining its investment income through making alternative investments.

During the Reporting Period, the Group has actively carried out businesses including finance lease, QDLP and PPP. The Group has persisted in adhering to the core of securities business, integrating resources to better serve customers, and creating an innovative integrated financial services platform.

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

II. 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 17 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 Limited, as the shares held by HKSCC Nominees Limited are owned by non-registered shareholders of H Shares). As of June 30, 2017, 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 16.77%, 16.42% and 10.34%, respectively, forming a stable equity structure. A sustainable, balanced and diversified shareholding structure provides strong support for the Company to form a sound governance structure, and ensures that the Company maintains its market operation mechanism in the long run, which facilitates the Company to achieve sustained and healthy development.

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

2. Excellent corporate culture and stable management team

The Company adheres to the securities business as the core, integration of resources and consolidation of advantages so as to create an innovative integrated financial services platform, maintain a leading position in the industry and construct itself as a systemically important modern investment bank in the near future. The Company will further rely on the national foreign development strategy, speed up its plan for internationalization, actively participate in the international competition, and gradually increase the proportion of revenue from international operations.

Sound corporate culture will boost the Company's cohesion and momentum. The Company has a highly stable management team and a core business team with low turnover rate of talent. The management team members have an average of more than 18 years of managerial experience in securities and finance and relevant sectors and have served an average term of approximately 17 years. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees are 2% and 3%, respectively, thus greatly boosting clients' confidence and the continuity and stability of the various businesses.

As at the end of the Reporting Period, the Company's investment advisory team ranked first in terms of its size in the industry and possessed consulting experience of more than 9 years on average. The Company has been one of the securities firms with the largest sponsor representative teams in the industry. The research results of the analyst team of the Company have been among the top rankings of the "Best Local Research Team" awarded by New Fortune for many years. Nearly 15% of the employees of the headquarters of the Company possess overseas working experience or have been educated overseas, which constitutes a talent pool for the international business development of the Company.

3. Time-tested effective risk and compliance management mechanism

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

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

Adhering to the management philosophy of “**stable growth, continual innovation, performance-driven culture and business strategies**”, the Company has explored with dedication and forged ahead in the competitive and complex environment of the industry. It has withstood the test of major changes in the industry, and has been one of the securities firms with the largest influence in the Chinese market for many years. 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 2014 to January - June 2017

Items	January- June 2017/ End of June	2016/Year End	2015/Year End	2014/Year End
	Total assets	4	5	5
Net assets	6	5	5	6
Net capital	4	4	4	3
Operating revenue	4	4	4	4
Net profit	5	4	5	4

Note 1: Source of data: WIND Info, China Securities Industry Association, 2017;

Note 2: The indicative data of net capital represents the data for parent company. The January- June 2017 indicators are based on unaudited statistical data for parent company. The 2016, 2015 and 2014 indicators are based on the data in the combined statement.

While seeking economic benefits and market position, both reputation and brand of the Company have been enhancing persistently. From 2015 to 2016, the Company ranked second among securities firms in China in “Hurun Brand List” for two 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 based on the “GF Securities Social Charity Foundation”. The Company took initiative to carry out its social responsibility. The reputation and brand influence of the Company have continued to improve.

5. Full licenses and establishing the ability to provide comprehensive financial services to customers

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 relatively balanced development and rank among the top in the industry. Meanwhile, the Company is the controlling shareholder of GF Futures, GF Fund, GFHK, GF Xinde, GF Qianhe and GF Asset Management, and also holds shares in E Fund Management (also as one of the largest shareholders), Guangdong Equity Exchange (廣東股權中心) (also as one of the largest shareholders), E-Capital Transfer Co., Ltd. (證通股份有限公司), China Securities Credit Investment Co., Ltd. (中證信用增進股份有限公司) and China Securities Internet System Co., Ltd. (中證機構間報價系統股份有限公司), and actively explores and develops various businesses such as finance lease, PPP and QDLP, building a preliminary financial group structure. With a full range of business licenses of the securities industry, top-ranked main businesses and conglomerated comprehensive financial services capabilities, the Company is able to boost its core competitiveness continuously.

6. Leading scientific and technological financial model in the industry

The Group attaches high importance to innovation in the long-term and sustainable development of the Company. It has been exploring for innovations in each aspect of management, business, service and technology and received good effects. The Company continues to focus on investment in technology finance. On one hand, the Company has been actively expanding its financial technology research and development team. During the past three years, it has recruited more than 160 technology finance research and development personnel, who are based in three R&D centers in Guangzhou, Shenzhen and Shanghai, and many of the new members have working experience in first-tier Internet companies such as Tencent, Alibaba and Baidu; On the other hand, the Company increases its own R&D and technology innovation efforts in aspects such as big data, artificial intelligence, platform and client terminal. The Company rolls out technology financial platforms with its completely independent research and development, such as big data cloud services platform, micro-service platform, Online Trading Easy version (網上交易至易版), Yitaojin App (易淘金手機app) and robot investment adviser platform. The Company also launches the first big data-based full-chain quantitative trading cloud platform of the industry by cooperative research and development, which lays the foundation for the subsequent development of technology finance orientation. Our team advocates engineer culture, and we adopt a series of agile team management approaches to inspire team members' enthusiasm about technical innovation. So far, the Company has in aggregate applied for 5 invention patents, 3 utility model patents and 2 software copyrights, of which, the Company has obtained 1 utility model patent and 2 software copyrights.

I. OVERVIEW

During the Reporting Period, facing complicated capital market conditions and the industry regulatory environment that emphasizes **lawful, stringent and comprehensive supervision**, the operation management team of the Company, under the guidance of the Board of Directors, led all employees to move forward in a unified and tempering manner by continuously upholding its core values of **“inquisitiveness, integrity, client focus and teamwork”** and adhering to the principle of finance serving real economy, and make unremitting efforts to its strategic mission of **“Becoming a Modern Investment Bank with International Competitiveness, Brand Influence and Systemic Importance”**.

In February 2017, the National Security and Future Regulation Work Meeting stressed that it would always maintain comprehensive and strict regulation according to laws, focus on further strengthening the prevention of financial risks, improve the ability of the capital markets serving real economy; in July, the National Finance Work Meeting introduced the four principles of turning back to the original business, optimizing the structure, enhancing the regulation and market orientation, and made material deployment around three tasks of serving real economy, preventing financial risks and strengthening financial reform. The Company always observed its operation management philosophy of **“stable growth, continual innovation, performance-driven culture and business strategies”**, adapted itself to the industry development trend, enhanced compliance risk management, focused on its clients, accelerated business transformation and management reform, and promoted the balanced development of each business.

During the Reporting Period, the Company consistently adhered to the basic principle of “Making Progress While Maintaining Stability” and managed to achieve good results in the market condition characterised by strict supervision and increasing competition. Various major operation indicators continued to rank among the top in the industry, which created good returns for its Shareholders.

II. ANALYSIS ON PRINCIPAL BUSINESS

(I) Overview

During the first half of the year, the PRC economy sustained a progressive yet steady development trend starting in the last year. The economy operated within a reasonable range and supply-side structural reform had received remarkable effects, GDP grew by 6.9% on a year on- year basis, while the growth rate of the tertiary sector was 7.6% (Source: National Bureau of Statistics, 2017). With the intensive progress of the strategy of “One Belt, One Road”, research and formulation of the development and planning of Guangdong — Hong Kong — Macao Bay Area, new opportunities will be brought to promote the national economic development status and future regional economic development.

Section 4 Discussion and Analysis of Operations

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During the first half of 2017, the capital market was of overall average performance. The A share market was not actively traded. Compared with the end of 2016, as of June 30, 2017, the SSE Composite Index advanced by 2.86% and the SZSE Component Index advanced by 3.46%. The SSESME Composite Index advanced by 7.33% while the Growth Enterprise Index fell by 7.34%. The turnover volume of A-shares amounted to RMB52.21 trillion (Source: WIND Information, 2017), representing a year-on-year decrease of 18.33%; the margin financing and securities lending business experienced a moderate decline; As of June 30, 2017, the balance of margin financing and securities lending on the Shenzhen stock market and the Shanghai stock market was RMB879,862 million, recording a decrease of 6.32% as compared with figures as at the end of 2016. The financing volume in the capital market decreased, equity financing size reached RMB429,420 million, representing a year-on-year decrease of 32.07%; with the slower expansion of NEEQ, the number of enterprises listed on the NEEQ was 11,314 as at the first half of 2017, representing an increase of 11.33% compared to the end of 2016. Financing of enterprise bonds decreased sharply, which amounted to RMB89,160 million during the first half of the year, representing a year-on-year decrease of 72.62%; financing of corporate bonds amounted to RMB414,598 million, representing a year-on-year decrease of 71.14% (Source: WIND Information, 2017).

Based on the unaudited financial statements, the total assets, net assets, net capital, customers' transaction settlement fund amount (including the credit trading fund), market value of securities under custodianship and the total principal sum of funds under management of 129 securities firms were RMB5.81 trillion, RMB1.75 trillion, RMB1.5 trillion, RMB1.27 trillion, RMB37.67 trillion and RMB18.06 trillion as of the end of June, 2017, representing an increase of 0.35%, an increase of 6.71%, an increase of 2.04%, a decrease of 11.81%, an increase of 11.55% and an increase of 1.35% as compared to the end of 2016, respectively. During the first half of 2017, 117 of 129 securities firms in the industry were profitable with operating revenue of RMB143.696 billion, representing a year-on-year decrease of 8.52%. Specifically, net income from the securities trading agency service business was RMB38.854 billion, representing a year-on-year decrease of 30.59%; net income from the securities underwriting and sponsorship business was RMB16.923 billion, representing a year-on-year decrease of 29.83%; net income from the financial advisory service business was RMB5.188 billion, representing a year-on-year decrease of 27.37%; net income from the investment advisory service business was RMB1.57 billion, representing a year-on-year decrease of 32.70%; net income from the asset management business was RMB13.998 billion, representing a year-on-year increase of 4.20%; income from the securities investment (including changes in fair value) business was RMB36.589 billion, representing a year-on-year increase of 49.43%; net interest income was RMB19.793 billion, representing a year-on-year increase of 17.09%; net profit for the first half of the year was RMB55.258 billion, representing a year-on-year decrease of 11.55% (Source: Securities Association of China, 2017).

As of 30 June 2017, total assets of the Group amounted to RMB358,328 million, representing a decrease of 0.41% as compared to the end of 2016 and equity attributable to owners of the Company was RMB80,775 million, representing an increase of 2.86% as compared to the end of 2016. During the Reporting Period, total revenue and other income of the Group was RMB13,536 million, representing a year-on-year decrease of 0.86%; total expenses were RMB7,941 million, representing a year-on-year decrease of 7.14%; net profit attributable to owners of the Company was RMB4,301 million, representing a year-on-year increase of 6.72%.

(II) Analysis of Principal Business

The principal business of the Group can be divided into four segments, namely investment banking, wealth management, trading and institution and investment management. During the Reporting Period, total revenue and other income from the investment banking business segment was RMB1,346 million, representing a year-on-year decrease of 1.40%; total revenue and other income from the wealth management business segment was RMB5,298 million, representing a year-on-year decrease of 12.95%; total revenue and other income from the trading and institution business segment was RMB3,290 million, representing a year-on-year increase of 9.31%; and total revenue and other income from the investment management business segment was RMB3,280 million, representing a year-on-year increase of 18.77%.

1. Investment banking segment

The Group's investment banking segment mainly comprises of equity financing business, debt financing business and financial advisory services. During the Reporting Period, total revenue and other income from the investment banking business segment was RMB1,346 million, representing a year-on-year decrease of 1.40%.

(1) Equity financing business

During the first half of 2017, new policies in relation to refinancing and new rules in relation to reduction in shareholdings were launched, the equity financing market was in a structural change trend, the issuance of new shares became normalized, and the refinancing scale was reduced. During the first half of the year, a total of 393 equity financing deals were launched on the A share market, representing a year-on-year increase of 12.93%; the fund raised was RMB429,420 million, representing a year-on-year decrease of 32.07%; 237 IPOs were launched, raising RMB116,646 million, representing a year-on-year increase of 248.53% and 259.30% (Source: WIND Information, 2017).

In order to adapt to economic structural transformation and policy changes, the Company made greater efforts to develop large customers on the basis of solidifying the advantages of emerging industries and potential small and medium business customers; meanwhile, onshore and offshore connected operations continued to be implemented in the investment banking business, to enhance the international business competitiveness of the Company. During the Reporting Period, the Company acted as a lead underwriter for 35 equity financing projects, ranking 2nd in the industry; the lead underwritten amount was RMB21.346 billion, ranking 4th in the industry. Among these projects, the Company acted as a lead underwriter for 20 IPOs, ranking 1st in the industry; the lead underwritten amount was RMB10.566 billion, ranking 1st in the industry (Source: Securities Association of China, statistics of the Company, 2017). During the Reporting Period, the Company's commission and fee income from stock underwriting and sponsorship was RMB867million, representing a year-on-year increase of 56.55%.

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Details of the Company's equity underwriting and sponsorship business in January to June 2017 are shown in the table below:

Items	January to June 2017		January to June 2016	
	Lead underwritten Amount (RMB 100 million)	Number of offerings	Lead underwritten Amount (RMB 100 million)	Number of offerings
Initial Public Offerings (IPOs)	105.66	20	27.62	7
Refinancing offerings	107.80	15	290.10	21
Total	213.46	35	317.73	28

Source: Statistics of the Company, 2017.

(2) Debt financing business

During the first half of 2017, with the deleveraging and a tightly balanced liquidity supply, upward trend in interest rates and stricter regulatory requirements in the industry, concerns over credit risks aggravated, relatively large adjustments had occurred in the bond market. Corporate bonds, enterprise bonds and credit bonds such as interbank market non-financial enterprise debt financing instruments were generally deteriorating. During the first half of the year, the offering size of corporate bonds throughout the market was RMB414,598 million, representing a year-on-year decrease of 71.14%; the offering size of enterprise bonds was RMB 89,160 million, representing a year-on-year decrease of 72.62%; the offering size of credit bonds such as interbank market non-financial enterprise debt financing instruments was RMB1,685,450 million, representing a year-on-year decrease of 38.00% (Source: WIND Information, Statistics of the Company, 2017).

During the Reporting Period, in order to cope with regulatory changes and changes in the market environment, the Company continually optimized its bond business quality control and management system, and its quality control center kept moving forward; the Company continually expanded and reserved quality products, grasped the market opportunities to actively make greater efforts to issue corporate bonds. During the Reporting Period, the Company acted as the lead underwriter for 52 bonds, with a total underwritten amount of RMB49.366 billion, representing a year-on-year decrease of 34.51%. During the Reporting Period, the Company recorded commission and fee income from the bond underwriting business of RMB225 million, representing a year-on-year decrease of 42.30%.

Details on bond deals underwritten by the Company during January to June 2017 are shown in the table below:

Items	January to June 2017		January to June 2016	
	Lead underwritten Amount (RMB 100 million)	Number of offerings	Lead underwritten Amount (RMB 100 million)	Number of offerings
Enterprise bonds	17.20	2	175.50	13
Corporate bonds	390.86	43	432.00	44
Debt financing targeted instruments of non-financial enterprises	16.80	3	56.30	9
Financial bonds	53.80	2	90	3
Exchangeable bonds	15.00	2	—	—
Total	493.66	52	753.80	69

Source: Statistics of the Company, 2017.

(3) Financial advisory business

The Company's financial advisory business mainly comprises of, among others, M&A and restructuring of listed companies and NEEQ listings. During the Reporting Period, the Company recorded commission and fee income from financial advisory business of RMB215 million, representing a year-on-year decrease of 34.09%.

During the first half of 2017, the overheated market of the M&A and restructuring of listed companies was cooling down. During the Reporting Period, the Company acted as a financial advisor for 12 material asset restructurings (including the CSRC M&A and Restructuring Committee projects and non-administrative material asset restructuring projects), ranking 2nd in the industry, the transaction amount completed was RMB 81.382 billion, and ranking 1st in the industry (Source: Statistics of the Company, 2017); the Company, acting as the independent financial advisor, completed the large scale cross border acquisition of C2 Aviation Capital LLC by Bohai Financial Investment Holding Co., Ltd. in an amount of approximately USD10 billion, which further enhanced the Company's brand influence. The Company recorded commission and fee income from the M&A and restructuring financial advisory business of RMB152 million during the Reporting Period, representing a year-on-year decrease of 24.26%.

During the first half of 2017, the market expansion rhythm showed a significant slowdown, and the newly added companies listed on the NEEQ decreased sharply as compared to the same period last year. During the Reporting Period, the Company further strengthened the comprehensive services for important customers in strategic emerging industries; meanwhile, the Company paid high attention to quality control and further perfected its risk management system and procedures. As of June 30, 2017, the Company sponsored a total of 329 companies listed on the NEEQ, and the listing of 58 innovative enterprises was supervised by the Company, ranking 5th in the industry (Source: NEEQ, Statistics of the Company, 2017).

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, GF Holdings Hong Kong completed 21 deals by acting as lead underwriter (including IPO, refinancing and bond offering), financial advisers and mergers and acquisitions through its subsidiaries.

2. Wealth Management Segment

The Group's wealth management segment mainly comprises retail brokerage and wealth management, margin financing and securities lending and repurchase transactions. During the Reporting Period, total revenue and other income from the wealth management business segment was RMB5,298 million, representing a year-on-year decrease of 12.95%.

(1) Retail brokerage and wealth management business

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

During the first half of 2017, the turnover of A shares on the market was RMB52.21 trillion (Source: WIND Information, 2017), representing a year-on-year decrease of 18.33%. In addition to decrease in transaction amounts and commission rate, there were stricter regulatory requirements in the industry, and securities firms faced increasing competition in respect of commission level, business procedure, service methods, service contents and talents demands.

During the first half of 2017, the Company focused on the strategic task of the transformation of retail business and implemented wealth management, scientific finance and integrated operation. The Company strengthened cooperation with banks and security companies, promoted the building of broker team, established customer demand-driven wealth management products system, built customer service system of private banks and fully promoted transformation development towards wealth management.

During the Reporting Period, the Company's self-developed Beta Bull (貝塔牛) smart investment advisory system phase II was launched. Beta Bull has obtained the 2017 Smart Investment Advisory Pioneer Brokerage Award by the International Finance News (國際金融報2017智能投顧先鋒券商獎項), the 2016 Significant Contribution Award for Product Innovation by the Financial Computerizing magazine (金融電子化雜誌2016產品創新突出貢獻獎) and the 2016 Best Innovation Award for Financial Technology Product by the American Institutional Investors (美國機構投資者2016金融科技產品最佳創新獎). In respect of science and technology finance, the Company continued to maintain its leading position, as of the end of the Reporting Period, the number of mobile-phone securities users exceeded 12 million, representing a year-on-year increase of 125%, which gradually became an important account opening channel; the number of subscribers of the Company's WeChat account was over 3 million and the number of Golden Key (金鑰匙) system customers was over 5.42 million, and over 10.89 million service orders were executed; during the Reporting Period, the sales and transfer amount of products of the Yitaojin E-commerce platform amounted to RMB46.5 billion; in addition, during the first half of 2017, transaction terminal experience optimization and the acceleration of loading speed by 30 times and other important upgrades had been accomplished.

During January to June, 2017, the Company's trading volume of shares and fund products was RMB4.74 trillion (bilateral statistics), representing a year-on-year decrease of 20.86%, which ranked No. 5 in the industry, holding onto last year's ranking (Source: Member Area of SSE, Member Area of SZSE, 2017). During the Reporting Period, commission and fee income from the Company's securities trading agency business was RMB1,677 million, representing a year on- year decrease of 32.87%.

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

Type of securities	Trading volume from January to June 2017 (RMB 100 million)		Trading volume from January to June 2016 (RMB 100 million)	
	Market share from January to June 2017(%)	Market share from January to June 2016 (%)	Market share from January to June 2016 (%)	Market share from January to June 2016 (%)
Stocks	46,687.53	4.47	59,014.46	4.61
Funds	695.35	0.79	858.19	0.82
Bonds	137,431.33	5.44	125,251.87	6.34
Total	184,814.21	5.05	185,124.52	5.51

Note 1: The data is from the statistics of the Company, SSE and SZSE, 2017;

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

Note 3: The market share refers to the ratio of trading volume of this kind of securities to the total trading volume of this kind of SSE and SZSE in the same period.

In respect of the financial products agency sales business, the Company recorded commission and fee income from the financial products agency sales business of RMB56 million during the Reporting Period, representing a year-on-year decrease of 35.08%.

In futures brokerage business, the Group has developed its futures brokerage business through its wholly-owned subsidiary, GF Futures, and provided the transaction and clearing services for customers in major international commodity markets through GF Futures (Hong Kong), a wholly-owned subsidiary of GF Futures, and GF Financial Markets (UK) Limited, a wholly-owned subsidiary of GF Futures (Hong Kong).

In regions outside of the PRC, the Group provides brokerage services for customers primarily through its indirectly wholly-owned subsidiary, GF Securities (Hong Kong), covering stocks listed on the Hong Kong Stock Exchange and other overseas exchanges such as New York Stock Exchange, Nasdaq Stock Market, London Stock Exchange, Pan-European Stock Exchange, Tokyo Stock Exchange, Singapore Exchange and the Taiwan Stock Exchange. Meanwhile, the Group engages in general insurance and long-term insurance brokerage businesses primarily through its indirect wholly-owned subsidiary, GF Wealth Management (Hong Kong) Limited, which has obtained a licence from the Professional Insurance Brokers Association (PIBA), in order to provide customers with comprehensive wealth management services.

(2) Margin financing and securities lending business

During the first half of 2017, as the trading volume in the A-share market declined, the margin financing and securities lending business also experienced a decline to a certain extent. As of June 30, 2017, the balance of the margin financing and securities lending of the Shanghai and Shenzhen stock markets was RMB879,862 million, representing a decrease of 6.32% as compared to the end of 2016 (Source: WIND Information, 2017).

The Company focused on strengthening the management of margin financing and securities lending customers, attached great importance to the compliance risk management of business development, strictly implemented the requirements for customer's appropriateness management and classification and grade management, strengthened the investor education and risk announcement and guided customers to conduct professional investment and rational investment; the Company determines the financing business scale scientifically, reasonably and carefully, and grasps the development rhythm and speed of the margin financing and securities lending business according to the level of its net capital, customer status and risk management ability, established and improved counter-cyclical dynamic adjustment mechanism and appropriately controlled the leverage level of customers to effectively prevent business risk.

As at the end of June, 2017, the closing balance of the Company's margin financing and securities lending business was RMB49,602 million, representing a decrease of 8.29% as compared to the end of 2016; and the market share was 5.64%, ranking 4th in the industry on a combined basis (Source: WIND Information, 2017). During the Reporting Period, the Company recorded interest income from the margin financing and securities lending business of RMB2,000 million, representing a year-on-year decrease of 5.48%.

(3) Repurchase transaction business

During the Reporting Period, the Stock Pledged Repo Transaction business of the Company continued to grow. As at the end of June, 2017, the balance of the Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB22.560 billion, representing an increase of 65.26% as compared to the end of 2016. Due to the substitution diversion effect of the Stock Pledged Repo Transaction business, the scale of the agreed repurchase securities trading business was relatively small.

During the Reporting Period, the Company recorded interest income from the repurchase transaction business of RMB513 million, representing a year-on-year increase of 91.40%.

3. Trading and Institution Business Segment

The Group's trading and institution business mainly includes the equity and derivatives trading business, fixed income sales and trading business, OTC sales and trading business, investment research business and asset custody business. During the Reporting Period, total revenue and other income from the trading and institution business segment was RMB3,290 million, representing a year-on-year increase of 9.31%.

(1) Equity and derivatives trading business

The equity and derivatives trading business of the Company mainly engages in market-making and trading of shares and equity linked financial products and equity derivative products. As one of the first batch of players in the stock index futures market, the Company also uses stock index futures to hedge the risk of the stock portfolio of the Company. In addition, the Company currently provides liquidity to various exchange traded funds (ETF), including single market ETFs, cross-market ETFs, cross-border ETFs, bond ETFs, and gold ETFs.

During the Reporting Period, the Company recorded net investment gains from the equity and derivatives trading business of RMB848 million.

(2) Fixed income sales and trading business

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

The Company conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market making services, such as government bonds, policy-based financial bonds, central bank notes, medium term notes, short-term financing bonds, enterprise bonds, company bonds, treasury fund futures and interest rate swaps. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the risk arising from trading transactions and market-making activities. In addition, the Company vigorously expands the FICC business. The Company builds an overseas FICC investment platform mainly through GF Global Capital, its indirect wholly-owned subsidiary, with the assets allocated to 20 countries and regions including Asia, Europe and the United States of America, covering the diversified investment fields including bonds and structured products. The Company is one of the four securities firms granted with market-maker qualification of the interconnection and interworking between the PRC and Hong Kong bond markets (the “Bond Connect”) in 2017 and is currently applying for the qualification of foreign exchange business. During the Reporting Period, the Company ranked No. 5 among securities firms in the trading volume of bonds in China (Source: www.chinabond.com.cn, 2017).

During the Reporting Period, the Company properly controlled the duration and investment scale of the bond investment portfolio, and reduced the upward interest risk during the first half of this year. The net investment gains from fixed income sales and trading business of the Company were RMB1,829 million, representing a year-on-year decrease of 26.15%.

(3) OTC sales and trading business

The Company designs and sells a variety of OTC products, including non-standard products, structured notes and OTC derivatives. Meanwhile, the Company provides liquidity support to non-standard products and structured notes products through OTC. As at the end of the Reporting Period, the Company has issued 4,680 OTC products in aggregate with an aggregate amount of approximately RMB346.3 billion. The market value of the products as at the end of the Reporting Period was approximately RMB51.9 billion. Specifically, the Company issued 840 new OTC products with an aggregate amount of RMB21.3 billion during the first half of 2017 (source: statistics of the Company, 2017). OTC products issued by it include structured notes products, financial derivatives - equity income swaps, OTC options, asset management products, specified fund products and private equity fund custodian products. In 2017, the Company actively developed OTC derivatives business, conducted OTC options transactions linked with domestic A shares and overseas underlying assets. In addition, the Company continued to develop customized structured notes; institutional client customization for this year accounted for more than 70% of the total volume of new additions; Diversity of floating income products continued to increase; underlying assets of linked customized structured notes had coverage over various domestic and overseas assets types since 2017, including individual stocks, indices, commodities, private equity fund, etc., to satisfy the customized investment and risk management demand of investors. During the Reporting Period, the size of bilateral OTC transfer transactions was approximately RMB22.4 billion, which continued to maintain a leading position in the industry.

As of June 30, 2017, the Company provided market-making services for 195 NEEQ enterprises, of which there were 93 innovative enterprises; and the industries mainly cover TMT, biological medicine, huge consumption, high-end manufacturing industry and others. In the NEEQ market-making business, the Company is committed to provide a diversified capital pattern and industrial transformation service for the high-quality NEEQ enterprises.

(4) Investment research business

The investment research business of the Group mainly comprises investment research services provided in areas such as macro economy and strategy, industry and listed companies, and financial engineering for the institutional clients. To be specific, our investment research services cover the provision of research reports and customized investment research services for the National Social Security Fund, insurance companies, fund companies, private equity funds, financial companies, securities companies and other institutional investors in Hong Kong and the PRC. The Company's equity research covers 26 industries in the PRC and over 700 listed companies in the PRC, and over 86 companies listed on the Hong Kong Stock Exchange.

During the first half of 2017, the Company continued to enhance investment research input, introduced leading talents and strengthened the strengths of domestic and overseas investment research teams.

(5) Asset custody business

The Company provides high-quality asset custody and fund services business for various asset management products; the targets for the provision of such services include fund companies and their subsidiaries, securities companies and their asset management subsidiaries, futures companies and their subsidiaries, private equity fund managers and various other asset management institutions; asset custody services include various services such as asset custody, capital clearing, valuation auditing, investment supervising, information disclosing; fund services business includes valuation auditing and share registration.

As at the end of June, 2017, the total asset scale of asset custody and fund service business provided by the Company was RMB119.640 billion, of which the scale of trust products was RMB70.539 billion, and the scale of fund service products provided was RMB49.101 billion.

4. Investment Management Segment

The Group's investment management business segment mainly covers asset management business, public fund management business, private fund management business and alternative investment business. During the Reporting Period, the total revenue and other income from the investment management business segment was RMB3,280 million, representing a year-on-year increase of 18.77%.

(1) Asset management business

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

GF Asset Management manages the investments of client assets of various asset categories and investment strategies, including stocks, fixed-income, quantitative investments and cross-board products. GF Asset Management carries out investment management through three types of schemes, including the collective asset management schemes, targeted asset management schemes and specific asset management schemes. The clients of GF Asset Management mainly include commercial banks, trust companies, other institutional investors and affluent population including the high-net-worth individuals.

As at June 30, 2017, GF Asset Management managed 106 collective asset management schemes, including equity investment, fund of funds (FOF) investment, fixed income investment, monetary market and quantitative investment with a size of assets under management of RMB293.069 billion, representing a decrease of 20.38% as compared to that as at the end of last year.

As at June 30, 2017, GF Asset Management managed 489 targeted asset management schemes with a size of assets under management of RMB 278.408 billion, representing a decrease of 13.25% as compared to that as at the end of last year. The targeted asset management schemes of GF Asset Management invest in a wide range of assets classes, including stocks, fixed income and alternative investment (including trust products, entrusted loans and notes).

As at June 30, 2017, GF Asset Management managed 48 specific asset management schemes with a size of assets under management of RMB27.155 billion, which is basically in line with that as at the end of last year. The leasing asset securitization products and asset securitization product of receivables issued by GF Asset Management in the exchange market maintained a top ranking in the industry, thus, establishing the industrial influence and leading advantages.

As of the end of the Reporting Period, the management size of collective schemes under GF Asset Management ranked first among the peers and the active management size ranked second among the peers (Source: Asset Management Association of China, 2017).

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

Asset management scale and income in the first half of 2017

	Asset management scale (RMB 100 million)		Asset management fee income (RMB 100 million)	
	June 30, 2017	December 31, 2016	January to June 2017	January to June 2016
Collective asset management business	2,930.69	3,681.06	6.78	7.76
Targeted asset management business	2,784.08	3,209.35	0.99	0.88
Specific asset management business	271.55	271.38	0.03	0.19
Total	5,986.32	7,161.80	7.80	8.83

Source: Statistics of the Company, 2017.

During the Reporting Period, GF Asset Management recorded management fee income of RMB780 million, representing a year-on-year decrease of 11.74%.

The Group carries out futures asset management business mainly through GF Futures.

In the area of overseas asset management business, the Group provides consulting services and management for various investment instruments mainly through GF Asset Management (Hong Kong), its indirect wholly-owned subsidiary. GFHK is one of the first Sino-funded financial institutions in Hong Kong granted with RQFII qualification. GF Asset Management (Hong Kong) conducts asset management and investment operation by public equity funds, private equity funds and entrusted management accounts and currently focuses on the development of alternative investment strategies.

(2) Public fund management services

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

As at the end of June 2017, the Company held 51.13% interests in GF Fund. As at the end of June 2017, GF Fund managed 144 open-ended fund products. GF Fund is one of the domestic investment managers of the National Social Security Fund and the Basic Person Instance Fund. GF Fund also provides asset management services for insurance companies, financial companies, and other institutional investors as well as high-net-worth individuals. In addition, GF Fund can invest the capital raised domestically in overseas capital market through QDII, and invest the capital raised from overseas markets in China's capital market through its wholly-owned subsidiary, GF International Investment Management Limited and its indirect wholly-owned subsidiary, GF International Asset Management (UK) Company Limited, in the form of RQFII; GF Fund has been active in taking part in the mutual recognition of funds from Mainland China and Hong Kong. It has been selling the certified fund products in Hong Kong. As at the end of June 2017, the publicly offered funds managed by GF Fund have reached RMB251.751 billion, decreasing by 17.39% over that at the end of 2016 and ranking twelfth in the industry (Source: Galaxy Securities Fund Research Center, 2017).

During the Reporting Period, GF Fund realized total revenue and other income of RMB1,293 million, representing a year-on-year increase of 4.99%; net profit was RMB400 million, representing a year-on-year increase of 10.79%.

As at the end of June 2017, the Company held 25% interests in E Fund and became one of the three parallel largest shareholders. As at the end of June 2017, E Fund managed 121 open-ended funds. E Fund is one of the investment managers of the National Social Security Fund and the Basic Pension Instance Fund. E Fund 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 may invest the capital raised domestically in overseas capital market through QDII, and invest the capital raised from overseas market in China's capital market through RQFII. As at the end of June 2017, the publicly offered funds managed by E Fund reached RMB484.241 billion, increasing by 13.06% over that at the end of 2016 and ranking third in the industry (Source: Galaxy Securities Fund Research Center, 2017).

During the Reporting Period, E Fund realized net profit of RMB627 million, representing a year-on-year decrease of 18.43%.

(3) Private fund management services

The Group mainly engages in the private fund management business through its wholly-owned subsidiary GF Xinde. During the Reporting Period, GF Xinde and the funds under its management have completed a total of 25 equity investment deals, with the investment amount up to RMB835 million; as at the end of the Reporting Period, GF Xinde and the funds under its management completed 189 equity investment projects, of which 19 projects were listed on China's A share market through initial public offering. GF Xinde exited seven projects through merger of listed companies. As at the end of June 2017, GF Xinde set up and managed 20 private equity funds and seven mezzanine funds. The total size of customers' assets under management amounted to RMB7,978 million. During the Reporting Period, leveraging on its past successful experience, GF Xinde further attracted more FOF of the financial institutions and the capital guided by the government to act as the limited partnership contributors of private equity funds, thereby laying the solid foundation for the transition towards high-end asset management; it also newly established the venture capital department and the M&A investment department, realizing the diversified development of the Company.

During the Reporting Period, GF Xinde realized total revenue and other income of RMB561 million, representing a year-on-year increase of 65.14%.

In the overseas market, the Group is engaged in investment and private equity management services mainly through its indirectly wholly-owned subsidiary GF Investment (Hong Kong) and subsidiaries thereunder, and has completed investment mainly in fields such as new energy, TMT and life science.

(4) Alternative investment

In the alternative investment field, the Group actively develops its businesses through GF Qianhe, mainly including equity, financial products and other alternative investment business. During the Reporting Period, GF Qianhe invested in 9 new projects with an investment amount of RMB238 billion. As at the end of June 2017, the accumulated number of projects invested by GF Qianhe was 65, with an aggregate investment amount of RMB5,886 million, of which 23 project investments have been fully exited.

In addition, the Group carries out the financial leasing business through its indirect wholly-owned subsidiary Guangfa Financial Leasing (Guangdong) Co., Ltd. and the PPP business through its indirect wholly-owned subsidiary GF Hexin Industry Investment Management Co., Ltd.

During the Reporting Period, total revenue and other income realized by GF Qianhe was RMB214 million, representing a year-on-year increase of 15.65%.

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III ANALYSIS ON FINANCIAL STATEMENTS

1. Analysis on Consolidated Statement of Profit or Loss

Revenue composition

Unit: RMB'000

Item	January to June 2017	January to June 2016	Amount of increase/ decrease	Percentage of increase/ decrease
Commission and fee income	5,385,308	6,531,113	-1,145,805	-17.54%
Interest income	3,863,430	3,945,771	-82,341	-2.09%
Net investment gains	4,163,037	3,357,943	805,094	23.98%
Other income and gains or losses	124,701	-180,674	305,375	—
Total revenue and other income	13,536,476	13,654,153	-117,677	-0.86%

During the period from January to June 2017, due to market volatility, total revenue and other income of the Group was RMB13,536 million, representing a decrease of 0.86% as compared with RMB13,654 million for the corresponding period of 2016.

Commission and fee income

Unit: RMB'000

Item	January to June 2017	January to June 2016	Amount of increase/ decrease	Percentage of increase/ decrease
Commission on securities dealing and broking and handling fee income	1,988,159	2,835,358	-847,199	-29.88%
Underwriting and sponsors fees	1,112,647	1,063,952	48,695	4.58%
Commission on futures and options contracts dealing and broking and handling fee income	160,587	151,148	9,439	6.24%
Asset management and fund management fee income	1,811,184	2,017,247	-206,063	-10.22%
Consultancy and financial advisory fee income	251,827	413,243	-161,416	-39.06%
Others	60,904	50,165	10,739	21.41%
Total commission and fee income	5,385,308	6,531,113	-1,145,805	-17.54%

The change in total revenue and other income is primarily reflected in commission and fee income of RMB5,385 million for the period from January to June 2017, which has decreased by RMB1,146 million or 17.54% as compared with the corresponding period of 2016, mainly due to a decrease of RMB847 million in commission on securities dealing and brokerage and handling fee income compared with the corresponding period of last year as a result of decreased trading amount of stock and funds by our brokerage clients.

Net investment gains

The change in total revenue and other income is also reflected in the increase in net investment gains. Net investment gains were RMB4,163 million for the period from January to June 2017, which has increased by RMB805 million or 23.98% compared with the corresponding period of 2016, mainly attributable to increased net realized gains from disposal of financial instruments at fair value through profit or loss.

Composition of Expenses

Unit: RMB'000

Item	January to June 2017	January to June 2016	Amount of increase/ decrease	Percentage of increase/ decrease
Depreciation and amortization	154,434	146,905	7,529	5.13%
Staff costs	3,243,651	3,230,136	13,515	0.42%
Commission and fee expenses	147,589	167,386	-19,797	-11.83%
Interest expenses	3,234,975	3,505,124	-270,149	-7.71%
Other operating expenses	1,122,732	1,493,098	-370,366	-24.81%
Impairment losses	37,459	8,508	28,951	340.28%
Total expenses	<u>7,940,840</u>	<u>8,551,157</u>	<u>-610,317</u>	<u>-7.14%</u>

During the period from January to June 2017, the total expenses of the Group were RMB7,941 million, representing a decrease of 7.14% compared with RMB8,551 million for the corresponding period of 2016. The decrease in total expenses is mainly reflected in the decrease in other operating expenses and interest expenses. Other operating expenses (mainly tax and surcharges) for the period from January to June 2017 decreased by RMB334 million compared with the corresponding period of 2016, which is attributable to replacement of business tax by value-added tax since May 1, 2016.

During the period from January to June 2017, the Group realized net profit attributable to owners of the Company of RMB4,301 million, representing a year-on-year increase of 6.72%; basic earnings per share were RMB0.56, representing a year-on-year increase of 5.66%; return on weighted average net assets was 5.34%, representing a year-on-year increase of 0.21 percentage point.

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2. Analysis on Consolidated Statement of Financial Position

Unit: RMB'000

	June 30, 2017	Composition	December 31, 2016	Composition	Amount of increase/decrease	Percentage of increase/decrease
Non-current assets	32,467,147	9.06%	33,864,130	9.41%	-1,396,983	-4.13%
Of which: Available-for-sale financial assets	16,120,198	4.50%	19,676,173	5.47%	-3,555,975	-18.07%
Investments in associates	3,213,484	0.90%	3,089,121	0.86%	124,363	4.03%
Property and equipment	1,857,646	0.52%	1,761,438	0.49%	96,208	5.46%
Financial assets held under resale agreements	6,815,574	1.90%	3,879,213	1.08%	2,936,361	75.69%
Deferred tax assets	665,016	0.19%	783,339	0.22%	-118,323	-15.10%
Investments in joint ventures	789,499	0.22%	681,500	0.19%	107,999	15.85%
Loan and receivable investments	141,858	0.04%	559,492	0.16%	-417,634	-74.65%
Advances to customers	759,273	0.21%	814,957	0.23%	-55,684	-6.83%
Financial leasing receivables	1,408,957	0.39%	1,713,908	0.48%	-304,951	-17.79%
Current assets	325,861,249	90.94%	325,937,224	90.59%	-75,975	-0.02%
Of which: Bank balances	70,194,187	19.59%	80,297,484	22.32%	-10,103,297	-12.58%
Advances to customers	53,538,312	14.94%	58,186,338	16.17%	-4,648,026	-7.99%
Financial assets at fair value through profit or loss	76,776,420	21.43%	61,732,121	17.16%	15,044,299	24.37%
Available-for-sale financial assets	72,403,482	20.21%	72,404,483	20.12%	-1,001	—
Clearing settlement funds	18,616,183	5.20%	21,742,626	6.04%	-3,126,443	-14.38%
Financial assets held under resale agreements	18,497,454	5.16%	18,081,989	5.03%	415,465	2.30%
Deposits with exchanges and non-bank financial institutions	6,554,419	1.83%	5,132,685	1.43%	1,421,734	27.70%
Loan and receivable investments	1,890,745	0.53%	1,831,243	0.51%	59,502	3.25%
Total assets	358,328,396	100.00%	359,801,354	100.00%	-1,472,958	-0.41%

	June 30, 2017	Composition	December 31, 2016	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Current liabilities	224,703,596	81.87%	216,572,603	77.78%	8,130,993	3.75%
Of which: Accounts payable to brokerage clients	76,557,884	27.89%	85,726,525	30.79%	-9,168,641	-10.70%
Financial assets sold under repurchase agreements	78,372,006	28.56%	50,549,266	18.15%	27,822,740	55.04%
Short-term financing payables	21,042,836	7.67%	16,329,741	5.86%	4,713,095	28.86%
Other liabilities	11,114,843	4.05%	12,887,728	4.63%	-1,772,885	-13.76%
Due to banks and other financial institutions	10,952,921	3.99%	10,606,395	3.81%	346,526	3.27%
Bonds payable	6,005,279	2.19%	15,250,564	5.48%	-9,245,285	-60.62%
Net current assets	101,157,653		109,364,621		-8,206,968	-7.50%
Non-current liabilities	49,747,734	18.13%	61,875,415	22.22%	-12,127,681	-19.60%
Of which: Bonds payable	45,997,341	16.76%	58,274,033	20.93%	-12,276,692	-21.07%
Long-term loans	2,960,737	1.08%	2,568,684	0.92%	392,053	15.26%
Total liabilities	274,451,330	100.00%	278,448,018	100.00%	-3,996,688	-1.44%
Total equity	83,877,066		81,353,336		2,523,730	3.10%

As of June 30, 2017, total assets of the Group were RMB358,328 million, representing a decrease of RMB1,473 million or 0.41% over the end of 2016; total liabilities were RMB274,451 million, representing a decrease of RMB3,997 million or 1.44% over the end of 2016.

As of June 30, 2017, non-current assets were RMB32,467 million, representing a decrease of 4.13% over the end of 2016, which is attributable to decrease in available-for-sale financial assets, partially offset by increase in financial assets held under resale agreements; current assets were RMB325,861 million, remained at a constant level compared with the end of 2016; current liabilities were RMB224,704 million, representing an increase of 3.75% over the end of 2016, which is attributable to increase in the financial assets sold under repurchase agreements; net current assets were RMB101,158 million, representing a decrease of RMB8,207 million or 7.50% over the end of 2016; non-current liabilities were RMB49,748 million, representing a decrease of 19.60% over the end of 2016, which is attributable to bonds due for repayment.

As of June 30, 2017, the Group's equity attributable to owners of the Company was RMB80,775 million, representing an increase of RMB2,244 million or 2.86% over the end of 2016. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio was 70.23%, representing a decrease of 0.09 percentage points compared with the gearing ratio of 70.32% at the end of 2016, while the Group's assets and liabilities structure remained relatively stable.

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Borrowings and debt financing

As of June 30, 2017, total borrowings and debt financing of the Group amounted to RMB81,920 million. The following table sets forth details of the Group's borrowings and debt financing:

Item	Unit: RMB'000	
	June 30, 2017	December 31, 2016
Short-term borrowings	5,606,704	4,863,874
Short-term financing payables	21,042,836	16,329,741
Bonds payable	52,002,620	73,524,597
Long-term loans	3,267,626	2,729,250
Total	<u>81,919,786</u>	<u>97,447,462</u>

For details of the interest rates and maturities of short-term borrowings, short-term financing payables, bonds payable and long-term loans, please refer to Notes 32, 33, 40 and 41 to the Condensed Consolidated Financial Statements.

Apart from borrowings and debt financing instruments, the Company also raised funds through inter-bank lending as well as on-market and OTC repurchase. As of June 30, 2017, the balance due to banks and other financial institutions amounted to RMB10,953 million, the financial assets sold under repurchase agreements amounted to RMB78,372 million, and the aforesaid debts totaled RMB171,245 million.

Save as disclosed in this report, as of June 30, 2017, 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

During the period from January to June of 2017, net decrease in cash and cash equivalents of the Group was RMB2,372 million, representing a decrease of 67.19% compared with RMB7,230 million for the corresponding period of 2016. Of which:

During the period from January to June of 2017, net cash from operating activities was RMB8,883 million, representing a decrease of RMB9,359 million compared with the corresponding period of 2016. The change primarily reflected (1) a decrease of RMB13,190 million in net operating cash inflow compared with the corresponding period of the previous year, as a result of the change in the size of advances to customers; (2) an increase of RMB19,040 million in net operating cash outflow, as a result of the change in the size of financial assets at fair value through profit or loss; and (3) an increase of RMB44,523 million in net operating cash inflow, as a result of the change in financial assets sold under repurchase agreements.

During the period from January to June of 2017, net cash from investing activities was RMB7,383 million, representing an increase of RMB609 million or 9.00% compared with the corresponding period of 2016.

During the period from January to June of 2017, net cash used in financing activities was RMB18,639 million, representing a decrease of RMB13,608 million compared with the corresponding period of 2016, due to a decrease in net outflow of repayment of structured notes.

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

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

GF Holdings (Hong Kong) Corporation Limited exercised control, through GF Investments (Hong Kong) Company Limited, over GF Global Investment Fund I, L.P., which therefore was included in the scope of consolidation.

GF International Investment Management Limited, a subsidiary of GF Fund, established a subsidiary, namely GF Nazheng (Shanghai) Asset Management Limited (廣發納正(上海)資產管理有限公司) during the current period, which has not yet received capital injection as of the end of the Reporting Period.

(2) During the current period, 5 funds and asset management schemes were newly included in the scope of consolidation, and 10 funds and asset management schemes were excluded from the scope of consolidation.

5. Change in Principal Accounting Policies and Accounting Estimates

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

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

	June 30, 2017 RMB	December 31, 2016 RMB
Financial assets at fair value through profit or loss pledged for pledge-style repo business	7,744,039,528.10	3,733,369,724.63
Including: Financial assets at fair value through profit or loss pledged for bond pledged quoted-repo business	387,182,373.67	700,860,294.63
Available-for-sale financial assets pledged for pledge-style repo business	17,436,581,438.11	14,106,972,704.73
Including: Available-for-sale financial assets pledged for bond pledged quoted-repo business	116,493,531.57	251,603,020.83
Financial assets held under resale agreements pledged for pledge-style repo business	—	286,820,070.00
Financial assets at fair value through profit or loss transferred for buyout repo business	6,256,053,420.00	9,496,900.00
Available-for-sale financial assets transferred for buyout repo business	13,886,220,222.00	15,501,043,465.00
Financial assets held under resale agreements transferred for buyout repo business	—	838,694,220.00
Financial assets at fair value through profit or loss transferred for margin financing and securities lending business	275,803,506.16	279,128,975.71
Available-for-sale financial assets transferred for margin financing and securities lending business	16,435,677.31	28,583,772.64
Available-for-sale financial assets pledged for refinancing business	976,743,768.00	2,846,758,339.00
Financial assets at fair value through profit or loss pledged for bond lending business	22,952,608,000.00	6,634,988,570.00
Available-for-sale financial assets pledged for bond lending business	6,362,878,200.00	4,593,775,790.00
Financial assets held under resale agreements pledged for bond lending business	—	258,316,100.00
Available-for-sale financial assets pledged for interest rate swap business	20,317,240.00	20,591,820.00
Rights and interests in financial leasing receivables pledged for OTC repurchase business	—	399,514,238.80
Rights and interests in financial leasing receivables pledged for short-term borrowings	—	17,373,038.10
Rights and interests in financial leasing receivables pledged for long-term borrowings	1,293,483,635.26	563,893,981.70
Available-for-sale financial assets pledged for due to banks and other financial institutions business	2,075,319,782.11	1,873,574,765.86
Total	79,296,484,417.05	51,992,896,476.17

IV. ANALYSIS ON INVESTMENTS

1. General

Amount of investment for the Reporting Period (RMB)	Amount of investment for the same period of the previous year (RMB)	Change
—	650,000,000.00	-100.00%

Note: During the Reporting Period, the Company did not make any capital contribution to its subsidiaries.

2. Material equity investments made during the Reporting Period

N/A

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

Unit: RMB

Name of project	Method of investment	Fixed-assets investment or not	Industry in which investment project is involved	Investment amount during the Reporting Period	Accumulative actual investment amount as of the end of the Reporting Period	Source of capital	Project progress	Estimated earnings	Accumulative realized earnings as of the end of the Reporting Period	Reasons for failing to reach the planned progress and estimated earnings	Date of disclosure (if any)	Index to disclosure (if any)
GF Securities							Under					
Tower	Others	Yes	—	164,919,627.44	1,277,027,135.10	Self-owned	construction	—	—	—	—	—
Total	—	—	—	164,919,627.44	1,277,027,135.10	—	—	—	—	—	—	—

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4. Financial asset investment

(1) Securities investment

Unit: RMB '0,000

Type of securities	Stock code	Short name	Investment cost	Accounting measurement mode	Book value at the beginning of the period	Profit 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	Source of capital
Others	GFYFD0727	E Fund- BOCOM-GF Securities No.1 Targeted Asset Management Plan (易方達-交行-廣發證券1號定向資產管理計劃)	250,000.00	Fair value	250,255.51	775.29	-	-	-	775.29	251,030.79	Held for trading	Self-owned
Bond	170008	17 Interest-bearing Treasury Bond 08 (17附息國債08)	165,996.27	Same as the above	-	-191.65	-	303,312.38	137,316.11	-79.94	165,804.61	Held for trading	Self-owned
Fund	000509	GF Qiendaizi Money Market Fund (廣發錢袋子貨幣)	124,387.29	Same as the above	77,994.57	-	-	101,861.83	57,400.00	1,930.89	124,387.29	Held for trading/ available-for-sale	Self-owned
Fund	100028	Fuguo Tianshi Money Market Fund B (富國天時貨幣B)	100,148.05	Same as the above	-	-	-	100,148.05	-	403.48	100,148.05	Held for trading	Self-owned
Stock	000623	Jilin Aodong	6,096.50	Same as the above	103,531.58	-9.58	93,352.33	171.38	172.99	940.64	99,412.37	Held for trading/ available-for-sale	Self-owned
Others	119538	Rongtong-GF Securities Tongrun No.23 (融通-廣發證券通潤23號)	82,111.70	Same as the above	291,581.87	-24,235.48	20.30	-	170,988.30	2,593.97	96,360.30	Held for trading/ available-for-sale	Self-owned
Bond	019540	16 Treasury Bond 12 (16國債12)	87,979.68	Same as the above	87,692.00	-	-815.68	-	-	1,153.40	87,164.00	Available-for-sale	Self-owned
Bond	019562	17 Treasury Bond 08 (17國債08)	83,894.93	Same as the above	-	-	314.57	83,894.93	-	187.96	84,209.50	Available-for-sale	Self-owned
Bond	140225	14 China Development Bank 25 (14國債25)	82,182.21	Same as the above	82,635.17	-	-30.02	-	-	1,462.40	82,152.19	Available-for-sale	Self-owned
Bond	019512	15 Treasury Bond 12 (15國債12)	80,833.06	Same as the above	65,927.40	-	-481.06	14,872.41	-	939.61	80,352.00	Available-for-sale	Self-owned
Other securities investments held at the end of the period			14,751,562.53	-	14,154,365.44	11,888.73	222,867.28	-	-	370,027.89	15,040,084.47	-	-
Total			15,815,192.22	-	15,113,983.54	-11,772.69	315,227.72	-	-	380,335.59	16,211,105.57	-	-

- Notes:
1. *This table comprises of the financial assets at fair value such as domestic and overseas stocks, funds, bonds and trust products, held during the Reporting Period.*
 2. *This table is sorted by the book value at the end of the period as a percentage of the Company's total securities investment at the end of the period. Top 10 securities held by the Company at the end of the period are listed.*
 3. *Other securities investments represent other securities investments except for investments in the top 10 securities.*
 4. *Profit and loss of the Reporting Period includes the investment gains obtained by the Company in connection with its holding of the securities and the profit and loss from the fair value change during the Reporting Period.*
 5. *Other securities investments include the investment by the Company in the special account of China Securities Finance Corporation Limited ("CSF"). Pursuant to the relevant contract entered into between the Company and the CSF, the special account will be under the unified operation and investment management of the CSF, with the investment risks and gains shared by us based on the investment proportion. As at the end of the Reporting Period, the balance of the Company's investment in such special account was RMB10,310,300,000.00 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 RMB10,435,404,693.55.*

(2) Derivatives investment

N/A

V. SALE OF MAJOR ASSETS AND EQUITY

1. Sale of major assets

The Company did not sell any of its major assets during the Reporting Period.

2. Sale of major equity

The Company did not sell any of its major equity during the Reporting Period.

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VI. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

Principal subsidiaries and associated companies

Name of company	Type of company	Principal business	Industry in which it operates	Registered capital	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consultancy and asset management.	Finance	RMB1,300,000,000	13,802,532,685.76	1,857,444,392.89	105,097,061.60
GF Xinde	Subsidiary	Equity investment; providing financial consultancy services in relation to equity investment to clients and other businesses approved by the CSRC.	Finance	RMB 2,800,000,000	8,204,242,647.86	5,495,453,042.67	426,513,872.24
GFHK	Subsidiary	Investment holding, undertaking investment banking, securities sale and transactions, asset management, foreign equity investment and other businesses approved by the SFC through professional subsidiaries.	Finance	HKD 5,600,000,000	19,403,300,374.20	5,603,841,572.88	193,721,036.56
GF Qianhe	Subsidiary	Project investment; investment management; investment consultancy; financial leasing.	Finance	RMB 3,750,000,000	6,834,327,221.21	4,943,395,926.54	100,014,029.97
GF Asset Management	Subsidiary	Securities asset management.	Finance	RMB 1,000,000,000	17,650,609,175.47	3,513,298,563.94	542,032,157.23
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	Finance	RMB 126,880,000	6,920,706,080.24	5,038,861,650.85	399,553,961.25
E Fund	Associate	Fund raising, fund sale, asset management; other businesses approved by the CSRC.	Finance	RMB 120,000,000	16,389,353,458.81	6,963,042,696.67	626,940,490.80

Note: Among the above subsidiaries, GF Asset Management contributed more than 10% of the net profit attributable to owners of the Company in the consolidated statements of the Company. From January to June 2017, such company recorded consolidated net profit of RMB542 million, accounting for 12.60% of the net profit attributable to the owners of the Company in the consolidated statements of the Company.

VII. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

As at 30 June 2017, the Group consolidated 27 structured entities, which mainly comprised of asset management schemes and funds. The Group assessed its power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from the structured entities to determine whether the Group gains control over the structured entities. If the Group has control over the structured entities managed by it, the structured entities will be included in the consolidated financial statements. As at 30 June 2017, the net assets of the consolidated structured entities were RMB 14,327,462,544.94 (the opening balance: RMB 16,591,925,878.74). The book value of the Group's interests was RMB 3,212,619,767.15 (the opening balance: RMB 3,356,788,685.03). The book value of the interests of the parties outside the Group was RMB 11,114,842,777.79 (the opening balance: RMB 13,235,137,193.71). As regards to the interests of the parties outside the Group, the Group recognized them as payables or financial liabilities at fair value through profit or loss.

VIII. ESTIMATE OF THE OPERATING RESULTS FOR JANUARY TO SEPTEMBER 2017

Warning and explanation for the forecast of any possible loss in accumulated net profit from the beginning of the year to the end of the next reporting period or any material changes compared to the corresponding period of last year.

N/A

IX. RISKS EXPOSED TO THE COMPANY AND COUNTER-MEASURES

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

(1) Policy risk

Policy risk refers to the adverse effect on the operation of security companies due to changes in national macro-control measures, law and regulations, regulatory policies and trading rules relating to the securities industry. On the one hand, the national macro-control measures can greatly affect the security market, and the change and adjustment in macro policies, interest rate and exchange rate are closely related to the tendency of the financial market, which directly affects the operational performance of the security companies; on the other hand, the security industry is a highly regulated industry and the regulatory policies issued by the regulatory authorities directly relate to the change in the operational 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. Policy risk is one of the major risks faced by 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, operational risk, reputation risk and other categories of risks. As the Company's capital strength increases and the asset allocation is increasingly enriched, the products present a diversified, complicated and international development trend and the risk type and the term structure faced by the asset end is increasingly complicated. On the one hand, the Company needs to actively expand the financing channels to meet the demand for internal liquidity; on the other hand, the Company needs to ensure that its asset and liability term structures match with each other through reasonable arrangement of the liability term structure. In addition, as the CSRC issued the new regulations of risk control indicators and the SAC issued the Guidelines for the Liquidity Risk Management of Securities Firms (《證券公司流動性風險管理指引》) at the end of 2016, which imposed higher regulatory requirements on the liquidity risk management, the challenges to the liquidity risk management are increasing.

(3) Market risk

Market risk refers to the risk of loss in the Company's businesses resulting from adverse changes in the market price (price of equity securities, interest rate, exchange rate or commodity price, etc.). Market risks include equity price risk, interest rate risk, exchange rate risk and commodity price risk, etc., which respectively refers to risk arising from change in equity price, interest rate, exchange rate or commodity price, etc. The market risks faced by the Company mainly concentrate on equity price risk and interest rate risk, which are mainly reflected in the Company's proprietary investment in equity security, proprietary investment in fixed-income security and transactions of derivatives in exchange-traded and OTC markets, etc. During the Reporting Period, the A-share market continued to fluctuate and the market structure was differentiated in the context of preventing systemic financial risks, economic deleveraging and stricter supervision; the central bank adopted a prudent monetary policy and the overall yield of the bond market was increasing substantially and constantly, the interest rate risk has increased; the internationalization of the Company continued to advance, the foreign asset market risk exposure has increased, new challenges were posed to the Group's market risk management.

(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 credit bond investment, margin trading, repurchase business on stock pledge, agreed repurchase business, OTC transactions of derivatives, other innovative financing business as well as other businesses that the Company shall bear or have payment commitment. During the Reporting Period, the default rate in the credit market remained high and debt crisis and fraud 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 securities companies 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 refers to the risk of direct or indirect loss of the Company resulting from inadequacy or defect of internal process, personnel or information technology systems, or from external events. The operational risk of a securities company runs through each department and business line of the Company, featuring wide coverage and diversity. As the Company's businesses constantly increase, the business process becomes increasingly complicated and the comprehensive operation is further carried out. If the Company fails to timely identify the key operational risk points in each of its business lines and daily operations and to take effective mitigation measures, it may suffer great loss due to improper management of operational risk.

(7) Risk of information technology

Securities companies adopt a number of information technology systems, which have enhanced the operational efficiency and core competency of the enterprise. The Company's investment, asset management and wealth management businesses as well as the middle- and back-stage management all highly rely on the support of the information technology system. Information technology plays a key or even driving role in promoting the Company's business. While facilitating the development of the securities industry, the wide application of information technology has also brought potential technical risks. The safety of the systems may be affected by the design defects, malfunctions, operational errors, viruses and hack attacks, data loss and leakage and failure of power support of the information technology systems, thereby causing losses to the Company.

1. Counter-measures that the Company has adopted or plans to adopt for the above risks**(1) *Establish overall risk management system of four pillars for GF Securities***

In order to guarantee the implementation of the Company's business strategy, the Company has established overall risk management system framework of four pillars, which includes risk culture, risk management governance framework, risk management mechanism and implementation and risk management infrastructure. In recent years, the Company has been continuously promoting the construction of the risk culture, improving the risk management system, optimizing risk management organization, constructing the risk management information system, enhancing professional level of risk management, and bringing in professional risk management talents, etc. Under the guidance of the integrated company development strategy, we continuously construct and implement powerful, independent, and precise management and control system, construct effective overall risk management strategy, organization, system, technology and personnel system, promote the effective utilization of company risk resources, control the risks within the scope which matches with the company risk preferences, and support steady development of the company's business and development of innovative business and products.

① Risk culture

The Company advocates the risk management culture of sound management, collaborative efficiency and all staff participation, to achieve long-term and sustainable development of the Company by sticking to the bottom line of compliance, operating the risk scientifically and managing the risk effectively. The Company maintains the construction of risk management culture as a crucial part of the development strategy and strives to develop and shape good risk management culture. The Company's risk management culture covers and reflects the basic management ideas of managing risks cautiously, the three departments cooperating with each other and each focusing on specific aspects, being people-oriented, and the basic principles of risk management of comprehensive management, objectiveness and fairness, checks and balance, separate and clear duties and power, openness and transparency. The Company continues to promote the risk management culture and enhance the risk awareness of all employees through various forms of training and publicity. In addition, the Company constantly promotes the construction of performance management system of risk adjustment to improve the prevention awareness of business risk and establish the corresponding resource allocation mechanism for risk adjustment.

② Risk management governance framework

For the risk management structure, the Company has always paid great attention to the construction and optimization of risk management organization system. While pursuing steady operations, it has consolidated the foundation of an overall risk management system. The Company's risk management organization comprises of four levels of departments: the Board of Directors and its affiliated risk management committee, senior management and the relevant professional committees (risk control committee, internal review committee of the investment banking business and asset allocation committee), all control and supportive departments, and all business departments. The Company's risk management organization comprises of four levels of departments: the Board of Directors and its affiliated risk management committee, senior management and risk control committee and asset allocation committee, all control and supportive departments, and all business departments. The business departments, control and supportive departments such as compliance and law affairs department and risk management department, as well as the auditing department comprise the three defensive lines of company risk control to co-exert identification and prevention before the event, monitoring and controlling during the event, and supervising and evaluating after the event, thus realizing coordinative, multi-level, multi-aspect, and continuous monitoring and managing of various types of risks that the Company faces:

- 1) The Board of Directors is the highest decision-making institution, and is ultimately responsible for the effectiveness of the Company's risk management. Specific duties and responsibilities include: promoting the Company's risk culture construction, considering and approving the basic system of the Company's comprehensive risk management, considering and approving the Company's risk preference, risk tolerance and significant risk limits, considering the Company's regular risk assessment reports, appointing and dismissing and assessing a chief risk officer and determining his/her remuneration package, establishing direct communications with chief risk officer and other duties and responsibilities of risk management specified in the Articles of Association. Under the authorization of the Board of Directors, the risk management committee would evaluate and supervise the overall risk status of the Company, and perform its relevant authorized risk management duties and responsibilities.
- 2) The general manager of the Company shall be responsible to the Board of Directors, who shall also be mainly responsible for the effectiveness of the overall risk management. The senior management shall be fully responsible for the risk management of the Company's operating management level within the scope authorized by the Board of Directors, be responsible for formulating the Company's risk management system, structure of the risk-management organization and job responsibilities, risk preference, risk tolerance, risk management policy, procedure, measures and limit, establishing performance evaluation system which covers effectiveness of risk management, perfect information technology system and data quality control mechanism, and managing various types of risks that the Company faces. The Company's risk control committee shall assist the senior management to determine and adjust the Company's risk tolerance and business risk limit, evaluate and make decisions on major risk matters, and supervise the risk management status of the Company. The internal review committee of the investment banking business is mainly responsible for approving internal review system and mechanism of the Company's investment banking business, determining member lists of the internal review group, supervising and guiding the implementation of the Company's internal review, and establishing the internal review groups of the various investment banking businesses that are responsible for the internal review of specific projects. The Company's asset allocation committee shall assist the senior management to determine the asset allocation plan and the asset and liability structure.
- 3) The Supervisory Committee of the Company shall be responsible for supervising comprehensive risk management, and supervising the performance of duties of the Board of Directors and senior management in respect of risk management and supervising rectification.

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- 4) The Company put in place a chief risk officer system. The chief risk officer shall be responsible for the overall risk management of the Company as a senior managerial personnel of the Company, and report the risk management execution status to the Chairman of the Board and general manager. The Company shall provide sufficient guarantee for the chief risk officer to perform his duty and guarantee his right to be informed, which is essential for him to fully perform his duties, to participate in or attend such meetings related to his performance of duties, access to relevant documents and obtain the requisite information. Shareholders and directors of the Company are prohibited from directly giving instructions to the chief risk officer or intervening with his work in violation of the procedures as prescribed by certain provisions.
- 5) The business departments of the Company are the first defensive line of the Company's risk control, which shall perform direct risk management responsibilities and shoulder the primary liability of risk management of the department. The responsible persons of all related business departments shall fully understand and consider various risks relating to their respective businesses in decision making, and timely identify, evaluate, deal with, and report the relevant risks, and shall be directly responsible for the effectiveness of the risk management.
- 6) The Company's compliance and law affairs department and risk management department are the main functional departments of the second defensive line. Both departments shall assist with management of the relevant risks within their job responsibilities and professional abilities, and thus guaranteeing the coherence and effectiveness of the Company's risk management policy.
- 7) The auditing department is the third defensive line of risk control. It is responsible for the check, supervision, evaluation, and the relevant internal auditing consultation in relation to internal control, risk management, governance procedure, and operating management performance.

- 8) The Company implements vertical management on the risk management of its subsidiary and appoints chief risk officer. The subsidiary shall establish its own risk management system, organizational structure and personnel, information technology system, risks index system and coping mechanism within the comprehensive risk management framework of the Company according to the business scale and actual risk-taking condition. Responsible person of the subsidiary shall be the main person responsible for the effectiveness of the overall risk management of the subsidiary. Responsible persons of all levels of departments shall be the primary person responsible for the risk management of the respective departments and perform direct risk management on business and management activities. The person responsible for risk management at the subsidiary shall be responsible for the risk management status of the subsidiary, and shall perform its job responsibilities of risk identification, evaluation, measuring, supervising, and reporting, as well as reporting the subsidiary risk management status periodically to the parent company according to its authorization under the coordination of the relevant support and control departments. The subsidiary and its departments of all levels shall fully identify and assess various risks in businesses and management, formulate corresponding policies and systems and business specifications, so as to manage various risks exposure comprehensively, effectively and continuously.

For the building of the risk management system, the Company focuses on adjustment of external laws, regulations and policies and demand of operation and development of the Company; it has continuously boosted detailed construction and improvement of the risk management system and procedures of the Company and timely implemented external supervision requirements, operational demand of the Company and risk preventive measures to the relevant systems and procedures. At present, the Company has established four levels of risk management system: the first level is the basic system of risk management of the Company, which consists of a framework document covering all business fields and all management fields; the second level consists of general risk management measures formulated on the basis of the risk management system of the Company that are suitable for the overall scope of the Company; the third level consists of specific risk management provisions formulated on the basis of general systems and rules; the fourth level consists of detailed codes and operation guidelines for risk management formulated on the basis of the former systems.

In terms of integrated risk management, the Company has included risk management of the subsidiary into its comprehensive risk management system, and implements vertical management on risks of the subsidiary. Under the centralized management model, the Company carries on hierarchical authorization on its subsidiaries, while emphasizing the implementation of unified risk management on its subsidiaries by the parent company, continuously supervising and guiding the subsidiaries to establish risk management organizational structure, rules and process, risk control measures and systems which match with their business development, establish communication with the person responsible for risk management at the subsidiaries and the relevant appraisal systems. For daily risk supervision and management, the Company has included business risk of the subsidiaries into the unified monitoring system, and supervises and reports business risk of the subsidiaries based on the connection of risk data; for businesses beyond the corresponding risk authorization, the Company should participate in assessing and reviewing business risks and guide the subsidiaries to upgrade professional risk management level.

③ Risk management mechanism and practice

The Company implements risk preference management to guarantee execution of risk culture and idea of the Company. The Company implements stable risk preference management strategy, fulfills risk management idea and principle of the Company, safeguards good reputation, maintains stable external credit rating, keeps stable capital adequacy ratio and liquidity level, pursues steady and reasonable income and sticks to proper tolerance for risk and strict discipline through sustainable innovation and high-efficient risk management with a focus on customers. Risk tolerance of the Company describes the risk boundary of the Company in different dimensions in the form of quantitative index under the guidance of the risk preference framework. Risk limit refers to the limit set for key risk index under constraint of risk preference and risk tolerance. In addition, the Company monitors and controls business implementation according to it. The Company strictly complies with the regulatory requirements in respect of net capital and risk control indicators of regulatory authorities. During the daily risk management process, the Company continually collects and analyzes various external and internal risk information, and analyzes its causes and effects, and fully identifies various risks that the Company may face. The Company assesses and measures various risks by using instruments and methods such as market risks, credit risks model and stress tests. The Company supervises and reports risks by establishing corresponding risks index and limits. In addition, the Company formulates corresponding risk disposal plan and establishes corresponding system against material risk which may arise to ensure specific implementation of risk disposal.

④ Risk management infrastructure

The Company has independently developed and constructed various risk management systems, supported various risk management functions such as risk control index, market risk, credit risk, liquidity risk, penetrates the identification, measurement, alert and report of various risks in risk management; risk system basic data include main investment business data and internal and external data such as customer data, contract data, finance and information with credit risk exposure, and are able to conduct segmentation, division by dimensions and aggregation, which effectively support the implementation of risk management of the Company.

(2) *Specific management for various risks*

① Policy risk management

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

② Liquidity risk management

The Company implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under normal situation and pressure state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about liquidity risk index to prevent liquidity risk. Specific measures for liquidity risk management include: 1) The Company implements centralized management for financing and liabilities. The fund management department will manage the debt financing within the scope of authorization and formulate and implement financing strategy 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 establishes layering high-quality liquid asset management system, sets corresponding risk limit for scale and structure of high-quality liquid assets of the Company and conducts daily monitoring for relevant indexes; 4) The Company establishes liquidity risk limit system including liquidity risk supervision index, financing and liability limit, high quality liquid asset limit and combined limit of liquidity in accordance with requirements for liquidity risk supervision and internal liquidity risk management; 5) The Company establishes a liquidity combination management mechanism and the fund management department will invest the self-owned funds which have not been supplied to the business into areas with high liquidity and high safety within the authorization scope of liquidity combination of the Company; 6) 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; 7) The Company regularly or irregularly carries out liquidity risk drill and optimizes and perfects liquidity risk emergency disposal processes and mechanism of the Company based on the drill condition.

③ Market risk management

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

④ Credit risk management

The Company implements management of credit risk for the whole process by means of effective risk identification, cautious risk evaluation and decision-making, measurement and monitoring of dynamic risk, timely risk report and settlement to effectively prevent or avoid risk event, reduce loss of the Company due to risk event and achieve income maximization after risk adjustment within the scope that credit risk can be accepted. The Company will stick to the following basic principles for credit risk management: 1) The Company shall identify and manage credit risk included in all products and business including new product and new business; 2) The Company controls risk at the front end by formulating risk policy about credit business (including due diligence request of the customer, business access requirement); 3) The Company improves credit management of counterparties by building 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 current operational risks mainly through the combination of sound authorization mechanism and segregation of duties, reasonable system and process, effective constraint among front, middle and back offices, well-established IT system, strict operation discipline and disciplined subsequent supervision and inspection etc.. The Company focuses on the construction of three lines of defense of “control and self-check, risk monitoring and internal control and audit” to prevent and control operational risks. The operational risk generation units, including various departments and branches at all levels, assume first responsibility for the management of their operational risk, and are responsible for the construction of their management systems and procedures and the management, monitoring and report for their operational risks; the control and supporting departments, within their terms of reference, take the lead in the operational risk management in relation to their professional division and provide guidance and support to other departments; the risk management department is responsible for design and implementation of operational risk management system and cooperating with all departments to manage operational risks; the compliance department and legal department is responsible for the management of operational risks relating to compliance and legality; the information technology department is responsible for coordinating the management of operational risks related to information technology; the audit department conducts follow-up review, monitoring and assessment for the operational risk management, control and supervision system. The Company has improved the level and effect of operational risk control through the following measures: 1) The Company improved the operational risk management system and operational mechanism, strengthened the joint coordination between the three lines of defense of the operational risk management, and enhanced the in-depth analysis and rectification tracking of the operational risk related issues; 2) The Company established three-tool system for operational risk management, and set up operational risk identification, evaluation, monitoring and reporting mechanism through continuous improvement and gradual promotion of risk and control self-assessment, key risk indicators and loss data collection; 3) The Company carried out the construction of operational risk management system; 4) The Company explored the collective management system framework of the operational risk and launched a pilot program in certain subsidiaries; 5) The Company continued to conduct education and training on preventing operational risk to create an atmosphere for the Company to prevent and control operational risk; 6) Together with the construction of operational risk management system, the Company strengthened the access assessment on the new products and new business and the construction of the post-launch dynamic tracking management mechanism.

⑥ Compliance Risk Management

The Company strictly complies with external legal provisions and regulatory requirements to implement various aspects of compliance management such as continuously strengthening system establishment, propriety management, staff practice, anti-money laundering management and segregation wall management. At the same time, the Company has adopted the following measures to enhance the quality of compliance management: 1) optimizes the organizational structure of compliance management, satisfy the needs for management and control of compliance risk pre-event and during the process of the event; 2) increases the Company's database of laws and regulations and streamline the "formulation, modification, repealing" of the internal rules and regulations, supervise the development of business norms, enhance the management of the staff code of practice; 3) gradually improves the establishment of the compliance management information system to support the compliance management work of segregation wall, anti-money laundering, compliance detection, compliance examination, compliance consulting and compliance review, etc.

⑦ Information Technology Risk Management

During the Reporting Period, the Company established and continued to improve the information security strategy and a sound internal control management system according to the requirements of information security management and industry supervision and the needs of the operation and management activities of the Company. By increasing investment in information technology, continuous regulation of the operation process, strengthening compliance risk control and management and increasing accountability efforts, the security management level for the establishment, operation and maintenance of the information system was further enhanced with effective prevention, solution and tackling methods for information technology risk, ensuring the safe, reliable and stable operation of the various business lines and the middle and back stage management systems of the Company, which will in turn ensure the regulated development of the Company's business.

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X. RECORD OF RESEARCH, COMMUNICATION AND INTERVIEW ACTIVITIES DURING THE REPORTING PERIOD

Reception time	Reception method	Type of participants	Participants	Index for Basic Particulars of the Research
From January 1, 2017 to June 30, 2017	Telephone communication	Individuals	Individuals	Operation and development of the Company
January 5, 2017	Results roadshow	Institutions	Investors invited by DBS Vickers "Pulse of Asia" Exchange Meeting	Strategic and business development of the Company
January 6, 2017	Field research	Institution	Haitong Securities	Operation and development of the Company
January 18, 2017	Telephone communication	Institution	JPMorgan	Operation and development of the Company
January 18, 2017	Field research	Institution	Huatai Securities, Guosen Securities, Ping An Securities, Essence Securities, Northeast Securities, China Merchants Securities, Orient Securities, Galaxy Fund, Guangzhou Finance Holdings, Zhonghai Fund, Wanjia Fund, Life Asset Management, CITIC Asset Management, China Reinsurance, Foresea Life Insurance, SWS MU, CS Richland, Minsheng Jinfu, Shanghai Right Share, Zhanbo Investment	Operation and development of the Company
February 23, 2017	Video conference	Institution	Wellington	Operation and development of the Company
March 27, 2017	Results roadshow	Institution	Analysts and investors invited to the 2016 Annual Results Presentation of GF Securities	Strategic and business development of the Company
March 30, 2017	Results roadshow	Institution	Investors invited to the 2017 Asian Investors Forum of Credit Suisse AG	Strategic and business development of the Company
April 18, 2017	Field research	Institution	Bohai Securities	Operation and development of the Company

Reception time	Reception method	Type of participants	Participants	Index for Basic Particulars of the Research
April 18, 2017	Field research	Institution	Capital International 、 The Capital Group	Strategic and business development of the Company
April 20, 2017	Field research	Institution	Howard Ho, Maple Brown Abbott	Operation and development of the Company
April 28, 2017	Results presentation	Institution	Analysts and investors invited to the 2017 First Quarterly Results Presentation of GF Securities	Strategic and business development of the Company
May 11, 2017	Field research	Institution	Abu Dhabi Investment Authority	Operation and development of the Company
May 11, 2017	Results roadshow	Institution	Investors invited to the “Shenzhen-Hong Kong Stock Connect Investment Summit” sponsored by the SZSE and Credit Suisse AG	Strategic and business development of the Company
May 16, 2017	Field research	Institution	Qianhai Alliance Asset Management, Shenzhen Minsen Investment Co., Ltd., Shenzhen KWT Co., Ltd.	Operation and development of the Company
May 17, 2017	Results roadshow	Institution	Investors invited to the Singapore Asian Concept Summit sponsored by Deutsche Bank	Strategic and business development of the Company
May 18, 2017	Results roadshow	Institution	Investors invited to the Institutional Investors Discussion Forum sponsored by the Listed Companies Association of Guangdong	Strategic and business development of the Company
May 31 to June 1, 2017	Results roadshow	Institution	Investors invited to the 2017 Chinese Investors Summit sponsored by Morgan Stanley	Strategic and business development of the Company
June 1 to June 2, 2017	Results roadshow	Institution	Investors invited to the 2017 China Innovation Forum (創新中國論壇) sponsored by Bank of America Merrill Lynch	Strategic and business development of the Company

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Reception time	Reception method	Type of participants	Participants	Index for Basic Particulars of the Research
June 6, 2017	Results roadshow	Institution	Investors invited to the 2017 Global China Summit sponsored by JP Morgan Chase	Strategic and business development of the Company
June 15, 2017	Results roadshow	Institution	Investors invited to the Mid-2017 Investment Strategy Conference of China Merchants Securities	Strategic and business development of the Company
June 21, 2017	Field research	Institution	Hua Chuang Securities, Guangdong Fulida Asset Management	Operation and development of the Company
June 22, 2017	Field research	Institution	Fubon Securities	Operation and development of the Company
June 22, 2017	Field research	Institution	Athena Capital Management	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 the Shenzhen Stock Exchange (www.szse.cn) and the website of CNINFO (www.cninfo.com.cn).

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

1 · CORPORATE GOVERNANCE

The Company is committed to becoming a modern investment bank with international competitiveness, brand influence and systemic significance. As a public company listed in both Mainland China and Hong Kong, the Company carries out standardized operations in strict accordance with the requirements of laws and regulations and normative documents of the place where the Company is listed, therefore continuously improves the social recognition and public reputation. The Company continues to enhance corporate governance pursuant to stipulations under the relevant laws and regulations including the Company Law, the Securities Laws, the Regulations on Supervision and Administration of Securities Firms, the Rules on Governance of Securities Firms, the Standardized Operational Guidelines for Companies Listed on the Main Board of the Shenzhen Stock Exchange and the Hong Kong Listing Rules. The Company constantly improves its internal control management system so as to gradually reinforce the integrity, rationality and effectiveness of its internal control. The Company further establishes and improves its rules and regulations. The general meeting of Shareholders, the Board of Directors, the Supervisory Committee and the management of the Company perform their respective duties and act with due diligence, which establishes a sound structure of corporate governance. Through this corporate governance structure, the Company ensures its standard operation in accordance with the Corporate Governance Code. There is no difference between the actual situation of corporate governance and the relevant requirements and provisions of the CSRC and the Hong Kong Stock Exchange.

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

Section 5 Significant Events

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2 · General meeting of shareholders during the Reporting Period

Session of meeting	Type of meeting	Participation		Convening date	Disclosure date	Disclosure index
		ratio of investors				
2016 Annual General Meeting	Annual general meeting	52.76%		May 10, 2017	May 11, 2017	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (www.hkexnews.hk) by the Company

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

Not applicable

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

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

III. COMMITMENTS PERFORMED DURING THE REPORTING PERIOD OR OVERDUE COMMITMENTS NOT YET PERFORMED AS OF THE END OF THE REPORTING PERIOD BY THE DE FACTO CONTROLLER OF THE COMPANY, SHAREHOLDERS, RELATED PARTIES, PURCHASERS AND THE COMPANY

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

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

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

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

V. LITIGATIONS

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

As of 30 June 2017, the Group was involved in 49 litigation and arbitration (including those initiated by and against the Company) cases where final judgment has not been obtained, with a total principal amount of RMB416 million.

VI. PENALTY AND RECTIFICATION

On 18 January 2017, the Company, as the lead brokerage for the listing of Jiangsu Baolian Biotechnology Co., Ltd. (江蘇寶蓮生物科技股份有限公司), was imposed the self-regulatory measure of submitting written undertaking by the NEEQ, due to the Company's failure to fulfill the obligation of diligence and being responsible, and thereby causing non-compliance relating to information disclosure on the part of Jiangsu Baolian Biotechnology Co., Ltd..

In this regard, the Company has attached great importance and has continued to improve the strictness of due diligence and the correctness of the work of compiling application materials through rectification measures such as enhancing expertise training and improving the quality of compiling materials, and the Company has submitted the written undertaking to the NEEQ as required on a timely basis.

VII. INTEGRITY OF THE COMPANY AND CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

During the Reporting Period, the Company did not have any circumstances that the effective verdicts were failed to be performed or the comparatively large amount of debts overdue were not paid off.

The Company did not have a controlling shareholder or de facto controller. Jilin Aodong, the largest shareholder of the Company, and its de facto controller did not have any circumstances that the effective verdicts were failed to be performed or the comparatively large amount of debts overdue were not paid off.

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

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

IX. MAJOR RELATED TRANSACTIONS

During the Reporting Period, the Company did not have any material related transaction with accumulated transaction amount of over RMB30 million and accounting for more than 5% of its latest audited net assets with a certain related party.

The related/connected transactions are provided by us following the principle of fair and justice strictly under the SZSE Listing Rules, Hong Kong Listing Rules, GF Connected Transaction Management System and GF Information Disclosure Management System, and the agreements are entered into under the principle of equality, voluntariness and compensation of equal value.

The continuing related/connected transactions in respect of day-to-day operations are for investment banking, wealth management, trading and institution and investment management services provided by us to the related/connected party.

In 2017, our day-to-day related transactions were executed subject to the Proposals on Estimates of Annual Day-to-day Related/Connected Transactions in Year 2017 of the Company passed by the 2016 Annual General Meeting upon deliberation.

The investment banking, wealth management, trading and institution and investment management services in respect of day-to-day operations provided by us to our related/connected persons in the ordinary and usual course of business and on normal commercial terms are exempt continuing connected transactions under the Hong Kong Listing Rules, namely de minimis transactions, and are thus exempt from the reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

Not Applicable

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

Not Applicable

3. Related Transactions in Respect of Joint External Investment

Not Applicable

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 period	Amount as of the beginning of period
Seats commission and trailing commission receivable	E Fund Management Co., Ltd.	8,140,807.69	5,784,111.40
Seats commission and trailing commission receivable	Golden Eagle Fund Management Co., Ltd.	186,608.91	262,979.23
Seats commission and trailing commission receivable	Harvest Fund Management Co., Ltd.	4,155,074.85	2,978,162.08

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

During the Reporting Period, the Company did not have any other material connected transactions.

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

During the Reporting Period, the Company did not have a controlling shareholder and de facto controller, and no related party used the funds of the Company (except for operational business transactions).

XI. MAJOR CONTRACTS AND THEIR PERFORMANCE

1. Custody, contracting and leases

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

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

2. Important guarantees

(1) Guarantees

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

Guarantees Between the Company and its Subsidiaries

Name of the Guaranteed	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Guarantee Amount	Actual Date of Occurrence		Type of Guarantee	Term of Guarantee	Fulfilled or Not	Guarantee Provided to Related Parties or Not
				(Data of Agreement)	Actual Guarantee Amount				
GF Financial Markets (UK) Limited (the Guangdong Branch of the Export-Import Bank of China issued a financing letter of guarantee (or standby letter of credit), and the Company provided a counter-guarantee for the above financing letter of guarantee (or standby letter of credit).)	May 30, 2015	US\$80 million and relevant interest and expenses (if any)	—	0	—	Joint and several liability guarantee	Not actually fulfilled (expired on May 30, 2017)	Not actually fulfilled	No
Total amount of guarantees provide to subsidiaries as approved during the Reporting Period (B1)				0		Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)			0
Total amount of guarantees provided to subsidiaries as approved as at the end of the Reporting Period (B3)				0		Total actual outstanding balance of guarantees provided to subsidiaries as at the end of Reporting Period (B4)			0

Guarantees among Subsidiaries

Name of the Guaranteed	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Guarantee Amount	Actual Date of Occurrence		Type of Guarantee	Term of Guarantee	Fulfilled or Not	Guarantee Provided to Related Parties or Not
				(Data of Agreement)	Actual Guarantee Amount				
GF Securities (Hong Kong) Brokerage Limited (GF Holdings Hong Kong provided a guarantee to it)	December 19, 2013	HK\$50 million and relevant interest and expenses (if any)	December 2013	HK\$50 million	—	Joint and several liability guarantee	From the date of agreement until one month after the bank receives a written notice from the guarantor or the liquidator or the receiver of the guarantor to terminate this guarantee.	No	No
Total amount of guarantees provided to subsidiaries as approved as at the end of the Reporting Period (C1)				0		Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)			RMB43.395 million
Total amount of guarantees provided to subsidiaries as approved as at the end of the Reporting Period (C3)				RMB43.395 million		Total actual outstanding balance of guarantees provided to subsidiaries as at the end of Reporting Period (C4)			RMB43.395 million

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Total amount of guarantees provided by the Company (i.e. total amount of above three categories)			
Total amount of guarantees approved during the Reporting Period (A1+B1+C1)	0	Total actual amount of guarantees during the Reporting Period (A2+B2+C2)	RMB43,395,000
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)	RMB43,395,000	Total actual outstanding balance of guarantees as at the Reporting Period (A4+B4+C4)	RMB43,395,000
Actual total guarantee amount (i.e. A4+B4+C4) as a percentage of net assets of the Company			0.054%
Including:			
Remaining amount of guarantees provided to shareholders, de facto controllers and their related parties (D)			0
Remaining amount of liability guarantees provided directly or indirectly to secured subjects with gearing ratio above 70% (E)			0
Amount of total guarantees above 50% of net assets (F)			0
Total of the above 3 amounts of guarantees (D+E+F)			0
Explanation on possible joint and several liabilities that may arise on outstanding guarantees (if any)		GFHK will be subject to potential debt liabilities under the current guarantee which will increase the potential gearing ratio level of GFHK.	
Explanation on the provision of external guarantee in violation of the required procedures (if any)			None

Note: Guarantees of GFHK are calculated by the HKD/RMB exchange rate of 1:0.8679 as at June 30, 2017 published by the PBOC.

(2) Non-compliance in external guarantees

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

3 Other major contracts

During the Reporting Period, there were no other major contracts of the Company.

XII. SOCIAL RESPONSIBILITIES

1. Fulfillment of the social responsibility of targeted poverty alleviation

(1) Summary of semi-annual targeted poverty alleviation

The Company has been supporting and answering the national poverty alleviation strategy, helping the poverty areas and poor people actively through a variety of ways. The Company's poverty alleviation was rated as excellent in the second round of poverty alleviation assessment of the Guangdong province. During the Reporting Period, the Company continued to assume the task of poverty alleviation and specially assisted Tianjingang village located at Lecheng Subdistrict, Lechang city, Shaoguan City, Guangdong Province. The Company made several donations and carried out living environment improvement work, "one policy for one family" business support program and maintenance of farmland water conservation facilities. Poverty alleviation works have been carried out in an orderly manner.

In order to answer the proposal on "One Company One County" for partner assistance work of the Securities Association of China, the Company proactively partnered with and assisted Wuzhishan city in the Hainan province. During the Reporting Period, the Company went to the Hainan province and conducted poverty alleviation research for a number of times, as well as established support plans. The Company held special training in the development of capital market, which aimed at poverty alleviation and was favorably received by government departments at each level and various enterprises in Wuzhishan city.

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(2) Targeted poverty alleviation work during the first half of the year

Indicators	Unit of measurement	Quantity/development situation
I. General information	—	—
Including: 1. Funds	RMB '0,000	509.92
2. Material converted cash	RMB '0,000	0
3. Number of people out of poverty who were helped to be documented as poor people	person	0
II. Subitem investment	—	—
1. Poverty removal through industrial development	—	—
Including: 1.1 Types of industrial development poverty removal project	—	Agriculture and forestry industry poverty alleviation
1.2 Number of industrial development poverty removal projects	piece	1
1.3 poverty amount to industrial development povert removal projects	RMB '0,000	50
1.4 Number of people out of poverty who were helped to be documented as poor people	person	0
2. Transfer of jobs for poverty removal	—	—
Including: 2.1 Invested amount to vocational skills training	RMB '0,000	1.2
2.2 Number of person for vocational skills training	person time	120
2.3 Number of employed people who were helped to be documented as poor households	person	0
3. Poverty removal in education	—	—
Including: 3.1 Invested amount to endow poor students	RMB '0,000	5
3.2 Number of endowed poor students	人	11
3.3 Invested amount to improve the educational resources of poverty area	RMB '0,000	0
4. Poverty alleviation in health	—	—
Including: 4.1 Invested amount of health resource in poverty area	RMB '0,000	37.62
5. Poverty alleviation in ecological protection	—	—
Including: 5.1 Type of projects	—	Improvement in living environment and environment of villages
5.2 Invested amount	RMB '0,000	88.68
6. Social poverty alleviation	—	—
Including: 6.1 Invested amount of east-west cooperation for poverty alleviation	RMB '0,000	0
6.2 Invested amount to targeted poverty alleviation work	RMB '0,000	509.92
6.3 Invested amount of public poverty alleviation fund	RMB '0,000	0
7. Other projects	—	—
Including: 7.1. Number of projects	piece	6
7.2. Invested amount	RMB '0,000	327.42
7.3. Number of people out of poverty who were helped to be documented as poor people	person	0

Note: the Company's total invested capital in targeted poverty alleviation in the first half of 2017 amounted to RMB5.0992 million, all of which was used to the target poverty alleviation work stated in item 6.2.

(3) Subsequent targeted poverty alleviation plans

- 1) Achieving a good start of poverty alleviation in Wuzhishan city
 - ① Improving the work plan for one-to-one assistance with Wuzhishan city based on the industrial and economic conditions in Wuzhishan city;
 - ② Enhancing the support to investment banking, bonds, the NEEQ and investment businesses and following up on the implementation of the poverty alleviation projects;
 - ③ Consolidating internal resources, enhancing communication with the CSRC and the Securities Association of China and coordinating resources from various parties for the poverty alleviation in Wuzhishan city.
- 2) Fully promoting the Tianjinggang Village poverty alleviation project
 - ① Taking advantage of the demonstration base of breeding Xuemao chicken to drive the increase in income of poverty-stricken households with the aim of achieving the target of 65% of poverty-stricken households getting out of poverty on schedule;
 - ② Continuing to promote the construction of people's livelihood facilities in Tianjinggang village to achieve the significant improvement of the livelihood of villagers in Tianjinggang village;
 - ③ Enhancing the construction of the village appearance and environmental management of Tianjinggang village;
 - ④ Achieving the online sales of local eggs by utilising the quotation system of the Securities Association of China.

2. Material environment protection events

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

No

XIII. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

The qualifications for individual businesses that the Company has obtained from January to June 2017 include:

No.	Type of License	Approval Department	Issue Date
1	Membership of foreign currency funding in interbank funding market	China Foreign Exchange Trading System	March 2017

In July 2017, the Company obtained the "Bond Connect" quotation bureau qualification granted by the National Interbank Funding Center.

XIV. PARTICULARS OF OTHER SIGNIFICANT ISSUES

1. Changes in brokerage branches

As of June 30, 2017, the Company has 20 branches and 264 securities business departments, covering 31 provinces, direct-controlled municipalities and autonomous regions in Mainland China.

During the Reporting Period, the relocations of 5 brokerage branches of the Company in the same cities have been completed.

No.	Name of Securities Brokerage Branch Before Relocation	Name of Securities Brokerage Branch After Relocation
1	Huojia Road Brokerage Branch in Baoji of GF Securities Co., Ltd.	Gongyuan Road Brokerage Branch in Baoji of GF Securities Co., Ltd.
2	Lianjiang Avenue Brokerage Branch in Lianjiang City, Zhanjiang of GF Securities Co., Ltd.	Luozhou Avenue Brokerage Branch in Lianjiang City, Zhanjiang of GF Securities Co., Ltd.
3	Caitian Road Brokerage Branch in Shenzhen of GF Securities Co., Ltd.	Caitian Road Brokerage Branch in Shenzhen of GF Securities Co., Ltd.
4	Huangxiaohu Road Branch in Wuhan of GF Securities Co., Ltd.	Jianshe Avenue Branch in Wuhan of GF Securities Co., Ltd.
5	Jianshe South Road Branch in Shunde, Foshan of GF Securities Co., Ltd.	Yihe Road Branch in Shunde, Foshan of GF Securities Co., Ltd.

2. Pursuant to the resolution in 2016 Annual General Meeting of the Company, it was permitted to change the Company's domicile from "43rd Floor (Room 4301-4316), Metro Plaza, No. 183-187, Tianhe North Road, Tianhe District, Guangzhou" to "Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong". The Company has announced the completion of the registration of the change with the industry and commerce authority in accordance with laws in June 2017, and has renewed its business license and Permit for Operations of Securities and Futures Business.

3. During the Reporting Period, the Board and the Supervisory Committee of the Company have been re-elected. Pursuant to the resolution regarding the election of Directors for the Ninth Session of the Board of the Company and the resolution regarding the election of Supervisors for the Ninth Session of the Supervisory Committee of the Company considered and approved at the 2016 Annual General Meeting, the Company elected the Ninth Session of the Board and Supervisory Committee; and the Ninth Session of the Special Committees of the Board, the chairman of the Board, the chairman of the Supervisory Committee, general manager and other senior management were appointed in accordance with the relevant procedures. Please refer to Section 8 headed "Particulars about Directors, Supervisors and Senior Management" in this report for details.

4. During the Reporting Period, in order to streamline the operation mechanism of the relevant business, the Company eliminated the equity sales and trading department and consolidated and adjusted the original functions of the equity sales and trading department.
5. According to the development of securities investment business, in August 2017, the Company established the headquarters of securities investment business management, which is responsible for the overall management of the securities investment business. The headquarters of securities investment business management has three first level departments including equity and derivatives investment department, fixed income investment department and financial intermediary business department.

XV · SIGNIFICANT MATTERS FOR THE SUBSIDIARIES OF THE COMPANY

The Securities Association of China issued the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies (《證券公司私募投資基金子公司管理規範》) and the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) on December 30, 2016, which put forward new standards and requirements for the private investment funds subsidiaries and the alternative investment subsidiaries under securities companies. During the Reporting Period, the Group requested the relevant subsidiaries to carry out rectification and to operate businesses strictly in compliance with the requirements.

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

No.	Regulatory authority	Administrative license decisions (including other important letters from regulatory authorities)
1	Guangdong Province Administration for Industry and Commerce	Filing Registration Notice (Change of Composition of the Supervisory Committee)
2	Guangdong Province Administration for Industry and Commerce	Notification on Change of Registration (Domicile, Articles of Association)
3	SZSE	No Objection Letter for Securities Firm Subordinated Bonds in 2017 of GF Securities Co., Ltd. Meeting Transfer Conditions of SZSE
4	SZSE	Notice on Providing Transfer Services for Non-Public Issue of Corporate Bonds (First Tranche) in 2016 of GF Securities Co., Ltd.
5	China Securities Depository and Clearing Corporation Limited	Notification on Comprehensive Evaluation Results of Each of the Clearing Participant in January 2017
6	People's Bank of China, Guangzhou Branch	Notification on anti-money laundering of Guangdong financial institutions in 2016
7	China Foreign Exchange Trading System	Notice on Approval of GF Securities Co., Ltd. Becoming Interbank Foreign Exchange Lending Member (外幣拆借會員)
8	Guangdong Bureau of the CSRC	Reply on the Approval of Change in Major Provisions of the Articles of Association of GF Securities Co., Ltd.
9	Guangdong Bureau of the CSRC	Reply on the Approval of Li Yanxi's Qualification as an Individual Director of a Securities Company
10	Guangdong Bureau of the CSRC	Reply on the Approval of Li Xuetao's Qualification as a Director of a Securities Company

XVII. INDEX OF INFORMATION DISCLOSURE

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

No.	Matters of announcements	Date of Publication
1	Announcement on the Key Financial Information for December 2016	January 11, 2017
2	Announcement on the Key Financial Information for January, 2017	February 8, 2017
3	Announcement on the Key Financial Information for February, 2017	March 7, 2017
4	Announcement on the Resolutions of the 37th Meeting of the Eighth Session of the Board of Directors	March 21, 2017
5	Announcement on the Resolutions of the 15th Meeting of the Eighth Session of the Supervisory Committee	March 25, 2017
6	Announcement on the Resolutions of the 38th Meeting of the Eighth Session of the Board of Directors	March 25, 2017
7	Highlights of the 2016 Annual Report	March 25, 2017
8	Announcement on the Estimated Daily Related/ Connected Transactions for 2017	March 25, 2017
9	Notice on the 2016 Annual General Meeting	March 25, 2017
10	Statement of Independent Director Nominees and Candidates (Yang Xiong)	March 25, 2017
11	Statement of Independent Director Nominees and Candidates (Tang Xin)	March 25, 2017
12	Statement of Independent Director Nominees and Candidates (Chan Kalok)	March 25, 2017
13	Announcement on the Resignation of Director Mr. Chen Aixue	March 29, 2017
14	Announcement on the Key Financial Information for March, 2017	April 12, 2017
15	Supplementary Notice on the 2016 Annual General Meeting	April 19, 2017
16	Statement of Independent Director Nominees and Candidates (Li Yanxi)	April 19, 2017
17	Announcement on the Provisional Proposals on the Nomination of Independent Non-Executive Director Candidates of the Ninth Session of the Board of the Company by Liaoning Cheng Da Co., Ltd.	April 19, 2017
18	Announcement on the Results of the Issuance of the 2017 First Tranche of Short-term Corporate Bonds of Securities Firms	April 21, 2017
19	Announcement on the Resolutions of the 39th Meeting of the Eighth Session of the Board of Directors	April 28, 2017
20	Highlights of the 2017 First Quarterly Report	April 28, 2017

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No.	Matters of announcements	Date of Publication
21	Announcement on the Resolutions of the 16th Meeting of the Eighth Session of the Supervisory Committee	April 28, 2017
22	Announcement on the Results of the Issuance of the 2017 Second Tranche of Short-term Corporate Bonds of Securities Firms	April 28, 2017
23	Name Changing Announcement on Publicly Issuance of First Tranche of Corporate Bonds to Qualified Investors in 2016	May 5, 2017
24	Issuance Announcement on Publicly Issuance of First Tranche of Corporate Bonds to Qualified Investors in 2017	May 5, 2017
25	Highlights of Prospectus of Publicly Issuance of First Tranche of Corporate Bonds to Qualified Investors in 2017	May 5, 2017
26	Suggestive Announcement Regarding the 2016 Annual General Meeting	May 6, 2017
27	Announcement on the Key Financial Information for April 2017	May 6, 2017
28	Announcement on Coupon Rate of Publicly Issuance of First Tranche of Corporate Bonds to Qualified Investors in 2017	May 9, 2017
29	Announcement on Results of Employee Supervisors Election	May 11, 2017
30	Announcement on the Resolutions of the 2016 Annual General Meeting	May 11, 2017
31	Announcement on the Resolutions of the First Meeting of the Ninth Session of the Board of Directors	May 11, 2017
32	Announcement on the Resolutions of the First Meeting of the Ninth Session of the Supervisory Committee	May 11, 2017
33	Announcement on Results of Publicly Issuance of First Tranche of Corporate Bonds to Qualified Investors in 2017	May 12, 2017
34	Announcement on the Results of Redemption and Delisting of "16 GF 01" Subordinated Bond	May 13, 2017
35	Announcement on Approval for Amendment of Material Clauses in the Articles of Association of the Company by Guangdong Bureau of the CSRC	May 16, 2017
36	Announcement in Relation to the Approval of Ms. Liu Xuetao and Mr. Li Yanxi's Qualifications as Directors	May 25, 2017
37	Announcement on the Results of the Issuance of the 2017 Third Tranche of Short-term Corporate Bonds of Securities Firms	May 27, 2017
38	Listing Announcement on Publicly Issuance of First Tranche of Corporate Bonds to Qualified Investors in 2017	May 27, 2017
39	Announcement on the Results of Redemption and Delisting of "15 GF 05" Subordinated Bond	June 2, 2017

No.	Matters of announcements	Date of Publication
40	Announcement on the Key Financial Information for May 2017	June 7, 2017
41	Announcement on the Interest Payment in 2017 for the Corporate Bonds in 2013	June 10, 2017
42	Announcement on Renewal of Business License and Permit for Operations of Securities and Futures Business	June 10, 2017
43	Announcement on the Results of Redemption and Delisting of "15 GF 07" Subordinated Bond	June 16, 2017
44	Announcement on the Implementation of Profit Distribution for A-shares for 2016	June 27, 2017

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

No.	Matters of announcements	Date of Publication
1	Monthly Return of Equity Issuer on Movements in Securities for the month ended December 31, 2016	January 6, 2017
2	Announcement on the Key Financial Information for December 2016	January 10, 2017
3	Monthly Return of Equity Issuer on Movements in Securities for the month ended January 31, 2017	February 6, 2017
4	Announcement on the Key Financial Information for January 2017	February 7, 2017
5	Monthly Return of Equity Issuer on Movements in Securities for the month ended February 28, 2017	March 6, 2017
6	Announcement on the Key Financial Information for February 2017	March 6, 2017
7	Date of Board Meeting	March 9, 2017
8	Notification Letter and Request Form for Non-registered Holders	March 24, 2017
9	Notification Letter and Request Form for Registered Holders	March 24, 2017
10	Reply Slip For 2016 Annual General Meeting	March 24, 2017

Section 5 Significant Events

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No.	Matters of announcements	Date of Publication
11	2016 Directors' Report/2016 Supervisory Committee's Report/2016 Final Financial Report/2016 Annual Report/2016 Annual Profit Distribution Plan/The Resolution Regarding Engaging Deloitte Touche Tohmatsu Limited as our 2017 Annual Auditing Company. The Resolution Regarding the Authorization of Proprietary Investment Quota for 2017/The Resolution Regarding the 2017 Expected Daily Related Party/Connected Transactions/The Resolution Regarding the Election of Directors for the Ninth Session of the Board of Directors of the Company/The Resolution Regarding the Election of Supervisors for the Ninth Session of the Supervisory Committee of the Company/The Resolution Regarding Amendment to the Articles of Association and Notice of Annual General Meeting	March 24, 2017
12	Proxy Form For the 2016 Annual General Meeting	March 24, 2017
13	Notice of Annual General Meeting	March 24, 2017
14	2016 Annual Report	March 24, 2017
15	2016 Social Responsibility Report	March 24, 2017
16	Proposed Amendment to Articles of Association and Changes of the Company's Domicile	March 24, 2017
17	Nomination of Director Candidates for the Ninth Session of the Board of Directors and Nomination of Supervisor Candidates for the Ninth Session of the Supervisory Committee	March 24, 2017
18	2016 Annual Results Announcement	March 24, 2017
19	List of Directors and their Roles and Functions	March 28, 2017
20	Resignation of Non-Executive Directors	March 28, 2017
21	Monthly Return of Equity Issuer on Movements in Securities for the month ended March 31, 2017	April 7, 2017
22	Announcement on the Key Financial Information for March 2017	April 11, 2017
23	Date of Board Meeting	April 12, 2017
24	Second Proxy Form For the 2016 Annual General Meeting	April 18, 2017
25	Supplementary Notice of Annual General Meeting	April 18, 2017
26	Election of Mr. Li Yanxi as an Independent Non-Executive Director for the Ninth Session of the Board of Directors of the Company and Supplemental Annual General Meeting Notice	April 18, 2017
27	2017 First Quarterly Report	April 27, 2017

No.	Matters of announcements	Date of Publication
28	Announcement on the Key Financial Information for April 2017	May 5, 2017
29	Monthly Return of Equity Issuer on Movements in Securities for the month ended April 30, 2017	May 5, 2017
30	List of Directors and their Roles and Functions	May 10, 2017
31	Retirement of Independent Non-Executive Director, Appointment of Employee Representative Supervisors, Appointment of Chairman of the Board of Directors, Chairman of the Supervisory Committee and the General Manager	May 10, 2017
32	Announcement - Poll Results of the 2016 Annual General Meeting	May 10, 2017
33	Articles of Association (draft)	May 11, 2017
34	Articles of Association	May 15, 2017
35	Announcement on Distribution of the 2016 Annual Dividends	May 22, 2017
36	Announcement in Relation to the Approval of Ms. Liu Xuetao and Mr. Li Yanxi's Qualifications as Directors	May 24, 2017
37	Monthly Return of Equity Issuer on Movements in Securities for the month ended May 31, 2017	June 6, 2017
38	Announcement on the Key Financial Information for May 2017	June 6, 2017

Section 6 Changes in Shareholdings and Particulars about Shareholders

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I. CHANGES IN SHAREHOLDINGS

(I) CHANGES IN SHAREHOLDINGS

Unit: Share

	Before the change		Increase/decrease (+/-)					After the change	
	Number of shares	Percentage (%)	New issue	Bonus issue	Conversion from reserves	Others	Sub-total	Number of shares	Percentage (%)
I. Shares with selling restrictions	0	0	-	-	-	-	-	0	0
1. State-owned shares	0	0	-	-	-	-	-	0	0
2. Shares held by state-owned legal entities	0	0	-	-	-	-	-	0	0
3. Shares held by domestic investors	0	0	-	-	-	-	-	0	0
Of which: Shares held by domestic legal entities	0	0	-	-	-	-	-	0	0
Shares held by domestic natural individuals	0	0	-	-	-	-	-	0	0
4. Shares held by foreign investors	0	0	-	-	-	-	-	0	0
Of which: Shares held by foreign legal entities	0	0	-	-	-	-	-	0	0
Shares held by foreign individuals	0	0	-	-	-	-	-	0	0
II. Shares without selling restrictions	7,621,087,664	100	-	-	-	-	-	7,621,087,664	100.00
1. Domestic shares	5,919,291,464	77.67	-	-	-	-	-	5,919,291,464	77.67
2. Domestic listed foreign shares	0		-	-	-	-	-	0	0
3. Listed foreign shares	1,701,796,200	22.33	-	-	-	-	-	1,701,796,200	22.33
4. Others	0	0	-	-	-	-	-	0	0
III. Total number of shares	7,621,087,664	100.00	-	-	-	-	-	7,621,087,664	100.00

(II) Changes in restricted shares

N/A

II. SECURITIES ISSUANCE AND THE LISTING

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

III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS IN THE COMPANY

Unit: Share

Name of shareholder	Capacity of shareholder	Percentage of shareholding (%)	Shareholdings of ordinary shareholders who hold more than 5% of the ordinary shares or shareholdings of the top ten ordinary shareholders		Number of ordinary shares with selling restrictions held	Number of ordinary shares without selling restrictions held	Pledge or freeze	
			Number of ordinary shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period			Status of shares	Number of shares
Total number of ordinary shareholders at the end of the Reporting Period			143,340 (of which, 141,350 were A shareholders, 1,990 were registered H shareholders)				Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period (if any)	Nil
HKSCC Nominees Limited	Overseas legal entity	22.31	1,699,961,480	-23,000	0	1,699,961,480		
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.	Domestic general legal entity	16.40	1,249,848,088	-306,000	0	1,249,848,088		
Zhongshan Public Utilities Group Co., Ltd.	Domestic general legal entity	9.01	686,754,216	0	0	686,754,216		
Huaxia Life Insurance Co., Ltd. – Universal Life Insurance Product	Fund and wealth management products, etc.	2.99	228,131,005	0	0	228,131,005		
China Securities Finance Corporation Limited	Domestic general legal entity	2.74	208,724,690	21,221,794	0	208,724,690		
Puning Xinhong Industrial Investment Co., Ltd.	Domestic general legal entity	1.91	145,936,358	0	0	145,936,358	Pledged	144,000,000
Heungkong Group Limited	Domestic general legal entity	1.57	119,286,246	0	0	119,286,246		
Central Huijin Asset Management Ltd.	State-owned legal entity	1.29	98,149,700	0	0	98,149,700		
Bank of China Limited – CMS CSI Securities Company Index Structured Securities Investment Fund	Fund and wealth management products, etc.	0.52	39,507,066	-3,810,283	0	39,507,066		

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Shareholdings of the top ten ordinary shareholders without selling restrictions

Name of shareholder	Number of ordinary shares without selling restrictions held as at the end of the Reporting Period	Type of Shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,699,961,480	Listed foreign shares	1,699,961,480
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867	RMB-dominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,249,848,088	RMB-dominated ordinary shares	1,249,848,088
Zhongshan Public Utilities Group Co., Ltd.	686,754,216	RMB-dominated ordinary shares	686,754,216
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	228,131,005	RMB-dominated ordinary shares	228,131,005
China Securities Finance Corporation Limited	208,724,690	RMB-dominated ordinary shares	208,724,690
Puning Xinhong Industrial Investment Co., Ltd.	145,936,358	RMB-dominated ordinary shares	145,936,358
Heungkong Group Limited	119,286,246	RMB-dominated ordinary shares	119,286,246
Central Huijin Asset Management Ltd.	98,149,700	RMB-dominated ordinary shares	98,149,700
Bank of China Limited — CMS CSI Securities Company Index Structured Securities Investment Fund	39,507,066	RMB-dominated ordinary shares	39,507,066

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

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

Note 3: According to the public information disclosed on July 11, 2017 by Jilin Aodong, Liaoning Cheng Da, and Zhongshan Public Utilities, Jilin Aodong held 25,750,800 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), representing 0.34% 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), 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. The above shares are held by HKSCC Nominees Limited on their behalf;

Note 4: During the Reporting Period, the number of shares of Liaoning Cheng Da decreased by 306,000 due to its participation in refinancing business;

Note 5: The changes in the shareholdings of A Shareholders during the Reporting Period as set out in the above table were calculated based on the register of the top 100 shareholders provided by the China Securities Depository and Clearing Corporation Limited (Shenzhen Branch);

Note 6: According to the public information disclosed on the website of HKExnews, 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 14, 2015, Fubon Life Insurance Co., Ltd. held a total of 157,044,800 H Shares of the Company, representing 9.22% of the H share capital of the Company; on April 10, 2015, L.R. Capital Principal Investment Limited held a total of 102,854,000 H Shares of the Company, representing 6.04% of the Company's issued H share capital upon the exercise of the over-allotment option. The above shares are held by HKSCC Nominees Limited on their behalf;

Note 7: 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 8: At the end of the Reporting Period, no A shareholders mentioned above conducted agreed repurchase type securities trading.

IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

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

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

As of June 30, 2017, so far as the directors of the Company, having made all reasonable enquiries, are aware, the following parties (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

No.	Name of substantial shareholders	Type of shares	Nature of interests	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 1)/ Short position (Note 2)
1	Jilin Aodong	A Share	Beneficial owner	1,252,297,867	16.43	21.16	Long position
		H Share	Interests in controlled corporation	25,750,800 (Note 3)	0.34	1.51	Long position
2	Liaoning Cheng Da	A Share	Beneficial owner	1,250,154,088	16.40	21.12	Long position
		H Share	Interests in controlled corporation	1,473,600 (Note 4)	0.02	0.09	Long position
3	Zhongshan Public Utilities	A Share	Beneficial owner	686,754,216	9.01	11.60	Long position
		H Share	Interests in controlled corporation	100,904,000 (Note 5)	1.32	5.93	Long position
4	Zhongshan Zhonghui Investment Group Company Limited	A Share	Interests in controlled corporation	686,754,216 (Note 6)	9.01	11.60	Long position
		H Share	Interests in controlled corporation	100,904,000 (Note 5)	1.32	5.93	Long position
5	Public Utilities International (Hong Kong) Investment Co., Ltd.	H Share	Beneficial owner	100,904,000 (Note 5)	1.32	5.93	Long position
6	Fubon Life Insurance Co., Ltd.	H Share	Beneficial owner	154,765,400 (Note 7)	2.03	9.09	Long position
7	Fubon Financial Holding Co., Ltd.	H Share	Interests in controlled corporation	154,765,400 (Note 7)	2.03	9.09	Long position
8	L.R. Capital Principal Investment Limited	H Share	Beneficial owner	102,854,000 (Note 8)	1.35	6.04	Long position
9	Wong Yuen Ping	H Share	Interests in controlled corporation	102,854,000 (Note 8)	1.35	6.04	Long position

Section 6 Changes in Shareholdings and Particulars about Shareholders

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- Note 1: A shareholder has a “long position” if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares increases;*
- Note 2: A shareholder has a “short position” if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines;*
- Note 3: Such 25,750,800 H Shares were held by Aodong International (Hong Kong) Industrials Co., Limited, a wholly-owned subsidiary of Jilin Aodong;*
- Note 4: Such 1,473,600 H Shares were held by Chengda Steel Hongkong Co., Limited. Liaoning Cheng Da held 100% of the issued shares of Liaoning Chengda Steel Co., Ltd, which held 100% of the issued shares of Chengda Steel Hongkong Co., Limited. As such, Liaoning Cheng Da and Liaoning Chengda Steel Co., Ltd are deemed to be interested in the Shares held by Chengda Steel Hongkong Co., Limited.;*
- Note 5: Such 100,904,000 H Shares were held by Public Utilities International (Hong Kong) Investment Co., Ltd., a wholly-owned subsidiary of Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited held 47.85% of the issued shares of Zhongshan Public Utilities, which held 100% of the issued shares of Public Utilities International (Hong Kong) Investment Co., Ltd. As such, Zhongshan Zhonghui Investment Group Company Limited and Zhongshan Public Utilities are deemed to be interested in the Shares held by Public Utilities International (Hong Kong) Investment Co., Ltd.;*

Note 6: Such 686,754,216 A Shares were held by Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited held 47.85% of the issued shares of Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited was therefore deemed to be interested in the Shares held by Zhongshan Public Utilities.

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

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

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

Save as disclosed above, the Company is not aware of any other person (other than the directors, supervisors and chief executive, of the Company) having any interests or short positions in the shares or underlying shares of the Company as of June 30, 2017 which are required to be recorded in the register pursuant to section 336 of the SFO.

Section 6 Changes in Shareholdings and Particulars about Shareholders

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

As at June 30, 2017, each of the directors, supervisors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of the SFO (Chapter 571 of the Laws of Hong Kong) ("Part XV of the SFO"), (a) which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to be held under such provisions of the SFO); or (b) which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Hong Kong Listing Rules (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange.

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

Note: On July 9, 2015, the Company received a notification letter from a number of employees. As these employees were confident in the Company's operating conditions and development prospects, they voluntarily raised approximately HKD1 billion and planned to purchase and hold the Company's H Shares through legal and regulatory channels, including the Qualified Domestic Institutional Investor (QDII) program, in order to benefit from the Company's growth. On January 22, 2016, the Company received a notification from the executive directors, who had participated in the voluntary employee fund-raising plan to purchase the Company's H Shares. The manager of the relevant asset management plan disclosed the report on the asset management plan for the 4th quarter of 2015. According to the data disclosed in the report, the relevant executive directors have made a disclosure of interests on the website of the Hong Kong Stock Exchange.

Save as disclosed above, as at June 30, 2017, 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.

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

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

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

Section 7 PREFERENCE SHARES

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

Section 8 Particulars about Directors, Supervisors and Senior Management

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

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

II. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
Chen Aixue	Non-executive Director	Resigned	March 28, 2017	Personal age reason
Liu Jiwei	Independent non-executive Director	Resigned	May 10, 2017	Expiration of the term of office
Liu Xuetao	Non-executive Director	Elected	May 10, 2017	Elected at the general meeting
Li Yanxi	Independent non-executive Director	Elected	May 10, 2017	Elected at the general meeting

1. Mr. Chen Aixue, a Director, submitted a written resignation to the Company to resign, due to personal age reason, from the position as a Director of the Eighth Session of the Board of Directors and a member of the Eighth Session of the Strategic Committee of the Company. The resignation of Mr. Chen Aixue would not result in the number of Directors of the Company falling below the minimum quorum, and had been effective from March 28, 2017.
2. During the Reporting Period, the Board of Directors and the Supervisory Committee of the Company conducted re-elections, respectively. At the 2016 Annual General Meeting of the Company convened on May 10, 2017, Mr. Shang Shuzhi, Mr. Li Xiulin and Ms. Liu Xuetao were elected as the non-executive Directors of the Ninth Session of Board of Directors of the Company; Mr. Yang Xiong, Mr. Tang Xin, Mr. Chan Kalok and Mr. Li Yanxi were elected as the independent non-executive Directors of the Ninth Session of the Board of Directors of the Company; Mr. Sun Shuming, Mr. Lin Zhihai, Mr. Qin Li and Ms. Sun Xiaoyan were elected as the executive Directors of the Ninth Session of Board of Directors of the Company; and Ms. Zhan Lingzhi, Mr. Tan Yue and Mr. Gu Naikang were elected as the Supervisors of the Ninth Session of the Supervisory Committee of the Company. Ms. Liu Xuetao's qualification as a director of a securities company and Mr. Li Yanxi's qualification as an independent director of a securities company have been approved.

Section 8 Particulars about Directors, Supervisors and Senior Management

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3. At the first meeting of the employee representatives of the Company in 2017 held on May 9, 2017, Mr. Wu Zhaoming and Mr. Cheng Huaiyuan were elected as the employee representative Supervisors of the Ninth Session of the Supervisory Committee of the Company. The above employee representative Supervisors, together with the three Supervisors elected at the 2016 Annual General Meeting of the Company, make up the Ninth Session of the Supervisory Committee of the Company. The terms of such Supervisors are consistent with that of the Ninth Session of the Supervisory Committee. At the first meeting of the Ninth Session of the Supervisory Committee of the Company, Mr. Wu Zhaoming was elected as the chairman of the Ninth Session of the Supervisory Committee of the Company.
4. At the first meeting of the Ninth Session of the Board of the Company convened on May 10, 2017, Mr. Sun Shuming was elected as the chairman of the Ninth Session of the Board of Directors of the Company; Mr. Lin Zhihai was appointed as the general manager of the Company; Mr. Qin Li was appointed as the standing deputy general manager of the Company; Ms. Sun Xiaoyan was appointed as the deputy general manager and the chief financial officer of the Company; Mr. Ouyang Xi was appointed as the deputy general manager of the Company; Mr. Luo Binhua was appointed as the deputy general manager and the secretary of the Board of the Company; Mr. Yang Long was appointed as the deputy general manager of the Company; Mr. Wu Jifu was appointed as the deputy general manager and the chief compliance officer of the Company; Mr. Zhang Wei was appointed as the deputy general manager of the Company; and Mr. Scott Xingong Chang was appointed as the chief risk officer of the Company.

For the biographies of the Directors, Supervisors and senior management as well as the relevant details, please refer to the relevant announcements 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 on March 25, 2017, March 29, 2017, April 19, 2017, May 11, 2017 and May 25, 2017, respectively.

III. STAFF AND REMUNERATION POLICIES

As of June 30, 2017, the Group had 11,532 employees, of whom a total of 9,941 were from the parent company and 1,591 were from the subsidiaries.

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

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

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

Section 9 Corporate Bonds

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I. BASIC INFORMATION ON BONDS OF THE COMPANY

1. Public Issuance of the 2013 Corporate Bonds

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

On June 19, 2013, the Company completed the issuance of the 2013 corporate bonds. There were three types of such bonds, the details of which are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Value Date	Maturity Date	Balance of Bond (RMB10,000)	Coupon	Debt Service
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13 GF 01	112181	June 17, 2013	June 17, 2018	150,000	4.50%	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type II)	13 GF 02	112182	June 17, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13 GF 03	112183	June 17, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure appropriateness 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	Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing or holding bonds of this term shall observe relevant laws and regulations and the relevant provisions of the CSRC and assume corresponding legal responsibilities of their own. On June 19, 2017, the Company paid the interest for the above bonds from June 17, 2016 to June 16, 2017, of which, the interest for "13 GF 01", "13 GF 02" and "13 GF 03" are RMB4.50 (with tax)/piece, RMB4.75 (with tax)/piece and RMB5.10 (with tax)/piece respectively.						
Performance of relevant articles during the Reporting Period, for special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if any).	<p>"13 GF 01" includes special articles for redemption and redenomination of interest rate.</p> <p>Redemption: after the issuer has issued the announcement on whether to increase the nominal interest rate of 3+2-year type of bonds of the term and the range of increase, investors have the right to choose to sell back all or part of their 3+2-year type of bonds of the term to the issuer at par on the 3rd annual payment date within the duration of such 3+2-year type of bonds of the term.</p> <p>Redenomination interest rate: the issuer has the right to decide whether to increase the nominal interest rate of the latter 2 years of the issuance as at the 3rd year during the duration for such 3+2-year type of bonds of the term. The issuer will publish on the information disclosure media designated by the CSRC an announcement on whether to increase the nominal interest rate of 3+2-year type of bonds of the term and the range of increase on the 30th trading day prior to the 3rd annual payment date within the duration of such 3+2-year type of bonds of the term. If the issuer has not exercised its right to increase the interest rate, the original nominal interest rate for that for the duration of 3+2-year type of bonds of the term will remain the same.</p> <p>On June 19, 2016, which is the third year end of "13 GF 01", the Company chose not to increase the nominal interest rate of "13 GF 01", having based on the actual situation of the Company and the prevailing market condition. Pursuant to the requirement of the "Prospectus of GF Securities Co., Ltd. to Publicly Issue 2013 Corporate Bonds" (《廣發證券股份有限公司公開發行公司債券募集說明書》), the Company released an announcement Regarding Non-redemption Interest Rate of "13 GF 01" and Implementation Measures on Redemption by Investors (《關於 13廣發01 票面利率不調整和投資者回售實施辦法的公告》). Following the announcement, none of the bondholders has chosen to sell back, all or part of, the "13 GF 01" at par to the issuer.</p>						

2. Public Issuance of the 2017 Corporate Bonds

Being approved and authorised by the 17th meeting of the eighth session of the Board and the first extraordinary general meeting of the Company in 2015, the authorized person of the Company determined that the Company proposed to publicly issue corporate bonds of not more than RMB19 billion (inclusive). 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. The Reply would be valid within 24 months from the date of approval of issuance.

On May 11, 2017, the Company completed the issuance of the 2017 first tranche corporate bonds (hereinafter referred to as the “2017 First Tranche Corporate Bonds”). The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Value Date	Maturity Date	Balance of Bond (RMB10,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the First Tranche)	17 GF 01	112520	May 11, 2017	May 11, 2020	600,000	4.60%	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.
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the appropriateness of investors	Such bonds were publicly issued to any qualified investor who held 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	During the Reporting Period, no interest payment was made for the 2017 First Tranche Corporate Bonds.						
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 (if any)	Not applicable.						

On July 26, 2017, the Company completed the issuance of the 2017 second tranche corporate bonds (hereinafter referred to as the “2017 Second Tranche Corporate Bonds”). The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Value Date	Maturity Date	Balance of Bond (RMB10,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the Second Tranche)	17 GF 02	112556	July 26, 2017	July 26, 2020	600,000	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.
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the appropriateness of investors	Such bonds were publicly issued to any qualified investor who held 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	During the Reporting Period, no interest payment was made for the 2017 Second Tranche Corporate Bonds.						
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 (if any)	Not applicable.						

II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

The trustee of the 2013 Corporate Bonds:

Name	China Merchants Securities Co., Ltd.	Business address	38-45th floors, Building A, Jiangsu Mansion, Yitianlu, Futian District, Shenzhen	Contact	Zhang Huanhuan, Wang Dawei	Contact number	0755-82943666
Credit rating agency for tracking rating of 2013 corporate bonds during the Reporting Period:							
Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizangnanlu, Huangpu District, Shanghai				
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 (if applicable)				During the Reporting Period, there were no changes in the bond trustee and credit rating agency.			

The trustee of the 2017 Corporate Bonds:

Name	Guosen Securities Co., Ltd.	Business address	Floors 16-26, Guosen Securities Tower, No. 1012 Hongling Middle Road, Luohu District, Shenzhen	Contact	Zhou Lei, Wang Xue	Contact number	0755-82130833-702237
Credit rating agency for tracking rating of 2017 corporate bonds during the Reporting Period:							
Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizangnanlu, Huangpu District, Shanghai				
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 (if applicable)				During the Reporting Period, there were no changes in the bond trustee and credit rating agency.			

III. USE OF PROCEEDS FROM BOND OFFERING

Use of proceeds from bond offering	The proceeds from corporate bond offering, after the deduction of the offering expenses, have all been used to replenish the Company's liquidity or working capital.
Period-end balance (RMB10,000) (As of June 30, 2017)	1,800,000
Operation of special account for the funds raised	When the aforesaid corporate bond was issued, the Company designated a special account for the collection of funds raised according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company's liquidity or 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

(1) 2013 Corporate Bonds

When the 2013 corporate bonds were issued, the Company retained China Cheng Xin Securities Credit Rating Co., Ltd. (“CCXR”) as the rating agency for these corporate bonds. Pursuant to the “CCXR Credit Rating Notice” (Xin Ping Wei Han Zi [2013] No. 001) (《中誠信證評信用等級通知書》(信評委函字[2013] 001號)) and the “Credit Rating Reports on Corporate Bond of GF Securities Co., Ltd. in 2013” (《廣發證券股份有限公司2013年公司債券信用評級報告》) issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance. This rating indicates the extremely high credit quality and low credit risks of such bonds.

During the effective period of the credit rating of the 2013 corporate bonds and the duration of such bonds, CCXR continuously monitored factors such as changes in the Company’s external business environment, operations, financial conditions and the debt service coverage, and continuously analysed the credit risks of such bonds. On April 20, 2017, CCXR updated and maintained the AAA rating of the aforesaid corporate bonds.

(2) 2017 Corporate 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] Nos. G218-1 and G338-F1) (《中誠信證評信用等級通知書》(信評委函字[2017] G218-1號、G338-F1號)), the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the First Tranche)” (《廣發證券股份有限公司2017年面向合格投資者公開發行公司債券(第一期)信用評級報告》) and the “Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the Second Tranche)” (《廣發證券股份有限公司2017年面向合格投資者公開發行公司債券(第二期)信用評級報告》) issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance. This rating indicates the extremely high credit quality and low credit risks of such bonds.

During the effective period of the credit rating of the 2017 corporate bonds and the duration of such bonds, CCXR will continuously monitor factors such as changes in the Company’s external business environment, operations, financial conditions and the debt service coverage, and continuously analyze the credit risks of such bonds.

V. CORPORATE BOND CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEDULE AND OTHER DEBT REPAYMENT SAFEGUARD MEASURES

1. The above corporate bonds bear no warranties.
2. The debt repayment plans of the above corporate bonds

(1) 2013 Corporate Bonds

Interest shall be paid once every year within the duration of the bonds and the last batch of interest shall be paid together with the principal. The interest of “13 GF 01” shall be paid on June 17 every year from 2014 to 2018, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period; the interest of “13 GF 02” shall be paid on June 17 every year from 2014 to 2018, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period; the interest of “13 GF 03” shall be paid on June 17 every year from 2014 to 2023, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period. The interest of the 2013 corporate bonds shall be paid through registration authorities and relevant institutions. The detailed matters about interest payment shall be explained by the issuer in an interest payment announcement published through the media designated by the CSRC according to the relevant national provisions. According to the national tax law and regulations, the investor shall assume the relevant tax payable for such bonds invested.

(2) 2017 Corporate Bonds

Interest shall be paid once every year within the duration of the bonds and the last batch of interest shall be paid together with the principal. For the 2017 First Tranche Corporate Bonds, the interest accrued in the previous interest-bearing year shall be paid on May 11 every year from 2018 to 2020, and such interest payment date shall be postponed to the next business day if it is a legal holiday or rest day. The redemption date of the 2017 First Tranche Corporate Bonds shall be May 11, 2020, and such date shall be postponed to the next business day if it is a legal holiday or rest day. For the 2017 Second Tranche Corporate Bonds, the interest accrued in the previous interest-bearing year shall be paid on July 26 every year from 2018 to 2020, and such interest payment date shall be postponed to the next business day if it is a legal holiday or rest day. The redemption date of the 2017 Second Tranche Corporate Bonds shall be July 26, 2020, and such date shall be postponed to the next business day if it is a legal holiday or rest day. The interest of the 2017 corporate bonds shall be paid through registration authorities and relevant institutions. The detailed matters about interest payment shall be explained by the issuer in an interest payment announcement published through the media designated by the CSRC according to the relevant national provisions. According to the national tax law and regulations, the investor shall assume the relevant tax payable for such bonds invested.

3. The safeguard measures on debt repayment of the above corporate bonds

Establishing the Bondholder Meeting Rules; retaining a bond manager; establishing special repayment work team; improving profitability and optimizing structure of assets and liabilities; maintaining strong comprehensive strength and good credit of the Company; 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 at least adopt the following measures: 1. no profits shall be distributed to the shareholders; 2. significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed; 3. salary and bonus of the Directors and senior management shall be reduced or suspended; and 4. the main responsible person shall not be transferred.

During the Reporting Period, the above corporate bond's credit increase mechanism, debt repayment schedule and the other debt repayment supporting measures have 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

(1) Performance of the Trustee of the 2013 Corporate Bonds

During the Reporting Period, China Merchants Securities Co., Ltd., as the trustee of "GF Securities 2013 Corporate Bonds", strictly performed the relevant obligations as a trustee according to relevant laws, rules and regulations such as the Management Measures on Corporate Bond Issuance and Trading, and the Code of Conduct for Corporate Bond Trustee. While performing the relevant responsibilities of a trustee, China Merchants Securities Co., Ltd. had no conflict of interests with the Company.

The Report on the Trusteeship of GF Securities 2013 Corporate Bond Publicly Issued (2017), to be issued by China Merchants Securities Co., Ltd., is expected to be disclosed publicly on the SZSE by June 2018. Investors are advised to pay attention to this.

(2) Performance of the Trustee of the 2017 Corporate Bonds

During the Reporting Period, Guosen Securities Co., Ltd., as the trustee of "GF Securities 2017 Corporate Bonds (First Tranche, Second Tranche) Publicly Issued to Qualified Investors", strictly performed the relevant obligations as a trustee according to relevant laws, rules and regulations such as the Management Measures on Corporate Bond Issuance and Trading, and the Code of Conduct for Corporate Bond Trustee. While performing the relevant responsibilities of a trustee, Guosen Securities Co., Ltd., had no conflict of interests with the Company.

The Report on the Trusteeship of GF Securities 2017 Corporate Bonds Publicly Issued to Qualified Investors (2017), to be issued by Guosen Securities Co., Ltd., is expected to be disclosed publicly on the SZSE by June 2018. Investors are advised to pay attention to this.

VIII. OUTSTANDING OVERDUE DEBTS OF THE COMPANY

There were no outstanding overdue debts of the Company.

IX. REDEMPTION OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS DURING THE REPORTING PERIOD

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

During the Reporting Period, the Company has paid interests for a total of three short-term corporate bonds:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (days)	Coupon	Interest payment
GF 1602	500,000	April 15, 2016	365	3.10%	Principal and interest paid upon maturity on April 17, 2017 (postponed to the next working day due to a weekend)
GF 1603	500,000	May 13, 2016	270	3.28%	Principal and interest paid upon maturity on February 7, 2017
GF 1604	500,000	May 23, 2016	365	3.27%	Principal and interest paid upon maturity on May 23, 2017

As of the end of the Reporting Period, three of the Company's short-term corporate bonds have not matured. The total balance was RMB11.5 billion. Key information on these short-term corporate bonds that were outstanding by the end of the Reporting Period is as below:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (days)	Coupon
GF 1701	300,000	April 17, 2017	270	4.60%
GF 1702	450,000	April 25, 2017	240	4.70%
GF 1703	400,000	May 23, 2017	183	5.00%

(2) Interest payment for subordinated bonds

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

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

On July 21, 2015, the Company convened the first extraordinary general meeting of 2015 at which the Resolution on the Authorization Granted to the Company for the Issuance of Corporate Onshore and Offshore Debt Financing Instruments (《關於授權公司發行公司境內外債務融資工具的議案》) was considered and approved. Pursuant to the resolution, the Company may issue debt financing instruments such as corporate bonds, subordinated bonds and asset securitization products (collectively, the "Onshore and Offshore Debt Financing Instruments") on a one-off or multiple issuances or multi-tranche issuances basis. The total balance of the Onshore and Offshore Debt Financing Instruments issued by the Company does not exceed RMB200 billion and is able to meet the requirements of the relevant laws and regulations on the maximum amount of issuance in respect of the Onshore and Offshore Debt Financing Instruments issued by the Company.

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

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (years)	Coupon	Interest payment
16 GF 01	430,000	May 9, 2016	1+2	3.30%	On May 9, 2017, the Company exercised its rights of redemption, and paid the principal and interest accrued from May 9, 2016 to May 8, 2017.
15 GF 05	900,000	May 29, 2015	2	5.35%	On May 29, 2017, the Company paid the principal and interest accrued from May 29, 2016 to May 28, 2017.
15 GF 07	800,000	June 15, 2015	2+1	5.40%	On June 15, 2017, the Company exercised its rights of redemption, and paid the principal and interest accrued from June 15, 2016 to June 14, 2017.
16 GF 02	500,000	June 13, 2016	2+1	3.50%	On June 13, 2017, the Company paid the interest accrued from June 13, 2016 to June 12, 2017.
16 GF 03	500,000	June 21, 2016	3+2	3.70%	On June 21, 2017, the Company paid the interest accrued from June 21, 2016 to June 20, 2017.

As of the end of the Reporting Period, seven of the Company's subordinated bonds, with a total balance of RMB31.0 billion, were outstanding. Key information on these bonds as of the end of the Reporting Period is as follows:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (years)	Coupon
14 GF 02	300,000	July 24, 2014	3+2	5.90%
16 GF 02	500,000	June 13, 2016	2+1	3.50%
16 GF 03	500,000	June 21, 2016	3+2	3.70%
16 GF 04	500,000	July 19, 2016	2+2	3.35%
16 GF 05	500,000	August 17, 2016	2	3.03%
16 GF 06	400,000	August 29, 2016	3	3.30%
16 GF 07	400,000	September 14, 2016	3	3.50%

(3) Interest payment for private corporate bonds

During the Reporting Period, the Company has not paid interest for the private corporate bonds. As of the end of the Reporting Period, one of the Company's private corporate bonds, with a total balance of RMB3 billion was outstanding, with key information as follows:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (years)	Coupon
16 GF 08	300,000	November 18, 2016	3	3.45%

X. BANK CREDIT, USE OF BANKING FACILITIES AND REPAYMENT OF BANK LOANS DURING THE REPORTING PERIOD

The Company standardizes its operation with excellent reputation, very strong profitability and solvency, excellent credit record, and maintains excellent cooperation relationship with all large-scale commercial banks. During the Reporting Period, it obtained credit 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 the interbank market was RMB2,300,000,000 as of the end of the Reporting Period.

XI. 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 agreements or promises as set out in the corporate bond prospectus.

XII. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD

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

XIII. GUARANTOR FOR THE CORPORATE BOND

None

Section 10 Financial Report

🔗 INTERIM REPORT | 2017 GF SECURITIES |

I. REVIEW REPORT

The 2017 Interim Financial Report of the Company prepared in accordance with IASs has not been audited but has been reviewed by Deloitte Touche Tohmatsu and the review report is enclosed hereinafter.

II. FINANCIAL STATEMENTS AND NOTES (ENCLOSED HEREINAFTER)



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

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 107 to 175, which comprise the condensed consolidated statement of financial position as at 30 June 2017 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 25, 2017

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

| 2017 GF SECURITIES | INTERIM REPORT

	NOTES	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue			
Commission and fee income	4	5,385,308	6,531,113
Interest income	5	3,863,430	3,945,771
Net investment gains	6	4,163,037	3,357,943
Total revenue		13,411,775	13,834,827
Other income and gains or losses	7	124,701	(180,674)
Total revenue and other income		13,536,476	13,654,153
Depreciation and amortisation	8	(154,434)	(146,905)
Staff costs	9	(3,243,651)	(3,230,136)
Commission and fee expenses	10	(147,589)	(167,386)
Interest expenses	11	(3,234,975)	(3,505,124)
Other operating expenses	12	(1,122,732)	(1,493,098)
Impairment losses		(37,459)	(8,508)
Total expenses		(7,940,840)	(8,551,157)
Share of results of associates and joint ventures		201,890	201,973
Profit before income tax		5,797,526	5,304,969
Income tax expense	13	(1,301,004)	(1,102,137)
Profit for the period		4,496,522	4,202,832
Attributable to:			
Owners of the Company		4,301,427	4,030,494
Non-controlling interests		195,095	172,338
		4,496,522	4,202,832
Earnings per share			
(Expressed in RMB Yuan per share)			
– Basic	14	0.56	0.53

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

INTERIM REPORT | 2017 GF SECURITIES |

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	4,496,522	4,202,832
Other comprehensive income (expense):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets:		
Net fair value changes during the period	1,964,995	(1,762,463)
Reclassification adjustment to profit or loss on disposal	(706,746)	(879,780)
Reclassification adjustment to profit or loss on impairment	29,243	—
Income tax impact	(369,158)	634,133
Subtotal	918,334	(2,008,110)
Share of fair value gain (loss) on available-for-sale financial assets of associates and joint ventures	15,488	(45,922)
Share of exchange differences arising on translation of associates	(3,045)	(2,531)
Exchange differences arising on translation	(162,465)	106,507
Other comprehensive income (expense) for the period, net of income tax	768,312	(1,950,056)
Total comprehensive income for the period	5,264,834	2,252,776
Attributable to:		
Owners of the Company	4,911,630	2,176,627
Non-controlling interests	353,204	76,149
	5,264,834	2,252,776

The accompanying notes presented on pages 116 to 175 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

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	NOTES	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current assets			
Property and equipment	15	1,857,646	1,761,438
Prepaid lease payments		303,273	308,087
Investment properties		22,671	23,539
Goodwill		2,252	2,321
Other intangible assets		232,271	258,276
Investments in associates	16	3,213,484	3,089,121
Investments in joint ventures	17	789,499	681,500
Available-for-sale financial assets	18	16,120,198	19,676,173
Loan and receivable investments	19	141,858	559,492
Advances to customers	20	759,273	814,957
Other accounts receivable, other receivables and prepayments	22	55,175	232,766
Financial leasing receivables	23	1,408,957	1,713,908
Financial assets held under resale agreements	24	6,815,574	3,879,213
Pledged/restricted bank deposits		80,000	80,000
Deferred tax assets	31	665,016	783,339
Total non-current assets		32,467,147	33,864,130
Current assets			
Prepaid lease payments		9,628	9,628
Available-for-sale financial assets	18	72,403,482	72,404,483
Loan and receivable investments	19	1,890,745	1,831,243
Advances to customers	20	53,538,312	58,186,338
Accounts receivable	21	2,423,382	2,212,377
Other accounts receivable, other receivables and prepayments	22	3,449,347	2,870,705
Financial leasing receivables	23	910,680	666,357
Amounts due from associates		20,059	5,784
Financial assets held under resale agreements	24	18,497,454	18,081,989
Financial assets at fair value through profit or loss	25	76,776,420	61,732,121
Derivative financial assets	26	515,444	692,456
Deposits with exchanges and non-bank financial institutions	27	6,554,419	5,132,685
Clearing settlement funds	28	18,616,183	21,742,626
Pledged/restricted bank deposits		61,507	70,948
Bank balances	29	70,194,187	80,297,484
Total current assets		325,861,249	325,937,224
Total assets		358,328,396	359,801,354

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

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	NOTES	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Current liabilities			
Borrowings	32	5,606,704	4,863,874
Short-term financing payables	33	21,042,836	16,329,741
Financial liabilities at fair value through profit or loss	34	234,555	4,143,970
Due to banks and other financial institutions		10,952,921	10,606,395
Accounts payable to brokerage clients	35	76,557,884	85,726,525
Accounts payable to underwriting clients		48,100	—
Accrued staff costs	36	5,755,005	7,142,049
Other accounts payable, other payables and accruals	37	7,420,801	7,446,713
Amount due to an associate		5,606	—
Amount due to a joint venture		176,130	—
Provisions		33,360	33,360
Current tax liabilities		530,710	739,840
Other liabilities	38	11,114,843	12,887,728
Derivative financial liabilities	26	539,967	692,012
Financial assets sold under repurchase agreements	39	78,372,006	50,549,266
Bonds payable	40	6,005,279	15,250,564
Long-term loans	41	306,889	160,566
Total current liabilities		224,703,596	216,572,603
Net current assets		101,157,653	109,364,621
Total assets less current liabilities		133,624,800	143,228,751

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

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	NOTES	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Capital and reserves			
Share capital		7,621,088	7,621,088
Capital reserve		31,864,096	31,864,053
Investment revaluation reserve		2,203,972	1,430,709
Translation reserve		255,559	418,619
General reserves		15,242,720	15,207,816
Retained profits		<u>23,587,067</u>	<u>21,987,925</u>
Equity attributable to owners of the Company		<u>80,774,502</u>	78,530,210
Non-controlling interests		<u>3,102,564</u>	<u>2,823,126</u>
Total equity		<u><u>83,877,066</u></u>	<u><u>81,353,336</u></u>
Non-current liabilities			
Financial liabilities at fair value through profit or loss	34	461,275	472,404
Other accounts payable, other payables and accruals	37	63,750	81,605
Deferred tax liabilities	31	264,631	131,280
Bonds payable	40	45,997,341	58,274,033
Long-term loans	41	2,960,737	2,568,684
Other liabilities	38	—	347,409
Total non-current liabilities		<u>49,747,734</u>	<u>61,875,415</u>
Total equity and non-current liabilities		<u><u>133,624,800</u></u>	<u><u>143,228,751</u></u>

This condensed consolidated financial statements on pages 107 to 175 was approved for issue by the Board of Directors on August 25, 2017 and signed on its behalf by:

Sun Shuming
Director

Lin Zhihai
Director

The accompanying notes presented on pages 116 to 175 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

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	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment		General reserves	Retained profits	Subtotal		
			revaluation reserve	Translation reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2017 (Audited)	7,621,088	31,864,053	1,430,709	418,619	15,207,816	21,987,925	78,530,210	2,823,126	81,353,336
Profit for the period	—	—	—	—	—	4,301,427	4,301,427	195,095	4,496,522
Other comprehensive income (expense) for the period	—	—	773,263	(163,060)	—	—	610,203	158,109	768,312
Total comprehensive income (expense) for the period	—	—	773,263	(163,060)	—	4,301,427	4,911,630	353,204	5,264,834
Capital reduction by non-controlling shareholders	—	—	—	—	—	—	—	(9,408)	(9,408)
Appropriation to general reserves	—	—	—	—	34,904	(34,904)	—	—	—
Dividends recognised as distribution (Note 42)	—	—	—	—	—	(2,667,381)	(2,667,381)	(64,358)	(2,731,739)
Others	—	43	—	—	—	—	43	—	43
At 30 June 2017 (Unaudited)	7,621,088	31,864,096	2,203,972	255,559	15,242,720	23,587,067	80,774,502	3,102,564	83,877,066
At 1 January 2016 (Audited)	7,621,088	31,864,032	2,708,507	63,143	13,029,223	22,233,281	77,519,274	2,301,555	79,820,829
Profit for the period	—	—	—	—	—	4,030,494	4,030,494	172,338	4,202,832
Other comprehensive (expense) income for the period	—	—	(1,957,073)	103,206	—	—	(1,853,867)	(96,189)	(1,950,056)
Total comprehensive (expense) income for the period	—	—	(1,957,073)	103,206	—	4,030,494	2,176,627	76,149	2,252,776
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	245,881	245,881
Appropriation to general reserves	—	—	—	—	42,963	(42,963)	—	—	—
Dividends recognised as distribution (Note 42)	—	—	—	—	—	(6,096,871)	(6,096,871)	(82,627)	(6,179,498)
Others	—	21	—	—	—	—	21	—	21
At 30 June 2016 (Unaudited)	7,621,088	31,864,053	751,434	166,349	13,072,186	20,123,941	73,599,051	2,540,958	76,140,009

The accompanying notes presented on pages 116 to 175 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

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	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	5,797,526	5,304,969
Adjustments for:		
Interest expenses	3,234,975	3,505,124
Share of results of associates and joint ventures	(201,890)	(201,973)
Depreciation and amortisation	154,434	146,905
Impairment losses	37,459	8,508
Gain on disposal of associates and joint ventures	(29,316)	—
Gain on disposal of property and equipment and other intangible assets	(1,027)	(694)
Foreign exchange (gains) losses, net	(16,724)	23,560
Net realised gains from disposal of available-for-sale financial assets	(1,004,644)	(879,780)
Dividend income and interest income from available-for-sale financial assets	(1,516,307)	(1,369,175)
Interest income and net realised gains from loan and receivable investments	(92,729)	(6,294)
Losses (gains) on other investments	246	(6)
Unrealised fair value changes in financial assets at fair value through profit or loss	117,727	(11,000)
Unrealised fair value changes in financial liabilities at fair value through profit or loss	71,249	2,908
Unrealised fair value changes in derivatives	(9,367)	(24,414)
Operating cash flows before movements in working capital	6,541,612	6,498,638
Decrease in advances to customers	4,737,398	17,927,449
(Increase) decrease in interest receivables	(372,927)	317,792
(Increase) decrease in financial assets held under resale agreements	(3,386,795)	4,412,554
(Increase) decrease in financial assets at fair value through profit or loss	(15,162,026)	3,878,043
(Increase) decrease in deposits with exchanges and non-bank financial institutions	(1,421,734)	1,380,006
Decrease (increase) in pledged/restricted bank deposits	9,441	(92,200)
Increase in other assets	(57,825)	(321,915)
Decrease in clearing settlement funds-clients	4,372,091	20,458,564
Decrease in cash held on behalf of customers	6,451,260	229,359
Decrease in accounts payable to brokerage clients	(9,168,641)	(18,953,499)
(Decrease) increase in financial liabilities at fair value through profit or loss	(3,991,793)	691,915
Decrease in accrued staff costs	(1,387,044)	(1,634,083)
Decrease in other accounts payable, other payables and accruals and other liabilities	(3,433,197)	(524,226)
Increase (decrease) in financial assets sold under repurchase agreements	27,822,740	(16,700,299)
Increase in due to banks and other financial institutions	346,526	3,981,581
Cash from operations	11,899,086	21,549,679
Income taxes paid	(1,627,619)	(1,779,348)
Interest paid	(1,388,104)	(1,527,776)
NET CASH FROM OPERATING ACTIVITIES	8,883,363	18,242,555

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

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	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
INVESTING ACTIVITIES		
Dividends and interest received from investments	1,663,176	1,787,688
Purchases of property and equipment and other intangible assets	(149,950)	(90,733)
Proceeds from disposal of property and equipment and other intangible assets	1,154	852
Capital injection to associates	(216,000)	—
Proceeds from disposals of partial interest in associates	52,270	1,225
Capital injection to joint ventures	—	(205,000)
Proceeds from disposals of partial interest in joint ventures	59,821	—
Acquisition of a subsidiary	—	53,335
Cash inflows arising from the consolidation of asset management schemes and funds	3,353	8,095
Cash outflows arising from the deconsolidation of asset management schemes and funds	—	(29,561)
Purchase or proceeds from disposal of available-for-sale financial assets, net	5,590,647	7,114,247
Purchases of loan and receivable investments	(1,237,705)	(1,916,996)
Proceeds from disposal of loan and receivable investments	1,596,647	72,953
Payment on other investment activities	(30,000)	(52,000)
Proceeds from other investment activities	50,077	30,000
NET CASH FROM INVESTING ACTIVITIES	7,383,490	6,774,105

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

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	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Dividends paid to shareholders and non-controlling interests	(627,981)	(70,621)
Payment of borrowings interest	(68,435)	(17,726)
Repayment of short-term financing payables and bonds interest	(2,672,207)	(4,344,745)
Repayment of long-term loans interest	(45,223)	(111,027)
Capital injection from non-controlling shareholders	—	245,881
Capital reduction by non-controlling shareholders	(9,408)	—
Proceeds from short-term financing payables and bonds issued	26,819,433	39,566,340
Repayment of short-term financing payables and bonds issued	(43,511,628)	(68,049,060)
Proceeds from borrowings	872,830	1,861,134
Repayment of borrowings	(130,000)	—
Repayment of long-term loans	(146,624)	(1,469,168)
Proceeds from long-term loans	685,000	478,632
Transaction cost paid on issuance of H shares	—	(366,257)
Proceeds from sale of scrap shares	43	21
Proceeds from notes payable	176,130	—
Proceeds from other financial activities	18,893	29,844
NET CASH USED IN FINANCING ACTIVITIES	(18,639,177)	(32,246,752)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,372,324)	(7,230,092)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	16,917,502	20,382,120
Effect of foreign exchange rate changes	(34,065)	25,073
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	14,511,113	13,177,101

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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1. GENERAL

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

The registered office of the Company is located at Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong, People's Republic of China ("PRC").

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2012-2014 Cycle

The application of the above amendments to IFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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3. SEGMENT REPORTING

The Group's operating segments are consistent with the Group's consolidated financial statements for the year ended 31 December 2016.

The operating and reportable segment information provided to the chief operating decision maker for the six months ended 30 June 2017 and 2016 is as follows:

	Investment banking RMB'000	Wealth management RMB'000	Trading and institution RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
Unaudited								
For the six months ended								
30 June 2017								
Segment revenue and results								
Segment revenue	1,345,207	5,254,408	3,299,133	3,205,243	307,784	13,411,775	—	13,411,775
Segment other income and gains or losses	1,059	43,765	(9,401)	74,363	14,915	124,701	—	124,701
Segment revenue and other income	1,346,266	5,298,173	3,289,732	3,279,606	322,699	13,536,476	—	13,536,476
Segment expenses	(588,155)	(2,826,543)	(2,048,051)	(1,261,032)	(1,217,059)	(7,940,840)	—	(7,940,840)
Segment result	758,111	2,471,630	1,241,681	2,018,574	(894,360)	5,595,636	—	5,595,636
Share of results of associates and joint ventures	—	—	—	201,889	1	201,890	—	201,890
Profit (loss) before income tax	758,111	2,471,630	1,241,681	2,220,463	(894,359)	5,797,526	—	5,797,526
Unaudited								
As at 30 June 2017								
Segment assets and liabilities								
Segment assets	1,453,697	84,075,233	105,491,654	45,784,775	122,269,021	359,074,380	(1,411,000)	357,663,380
Deferred tax assets								665,016
Group's total assets								358,328,396
Segment liabilities	714,623	76,081,551	63,025,392	18,348,854	116,016,279	274,186,699	—	274,186,699
Deferred tax liabilities								264,631
Group's total liabilities								274,451,330

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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3. SEGMENT REPORTING – continued

	Investment banking RMB'000	Wealth management RMB'000	Trading and institution RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
Unaudited								
For the six months ended								
30 June 2016								
Segment revenue and results								
Segment revenue	1,360,550	6,052,295	3,003,826	2,962,375	455,781	13,834,827	—	13,834,827
Segment other income and gains or losses	4,812	34,112	5,607	(200,999)	(24,206)	(180,674)	—	(180,674)
Segment revenue and other income	1,365,362	6,086,407	3,009,433	2,761,376	431,575	13,654,153	—	13,654,153
Segment expenses	(552,822)	(3,129,974)	(2,343,736)	(1,195,655)	(1,328,970)	(8,551,157)	—	(8,551,157)
Segment result	812,540	2,956,433	665,697	1,565,721	(897,395)	5,102,996	—	5,102,996
Share of results of associates and joint ventures	—	(50)	—	201,288	735	201,973	—	201,973
Profit (loss) before income tax	812,540	2,956,383	665,697	1,767,009	(896,660)	5,304,969	—	5,304,969
Audited								
As at 31 December 2016								
Segment assets and liabilities								
Segment assets	1,689,439	95,262,366	93,802,190	45,443,935	124,231,085	360,429,015	(1,411,000)	359,018,015
Deferred tax assets								783,339
Group's total assets								<u>359,801,354</u>
Segment liabilities	291,383	84,452,859	32,138,524	19,455,369	141,978,603	278,316,738	—	278,316,738
Deferred tax liabilities								131,280
Group's total liabilities								<u>278,448,018</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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4. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Commission on securities dealing and broking and handling fee income	1,988,159	2,835,358
Underwriting and sponsors fees	1,112,647	1,063,952
Commission on futures and options contracts dealing and broking and handling fee income	160,587	151,148
Asset management and fund management fee income	1,811,184	2,017,247
Consultancy and financial advisory fee income	251,827	413,243
Others	60,904	50,165
	<u>5,385,308</u>	<u>6,531,113</u>

5. INTEREST INCOME

The following is the analysis excluding interest income from investments reported under net investment gains in note 6:

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Margin financing and securities lending	2,093,948	2,196,806
Deposits with exchanges and non-bank financial institutions and bank balances	1,094,870	1,390,311
Financial assets held under resale agreements	554,857	319,041
Restricted equity incentive financing	34,250	15,227
Others	85,505	24,386
	<u>3,863,430</u>	<u>3,945,771</u>

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Net realised gains from disposal of available-for-sale financial assets	1,004,644	879,780
Net realised gains (losses) from disposal of financial instruments at fair value through profit or loss	512,464	(586,969)
Dividend income and interest income from financial instruments at fair value through profit or loss	1,279,040	1,499,695
Dividend income and interest income from available-for-sale financial assets	1,516,307	1,369,173
Interest income and net realised gains from loan and receivable investments	92,729	6,294
Net realised (losses) gains from derivatives	(8,368)	102,120
Unrealised fair value changes of financial instruments at fair value through profit or loss		
– financial assets at fair value through profit or loss	(117,727)	11,000
– financial liabilities at fair value through profit or loss	(71,249)	(2,908)
– derivatives	(44,557)	79,752
Others	(246)	6
	4,163,037	3,357,943

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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7. OTHER INCOME AND GAINS OR LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Foreign exchange gains (losses), net	16,724	(23,560)
Third-party interests in consolidated asset management schemes and funds	(245,015)	(252,793)
Government grants	284,293	33,443
Commission from tax withholding and remitting	18,565	11,299
Gain on disposal of property and equipment and other intangible assets	1,027	694
Gain on disposal of associates and joint ventures	29,316	—
Others	19,791	50,243
	<u>124,701</u>	<u>(180,674)</u>

The government grants were received unconditionally by the Group from the local government to support operations in the designated locations.

8. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property and equipment	107,968	109,339
Depreciation of investment properties	868	868
Amortisation of prepaid lease payments	4,814	4,814
Amortisation of other intangible assets	40,784	31,884
	<u>154,434</u>	<u>146,905</u>

9. STAFF COSTS

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Salaries, bonus and allowances	2,722,862	2,615,628
Short-term social welfare	129,355	112,000
Defined contribution plans	229,623	346,155
Early retirement benefits	10,861	8,865
Others	150,950	147,488
	<u>3,243,651</u>	<u>3,230,136</u>

10. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Securities and futures dealing and broking expenses	125,244	135,946
Underwriting and sponsors fee expenses	17,109	15,051
Other service expenses	5,236	16,389
	<u>147,589</u>	<u>167,386</u>

Note: Distribution expenses for fund and asset management business amounting to RMB314.91 million (Six months ended 30 June 2016: RMB267.95 million) are classified under other operating expenses described in note 12.

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11. INTEREST EXPENSES

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Borrowings	66,773	19,711
Due to banks and other financial institutions	251,454	152,325
Accounts payable to brokerage clients	114,496	158,060
Financial assets sold under repurchase agreements	813,122	1,017,420
Gold leasing	80,252	35,714
Structured notes	165,075	319,517
Corporate bonds	600,821	535,953
Subordinated bonds	1,006,070	1,114,454
Long-term loans	61,772	109,685
Others	75,140	42,285
	3,234,975	3,505,124

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
General and administrative expenses	231,921	228,500
Taxes and surcharges	62,628	396,213
Operating lease rentals in respect of rented premises	192,943	170,780
Distribution expenses for fund and asset management business	314,907	267,952
Data transmission expenses	86,105	90,211
Securities and futures investor protection funds	51,518	122,049
Advertisement and business development expenses	40,765	44,887
Business travel expenses	53,731	50,729
Sundry expenses	88,214	121,777
	1,122,732	1,493,098

13. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	1,340,394	1,645,887
Hong Kong Profits Tax	34,367	18,214
Under (Over) provision in prior years:		
PRC Enterprise Income Tax	43,227	6,216
Hong Kong Profits Tax	501	(19)
Subtotal	1,418,489	1,670,298
Deferred income tax (Note 31)	(117,485)	(568,161)
	<u>1,301,004</u>	<u>1,102,137</u>

Under the Enterprise Income Tax of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Company and its main subsidiaries in the PRC is 25%.

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

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14. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	<u>4,301,427</u>	<u>4,030,494</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)	<u>0.56</u>	<u>0.53</u>

There were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2017 and 2016, thus no diluted earnings per share are presented.

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

15. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Unaudited</u>							
Cost							
As at 1 January 2017	802,741	802,670	120,582	166,844	569,341	726,999	3,189,177
Additions	—	21,809	4,649	4,613	9,039	164,920	205,030
Disposals/written-off	—	(16,520)	(5,294)	(5,913)	(14,582)	—	(42,309)
Effect of foreign currency exchange differences	—	(1,082)	(82)	(197)	(719)	—	(2,080)
As at 30 June 2017	802,741	806,877	119,855	165,347	563,079	891,919	3,349,818
Accumulated depreciation and impairment							
As at 1 January 2017	312,116	495,338	75,202	112,336	432,747	—	1,427,739
Charge for the period	14,291	51,934	6,520	9,141	26,082	—	107,968
Eliminated on disposals/written-off	—	(16,435)	(5,294)	(5,872)	(14,582)	—	(42,183)
Effect of foreign currency exchange differences	—	(656)	(67)	(96)	(533)	—	(1,352)
As at 30 June 2017	326,407	530,181	76,361	115,509	443,714	—	1,492,172
Carrying values							
As at 30 June 2017	476,334	276,696	43,494	49,838	119,365	891,919	1,857,646

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15. PROPERTY AND EQUIPMENT – *continued*

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Audited</u>							
Cost							
As at 1 January 2016	802,741	768,579	119,718	155,440	541,312	526,731	2,914,521
Additions	—	107,643	13,561	22,746	53,400	200,268	397,618
Acquired on acquisition of a subsidiary	—	113	1,335	445	—	—	1,893
Disposals/written-off	—	(75,695)	(14,207)	(12,098)	(26,815)	—	(128,815)
Effect of foreign currency exchange differences	—	2,030	175	311	1,444	—	3,960
As at 31 December 2016	<u>802,741</u>	<u>802,670</u>	<u>120,582</u>	<u>166,844</u>	<u>569,341</u>	<u>726,999</u>	<u>3,189,177</u>
Accumulated depreciation and impairment							
As at 1 January 2016	283,534	470,260	74,604	105,547	400,831	—	1,334,776
Charge for the year	28,582	99,446	13,301	18,569	56,068	—	215,966
Acquired on acquisition of a subsidiary	—	6	1,087	29	—	—	1,122
Eliminated on disposals/written-off	—	(75,575)	(13,913)	(12,000)	(25,172)	—	(126,660)
Effect of foreign currency exchange differences	—	1,201	123	191	1,020	—	2,535
As at 31 December 2016	<u>312,116</u>	<u>495,338</u>	<u>75,202</u>	<u>112,336</u>	<u>432,747</u>	<u>—</u>	<u>1,427,739</u>
Carrying values							
As at 31 December 2016	<u>490,625</u>	<u>307,332</u>	<u>45,380</u>	<u>54,508</u>	<u>136,594</u>	<u>726,999</u>	<u>1,761,438</u>

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

16. INVESTMENTS IN ASSOCIATES

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Cost of unlisted investments in associates	1,445,541	1,430,094
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,734,072	1,624,339
	<u>3,179,613</u>	<u>3,054,433</u>
Unlisted investment in an associate at fair value through profit or loss (Note)	33,871	34,688
	<u>3,213,484</u>	<u>3,089,121</u>

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB33.87 million held through GF Xinde Capital Management Limited, a venture capital organization and an indirect wholly owned subsidiary, at fair value through profit or loss as the management measures the performance of this associate on a fair value basis as at 30 June 2017. Note 48 set out the valuation determination, including valuation techniques, key inputs and fair value information for the associate measured at fair value through profit or loss.

Details of the Group's significant associate at the end of the period are as follow:

Name of associate	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30.6.2017	As at 31.12.2016	
易方達基金管理有限公司 E Fund Management Co., Limited. ("E Fund")	PRC 17 April 2001	25.00%	25.00%	Fund raising, fund selling, asset management, and other CSRC approved business.

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17. INVESTMENTS IN JOINT VENTURES

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Cost of unlisted investments in joint ventures	774,832	661,186
Share of post-acquisition profits and other comprehensive income, net of dividends received	14,667	20,314
	<u>789,499</u>	<u>681,500</u>

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current		
Measured at fair value:		
Equity investments	689,227	533,306
Funds	960	1,015
Asset management schemes launched by securities companies ⁽ⁱ⁾	1,914,955	2,844,584
Others ⁽ⁱⁱ⁾	10,435,404	13,232,007
Measured at cost less impairment:		
Equity investments ⁽ⁱⁱⁱ⁾	3,079,652	3,065,261
Total	<u>16,120,198</u>	<u>19,676,173</u>
Analysed as:		
Listed outside Hong Kong ^(iv)	689,227	533,306
Unlisted	15,430,971	19,142,867
	<u>16,120,198</u>	<u>19,676,173</u>

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued

As at 30 June 2017, the impairment allowance for non-current available-for-sale financial assets is RMB162.64 million (31 December 2016: RMB296.75 million), among which amounted to RMB153.47 million (31 December 2016: RMB286.10 million) is allowance for available-for-sale financial assets measured at cost less impairment.

Current

Measured at fair value:

Debt securities	59,337,024	58,676,282
Equity investments	5,078,434	5,425,014
Funds	3,428,310	3,503,693
Asset management schemes launched by securities companies ⁽ⁱ⁾	2,827,314	3,816,102
Wealth management products launched by banks	826,160	668,300
Others	906,240	315,092
	<hr/>	<hr/>
Total	72,403,482	72,404,483
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Listed in Hong Kong	21,572	20,609
Listed outside Hong Kong ^(iv)	31,735,936	25,776,854
Unlisted	40,645,974	46,607,020
	<hr/>	<hr/>
Total	72,403,482	72,404,483
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2017, the impairment allowance for current available-for-sale financial assets is RMB73.05 million (31 December 2016: RMB51.69 million).

- (i) The Group has committed to hold some of its investments in asset management schemes launched and managed by the Group till the end of the investment period, the amount of which is RMB872.96 million as at 30 June 2017 (31 December 2016: RMB1,046.18 million).
- (ii) Included in the balance is an investment in a special account managed by China Securities Finance Corporation Limited (the "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 total fair value of the investment according to an evaluation report provided by the CSFCL, and the principal is RMB10,310.30 million while the fair value is RMB10,435.40 million as at 30 June 2017.

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

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

Fair value of the Group’s available-for-sale financial asset are determined in the manner described in note 48.

As at 30 June 2017, the listed equity investments of the Group included approximately RMB1,648.77 million (31 December 2016: RMB1,559.34 million) of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these investments that prevents the Group to dispose of within the specified period.

As at 30 June 2017, the Group entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale financial assets (including equity securities and exchange-traded funds) with total fair values of RMB16.44 million (31 December 2016: RMB28.58 million) to clients. These investments continued to be recognised as financial assets of the Group.

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

19. LOAN AND RECEIVABLE INVESTMENTS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current		
Asset management schemes	—	161,833
Secured loan receivables ⁽ⁱ⁾	141,858	397,659
	141,858	559,492
Current		
Asset management schemes ⁽ⁱⁱ⁾	311,833	—
Secured loan receivables ⁽ⁱ⁾	1,605,348	1,858,489
	1,917,181	1,858,489
Less: impairment on loan and receivable investments	(26,436)	(27,246)
	1,890,745	1,831,243
Total	2,032,603	2,390,735

- (i) As at 30 June 2017, the non-current secured loan receivables bear interest at 9% (31 December 2016: 9% to 11%) per annum and would be repaid within two to three years.

As at 30 June 2017, the current secured loan receivables bear interest at 3.5% to 13% (31 December 2016: 2% to 26%) per annum and would be repaid within one year.

- (ii) As at 30 June 2017, the current asset management schemes were launched by asset management companies bearing interest at 10% per annum and would be repaid within one year.

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20. ADVANCES TO CUSTOMERS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current		
Restricted equity incentive financing	<u>759,273</u>	<u>814,957</u>
Current		
Loans to margin clients	53,302,268	57,875,801
Restricted equity incentive financing	292,985	401,166
Less: Impairment on advances to customers	<u>(56,941)</u>	<u>(90,629)</u>
	<u>53,538,312</u>	<u>58,186,338</u>
Total	<u>54,297,585</u>	<u>59,001,295</u>

As at 30 June 2017, the overall advances to customers have been assessed for impairment on a collective assessment basis, which are based on the evaluation of probability of default, loss given default, risk exposure of accounts and management's judgement, including the current credit worthiness and the past collection statistics of individual accounts or a portfolio of accounts in view of the overall loan balance and economic condition.

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

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
At beginning of the period/year	90,629	114,649
Impairment losses recognised	—	6,041
Reversal of impairment losses	(33,684)	(30,090)
Effect of foreign currency exchange differences	<u>(4)</u>	<u>29</u>
At end of the period/year	<u>56,941</u>	<u>90,629</u>

21. ACCOUNTS RECEIVABLE

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Accounts receivable from/related to:		
Current		
Cash clients, clearing house, brokers and settlement receivables	1,236,700	1,277,206
Commission and fee income	868,602	797,023
China Securities Investor Protection Fund Corporation for dormant accounts	26,455	26,455
Others	337,843	157,930
	<u>2,469,600</u>	<u>2,258,614</u>
Less: Allowance for doubtful debts	(46,218)	(46,237)
	<u>2,423,382</u>	<u>2,212,377</u>

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

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Current		
Within 1 year	2,370,723	2,169,503
Between 1 and 2 years	24,870	15,797
Between 2 and 3 years	1,281	580
More than 3 years	26,508	26,497
	<u>2,423,382</u>	<u>2,212,377</u>

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21. ACCOUNTS RECEIVABLE – *continued*

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

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
At beginning of the period/year	46,237	48,355
Impairment losses recognised	1,707	968
Reversal of impairment losses	(19)	(3,058)
Written off as uncollectible	(1,707)	(28)
	<u>46,218</u>	<u>46,237</u>
At end of the period/year	<u>46,218</u>	<u>46,237</u>

22. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current		
Investment prepayment	10,400	173,066
Entrusted loan	45,000	60,000
	<u>55,400</u>	<u>233,066</u>
Less: allowance for doubtful debts	(225)	(300)
	<u>55,175</u>	<u>232,766</u>
Current		
Interest receivable	2,914,162	2,516,570
Other accounts receivable	—	45,938
Other receivables	250,463	218,900
Dividends receivables	31,166	26,673
Investment prepayment	49,000	—
Others	211,388	119,993
	<u>3,456,179</u>	<u>2,928,074</u>
Less: Allowance for doubtful debts	(6,832)	(57,369)
	<u>3,449,347</u>	<u>2,870,705</u>

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

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

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
At beginning of the period/year	57,669	53,120
Impairment losses recognised	5,660	5,286
Reversal of impairment losses	(75)	(594)
Amounts written off as uncollectible	(56,172)	(132)
Effect of foreign currency exchange differences	(25)	(11)
At end of the period/year	7,057	57,669

23. FINANCIAL LEASING RECEIVABLES

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Analysed as:		
Current assets	910,680	666,357
Non-current assets	1,408,957	1,713,908
	2,319,637	2,380,265

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

	As at 30.6.2017		As at 31.12.2016	
	Minimum lease payments RMB'000 (unaudited)	Present value RMB'000 (unaudited)	Minimum lease payments RMB'000 (audited)	Present value RMB'000 (audited)
Within 1 year	1,007,344	915,232	781,721	669,705
1~2 years	695,745	633,835	839,757	762,717
2~3 years	465,523	434,541	574,215	534,561
Over 3 years	364,264	347,624	447,484	425,243
Total	2,532,876	2,331,232	2,643,177	2,392,226
Less: unrealized finance income	(201,644)	N/A	(250,951)	N/A
Balance of financial leasing receivables	2,331,232	2,331,232	2,392,226	2,392,226
Less: allowance for impairment	(11,595)	(11,595)	(11,961)	(11,961)
Financial leasing receivables, net	2,319,637	2,319,637	2,380,265	2,380,265

As at 30 June 2017, the rate of return is ranging from 5% to 9% per annum.

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24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current		
Analysed by collateral type:		
Stock ⁽ⁱ⁾	6,848,681	3,900,655
Less: impairment on financial assets held under resale agreements	<u>(33,107)</u>	<u>(21,442)</u>
	6,815,574	3,879,213
Analysed by market:		
Stock exchanges	<u>6,815,574</u>	<u>3,879,213</u>
Current		
Analysed by collateral type:		
Stock ⁽ⁱ⁾	16,938,451	10,348,146
Bond ⁽ⁱⁱ⁾	1,637,469	7,789,005
Less: impairment on financial assets held under resale agreements	<u>(78,466)</u>	<u>(55,162)</u>
	<u>18,497,454</u>	<u>18,081,989</u>
Analysed by market:		
Stock exchanges	<u>17,073,845</u>	<u>11,580,483</u>
Interbank bond market	<u>1,423,609</u>	<u>6,501,506</u>
	<u>18,497,454</u>	<u>18,081,989</u>

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

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Debt securities	59,910,217	29,984,635
Equity investments	4,593,218	3,787,078
Funds	5,700,049	17,697,417
Other investments ⁽ⁱ⁾	5,499,137	8,971,949
	<u>75,702,621</u>	<u>60,441,079</u>
Analysed as:		
Listed in Hong Kong	826,700	476,533
Listed outside Hong Kong ⁽ⁱⁱ⁾	16,169,093	13,383,707
Unlisted ⁽ⁱⁱⁱ⁾	58,706,828	46,580,839
	<u>75,702,621</u>	<u>60,441,079</u>

Financial assets designated at fair value through profit or loss

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Convertible debt instruments	363,711	605,825
Equity instruments	623,298	592,353
Exchangeable debt instruments	86,790	92,864
	<u>1,073,799</u>	<u>1,291,042</u>
Analysed as:		
Unlisted	1,073,799	1,291,042
	<u>1,073,799</u>	<u>1,291,042</u>
Total	<u>76,776,420</u>	<u>61,732,121</u>

- (i) Other investments represent investments in collective asset management products issued and other wealth management schemes issued and managed by the Group and other financial institutions. The Group's interest in and exposure to the collective asset management schemes managed by the Group are not significant.
- (ii) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.
- (iii) Unlisted securities mainly comprise of unlisted funds and debt securities traded on Interbank Bond Market.

Fair value of the Group's financial assets at fair value through profit or loss are determined in the manner described in note 48.

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26. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30.6.2017		As at 31.12.2016	
	Assets	Liabilities	Assets	Liabilities
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (audited)	RMB'000 (audited)
PRC stock index futures ⁽ⁱ⁾	—	—	—	—
Treasury bond futures ⁽ⁱⁱ⁾	7,113	—	—	—
Commodity futures ⁽ⁱⁱ⁾	—	—	—	—
Interest rate swaps ⁽ⁱⁱⁱ⁾	408,126	413,621	683,348	678,494
Equity return swaps ⁽ⁱⁱⁱ⁾	2,703	3,280	3,085	524
HK & U.S. stock index futures ^(iv)	33	—	—	14
Structured notes ^(v)	—	8,574	—	7,974
Stock option ^(vi)	9,925	14,285	6,023	4,965
Interest rate option ^(vii)	87,102	99,501	—	—
Currency forward	—	208	—	41
Commodity option	442	498	—	—
	515,444	539,967	692,456	692,012

- (i) PRC stock index futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC stock index futures (including the "PRC SIF", "PRC SIH" and "PRC SIC") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2017 and 31 December 2016. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the period end date.
- (ii) Treasury bond futures and commodity futures in 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 30 June 2017 and 31 December 2016. Accordingly, the net onshore position of the treasury bond future contracts and commodity future contracts was nil at the period end date. Balances at the period end date are from treasury bond futures in Hong Kong.
- (iii) Interest rate swaps and equity return swaps:
The notional principal amounts of the Group's interest rate swaps contracts as at 30 June 2017 were RMB106,004.50 million (31 December 2016: RMB90,847.00 million).
The notional principal amounts of the Group's equity return swaps contracts were RMB3,565.28 million as at 30 June 2017 (31 December 2016: RMB1,848.39 million).
- (iv) HK stock index futures: the notional principal amounts of the Group's HK stock index futures contracts were nil as at 30 June 2017 (31 December 2016: RMB20.16 million).
U.S. stock index futures: the notional principal amounts of the Group's America Stock Index futures contracts were RMB7.38 million as at 30 June 2017 (31 December 2016: RMB48.45 million).
- (v) The amount represents the fair value of embedded derivatives of structured notes, details set out in Notes 33 and 40.
- (vi) Stock option: the notional principal amounts of the Group's stock option contracts were RMB4,055.82 million as at 30 June 2017 (31 December 2016: RMB660.68 million).
- (vii) Interest rate option: the notional principal amounts of the Group's interest rate option contracts were RMB762,091.30 million as at 30 June 2017 (31 December 2016: nil).

27. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Deposits with stock exchanges:		
Shanghai Stock Exchange	348,713	262,490
Shenzhen Stock Exchange	102,131	138,495
Hong Kong Stock Exchange	29,786	22,984
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	67,399	73,135
Shanghai Futures Exchange	1,201,323	857,123
Zhengzhou Commodity Exchange	339,510	177,808
Dalian Commodity Exchange	757,409	673,962
China Financial Futures exchange	1,435,279	1,894,998
Intercontinental Exchange, Inc.	6,774	6,938
China Securities Finance Corporation Limited	1,669,324	305,684
Shanghai Clearing House	122,139	121,070
Guarantee fund paid to China Financial Futures Exchange	20,115	20,113
China Beijing Equity Exchange	3,718	3,825
LME Clear Limited	174,675	86,811
Brokers	187,905	447,620
Others	88,219	39,629
	<u>6,554,419</u>	<u>5,132,685</u>

28. CLEARING SETTLEMENT FUNDS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Clearing settlement funds held with clearing houses for:		
House accounts	5,116,976	3,871,328
Clients	13,499,207	17,871,298
	<u>18,616,183</u>	<u>21,742,626</u>

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

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29. BANK BALANCES

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
House accounts	9,394,137	13,046,174
Cash held on behalf of customers ⁽ⁱ⁾	60,800,050	67,251,310
	70,194,187	80,297,484

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

- (i) The Group maintain accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 35).

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Bank balances - house	9,394,137	13,046,174
Clearing settlement funds - house	5,116,976	3,871,328
	14,511,113	16,917,502

Cash and cash equivalent includes bank deposits with original maturity of more than three months held by the Group. As at 30 June 2017, bank deposits with original maturity of more than three months, which can be withdrawn on demand without prior notice to banks, held by the Group were RMB1,028.00 million (31 December 2016: RMB1,620.00 million).

31. DEFERRED TAXATION

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

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Deferred tax assets	665,016	783,339
Deferred tax liabilities	(264,631)	(131,280)
	<u>400,385</u>	<u>652,059</u>

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

	Financial instruments at fair value through profit or loss/ derivatives RMB'000	Accrued staff cost RMB'000	Available- for-sale financial assets RMB'000	Allowance for impairment losses RMB'000	Property and equipment RMB'000	Others RMB'000	Total RMB'000
Audited							
At 1 January 2016	(144,555)	812,411	(724,049)	65,585	(21,101)	2,789	(8,920)
(Charge) credit to profit or loss	(46,190)	278,971	(36,599)	71,228	984	5,175	273,569
Credit (charge) to other comprehensive income	—	—	390,206	—	—	(2,796)	387,410
At 31 December 2016	<u>(190,745)</u>	<u>1,091,382</u>	<u>(370,442)</u>	<u>136,813</u>	<u>(20,117)</u>	<u>5,168</u>	<u>652,059</u>
Unaudited							
At 1 January 2017	(190,745)	1,091,382	(370,442)	136,813	(20,117)	5,168	652,059
Credit (charge) to profit or loss	75,666	2,512	(36,635)	20,527	492	54,923	117,485
Charge to other comprehensive income	—	—	(369,158)	—	—	(1)	(369,159)
At 30 June 2017	<u>(115,079)</u>	<u>1,093,894</u>	<u>(776,235)</u>	<u>157,340</u>	<u>(19,625)</u>	<u>60,090</u>	<u>400,385</u>

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32. BORROWINGS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Secured short-term bank loans ⁽ⁱ⁾	527,719	768,074
Unsecured short-term bank loans ⁽ⁱⁱ⁾	5,078,985	4,095,800
	5,606,704	4,863,874

- (i) As at 30 June 2017, the bank borrowings of GF Securities (Hong Kong) Brokerage Limited were pledged by margin financing clients' securities, which bore interest rates ranging from HIBOR +1.30% to HIBOR +1.50% (31 December 2016: Hibor+1.25% to Hibor+2.09% or cost of fund rate of lending banks per annum).
- (ii) As at 30 June 2017, the Group's unsecured short-term bank loans bore variable interest rates ranging from Hibor+1.25% to Hibor+2.09% per annum (31 December 2016: Hibor+1.25% to Hibor+2.09% or cost of fund rate of lending banks per annum), and fixed interest rates ranging from 1.15% to 5.00% (31 December 2016: 1.06% to 4.57%).

33. SHORT-TERM FINANCING PAYABLES

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Unsecured and unguaranteed:		
Short-term bond payables (Note 1)	11,500,000	15,000,000
Principals of structured notes (Note 2)	9,542,836	1,329,741
	21,042,836	16,329,741

Note 1: Short-term bond payables

The details of short-term bond payables as at 30 June 2017 are as follow:

Name	Issue amount RMB'000	Issue date	Maturity date	Coupon rate
GF1701	3,000,000	13/04/2017	12/01/2018	4.60%
GF1702	4,500,000	21/04/2017	21/12/2017	4.70%
GF1703	4,000,000	18/05/2017	22/11/2017	5.00%

Note 2: Principals of structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company. The structured notes bear fixed annual rate interest or variable rate linked to certain stock index. The principals and interests are repayable upon maturity within one year. The structured notes with variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of stock index. For those embedded derivatives, they are accounted for in the condensed consolidated financial statements after being bifurcated from their respective host contracts.

34. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Current		
Financial liabilities held for trading		
Bonds	—	4,022,587
Stocks	234,555	86,557
Funds	—	34,826
	<u>234,555</u>	<u>4,143,970</u>
Analysed as:		
Listed in Hong Kong	234,555	86,557
Listed outside Hong Kong	—	34,826
Unlisted	—	4,022,587
	<u>234,555</u>	<u>4,143,970</u>
Non-current		
Financial liabilities designated at fair value through profit or loss		
Equity return swap ⁽ⁱ⁾	461,275	472,404
Analysed as:		
Unlisted	461,275	472,404

- (i) The Group has entered into an equity return swap agreement with a third party, and the Group has designated corresponding liability as FVTPL, as in the opinion of the management, such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Fair value of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 48.

35. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

As at 30 June 2017, accounts payable to brokerage clients of approximately RMB6,782.78 million (31 December 2016: RMB7,580.29 million) were related to margin deposits and cash collateral received from clients for margin financing and securities lending arrangements.

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36. ACCRUED STAFF COSTS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Salaries, bonus and allowances	5,562,717	6,896,872
Short-term social welfare	1,464	1,068
Defined contribution plans	1,720	3,012
Early retirement benefits	146,697	146,697
Others	42,407	94,400
	<u>5,755,005</u>	<u>7,142,049</u>

37. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current		
Deposits of financial leasing business	<u>63,750</u>	<u>81,605</u>
Current		
Payables for open-ended fund clearing and other clearing	1,517,787	3,193,428
Interest payable	1,212,300	2,039,196
Commission payable and related accrued expenses for sale of funds	357,501	430,459
Other taxes	629,251	261,462
Accrued expenses	94,508	118,483
Payables for securities investor protection fund and futures investor protection fund	51,102	118,682
Futures risk reserve	110,514	104,057
Funds risk reserve	106,577	90,671
Project quality deposits	40,000	40,000
Payable to R&F ⁽ⁱ⁾	586,016	507,889
Payable for equipment purchases	141,407	114,614
Block trade deposits	100,000	100,000
Deposits of financial leasing business	21,250	3,250
Dividends payable	2,103,752	—
Others	348,836	324,522
	<u>7,420,801</u>	<u>7,446,713</u>
Total	<u>7,484,551</u>	<u>7,528,318</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.

38. OTHER LIABILITIES

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current		
Third-party interests in consolidated asset management schemes	—	347,409
Current		
Third-party interests in consolidated asset management schemes and funds	11,114,843	12,887,728
Total	<u>11,114,843</u>	<u>13,235,137</u>

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

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

39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Current		
Analysed by collateral type:		
Bonds	75,426,819	44,465,839
Rights and interests in financial leasing receivables	—	310,720
Gold leasing	2,592,370	5,772,707
Fund	352,817	—
	<u>78,372,006</u>	<u>50,549,266</u>
Analysed by market:		
Stock exchanges	44,904,791	20,552,854
Interbank bond market	30,874,845	23,912,985
Shanghai gold exchange	2,592,370	5,772,707
Over the counter	—	310,720
	<u>78,372,006</u>	<u>50,549,266</u>

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40. BONDS PAYABLE

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Unsecured and unguaranteed:		
Non-current		
Corporate bonds (Note 1)	17,985,789	14,987,897
Subordinated bonds (Note 1)	28,000,000	43,286,136
Structured notes (Note 2)	11,552	—
	<u>45,997,341</u>	<u>58,274,033</u>
Current		
Corporate bonds (Note 1)	2,998,958	—
Subordinated bonds (Note 1)	2,995,055	9,000,000
Structured notes (Note 2)	11,266	6,250,564
	<u>6,005,279</u>	<u>15,250,564</u>

Note 1: Details of bonds as of 30 June 2017 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
Corporate bonds				
13GF01	1,500,000	17/06/2013	17/06/2018	4.50%
13GF02	1,500,000	17/06/2013	17/06/2018	4.75%
13GF03	9,000,000	17/06/2013	17/06/2023	5.10%
16GF08	3,000,000	18/11/2016	18/11/2019	3.45%
17GF01	6,000,000	11/05/2017	11/05/2020	4.60%
Subordinated bonds				
14GF02	3,000,000	24/07/2014	24/07/2017	5.90%
16GF02	5,000,000	13/06/2016	13/06/2019	3.50%
16GF03	5,000,000	21/06/2016	21/06/2021	3.70%
16GF04	5,000,000	19/07/2016	19/07/2020	3.35%
16GF05	5,000,000	17/08/2016	17/08/2018	3.03%
16GF06	4,000,000	29/08/2016	29/08/2019	3.30%
16GF07	4,000,000	14/09/2016	14/09/2019	3.50%

Note 2: Structured notes

The amounts represent principals received from investors for subscription of structured notes issued by the Company. As at 30 June 2017, the undue structured notes bear fixed interest rate of 4.70% per annum (31 December 2016: 3.25% to 6.00%). Structured notes maturing within one year as at 30 June 2017 are classified under current liability.

41. LONG-TERM LOANS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-Current		
Unsecured long-term loans ⁽ⁱ⁾	2,292,960	2,296,800
Secured long-term loans ⁽ⁱⁱ⁾	667,777	271,884
	<u>2,960,737</u>	<u>2,568,684</u>
Current		
Unsecured long-term loans ⁽ⁱ⁾	90,000	—
Secured long-term loans ⁽ⁱⁱ⁾	216,889	160,566
	<u>306,889</u>	<u>160,566</u>

- (i) As at 30 June 2017, the balance mainly represents a long-term syndicated loan amounting to RMB2,082.96 million. The loan carries interest at variable rate of HIBOR + 2.09% per annum, and the interest is repayable monthly and the principal is repayable within three years.
- (ii) As at 30 June 2017, the balance represents several long-term loans amounting to RMB884.67 million secured by rights and interests in financial leasing receivables. The loans bear interest rates ranging from 4.28% to 5.23% per annum, and the principals and interests are repayable monthly, quarterly or semi-annually according to the borrowing agreements.

42. DIVIDENDS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Dividends recognised as distribution	<u>2,667,381</u>	<u>6,096,871</u>

Pursuant to the resolution of the shareholders meeting held on 10 May 2017, the Company distributed cash dividends of RMB3.50 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB2.67 billion in total for the year ended 31 December 2016.

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

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43. RELATED PARTY TRANSACTIONS

(1) Shareholders

Holding equity interest in shareholders and their subsidiaries

	As at 30.6.2017		As at 31.12.2016	
	Number of shares '000 (unaudited)	Book value RMB'000 (unaudited)	Number of shares '000 (audited)	Book value RMB'000 (audited)
Available-for-sale				
financial assets-stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	43,312	991,423	33,317	1,032,503
吉林敖東創新產業基金 管理中心（有限合夥） – Jilin Aodong Innovative Industry Fund Management Center L.P.*	n/a	10,000	n/a	—
Financial assets as				
FVTPL-financial assets held for trading - stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	118	2,701	91	2,813
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	59	1,062	59	1,052
遼寧成大生物股份 有限公司(Note) – Liaoning Cheng Da Biotechnology Co., Ltd.*	3,945	63,192	4,022	66,081

Note: Liaoning Cheng Da Biotechnology Co., Ltd. is a subsidiary of Liaoning Cheng Da Co., Ltd.

Cash dividends arising from equity interests in shareholders and their subsidiaries

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
吉林敖東醫藥集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	10,022	—
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.*	3,690	—

43. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties

The Group's transactions with associates/joint venture

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Commission and fee income		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	14,766	14,972
中證信用增進股份有限公司		
– China Securities Credit Investment Co., Ltd. *	858	—
珠海廣發信德環保產業投資基金合夥企業（有限合夥）		
– Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.*	5,606	—
廣州廣發信德一期健康產業投資企業（有限合夥）		
– Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	2,849	—
廣發信德（珠海）醫療產業投資中心（有限合夥）		
– GF Xinde (Zhuhai) Medical Industrial Investment Center L.P.*	8,395	—
廣州廣發信德一期互聯網改造傳統產業投資企業（有限合夥）		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	1,368	—
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.*	3,999	—
廣東金融高新區股權交易中心有限公司		
– Guangdong Equity Exchange Co., Ltd.*	199	—
珠海中兵廣發投資基金管理有限公司		
– Zhuhai Norinco GF Investment Fund Management Co. Ltd.*	474	—

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43. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

The Group's balances with associates/joint venture

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Commission receivable from exchange trading units and distributing financial products		
– E Fund Management Co., Ltd.	8,141	5,784
Receivables from asset and fund management fee income		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	—	2,900
– GF Xinde (Zhuhai) Medical Industrial Investment Center L.P. *	8,899	—
– Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	3,020	1,520
Amount due to a joint venture - notes payable		
– Global Health Science Fund I, L.P.	176,130	—
Amount due to an associate		
– Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.*	5,606	—

43. RELATED PARTY TRANSACTIONS – *continued*

(3) Key management personnel

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

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Short-term benefits		
– Salaries, allowance and bonuses	27,454	17,465
Post-employment benefits		
– Employer's contribution to pension schemes/annuity plans	837	2,285
	<u>28,291</u>	<u>19,750</u>

* English translated name is for identification purpose only.

44. CAPITAL COMMITMENTS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	<u>393,013</u>	<u>286,135</u>

45. OPERATING LEASE COMMITMENTS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Within one year	240,072	238,497
In the second to fifth years inclusive	342,984	331,954
Over five years	<u>37,496</u>	<u>28,629</u>
Total	<u>620,552</u>	<u>599,080</u>

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

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46. FINANCIAL INSTRUMENTS

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
<i>Financial Assets</i>		
Loans and receivables	185,228,798	198,267,864
Available-for-sale financial assets	88,523,680	92,080,656
Financial assets at fair value through profit or loss	76,776,420	61,732,121
Investment in an associate at fair value through profit or loss	33,871	34,688
Derivative financial assets	515,444	692,456
	<u>351,078,213</u>	<u>352,807,785</u>
<i>Financial liabilities</i>		
Derivative financial liabilities	539,967	692,012
Financial liabilities at amortised cost	263,672,654	264,713,158
Financial liabilities at fair value through profit or loss	695,830	4,616,374
	<u>264,908,451</u>	<u>270,021,544</u>

47. FINANCIAL RISK MANAGEMENT

47.1 Risk management policies and organisation structure

(1) Risk management policies

The objective of risk management of the Group is to strike for an appropriate balance between risks and revenue and to minimize the negative effect of the risks on the Group's operating results to the lowest level, so as to ensure that the risks borne by the Company match well with the regulatory standards, development strategies, capital capability and its risk tolerance and to maximize yields for shareholders and other equity investors. In pursuit of such objective of risk management, the basic strategies of the Group are to identify and analyze the risks with which the Group are facing, to implement risk management within the range of risk tolerance setting and to measure, monitor, report and address the risks reliably and in a timely manner with a view to control the risks to a limited range. The Group has adhered to the Three Ideas about Risk Management, "to manage risks cautiously; the three departments cooperate with each other and each 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".

47. FINANCIAL RISK MANAGEMENT – *continued*

47.1 Risk management policies and organisation structure – *continued*

(1) *Risk management policies – continued*

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

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

The Group adopts a four-level risk management organisation structure system, namely “board of directors and its subordinated risk management committee, management executives and relevant professional committees (risk control committee, internal review group in respect of the investment banking business and asset allocation committee), various control and supporting departments, and business departments”. First-line risk manage organizations have been set up in all major business departments of the Company. Organizations and staff of all levels perform their authorized risk management duties with clear segregation of duties and emphasis on mutual collaboration. The business department, risk management department, compliance and legal affairs department and internal auditing department are the Group's main risk management departments in respect of risk management. These departments cooperate with each other and each focused on specific aspects, perform risk assessment before the projects implement, on-going control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business for the Company.

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, model risk and reputation risk; assessing, monitoring, reporting on and advising on the management of the Company's venture capital; handling daily routine of the Risk Control Committee of the Company as a standing body of the Risk Management Committee; performing corresponding duties and responsibilities of risk management as a standing body of the internal review committee and internal review group of the Company's investment banking business. The compliance and legal department is the Group's function department for compliance and legal risk management, primarily responsible for formulating the Group's management policies in respect of compliance and legal risk, conducting independent evaluation and monitoring of compliance and legal risks, coordinating with other departments to manage operational risk and performing compliance inspection and management on operational administration activities and code of conduct of the employees of the Group. The auditing department is the third defensive line of risk control. It is responsible for the check, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedure, and operating management performance.

47. FINANCIAL RISK MANAGEMENT – *continued*

47.2 Credit risk

Credit risk is the probability that the market value of debts may change due to the fact that the debtor or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group exposed to mainly relates to the following assets: (i) fixed income financial assets; (ii) financing businesses such as margin financing and financial assets held under resale agreements (mainly refer to security transaction with repurchase agreement and stock-pledged repo).

Fixed income financial assets include bank balances, clearing settlement funds, loan investment and bonds. Credit risk mainly includes the risk caused by its counterparties and securities issuer's default risk. The maximum credit risk exposure equals to the carrying amounts of these instruments.

The credit risk of bond investments is mainly mitigated by means of credit rating management, transaction limits, position limits, exposure limits on issuers, etc.

In terms of managing counterparty credit risks of derivative transactions, the Group applies measures such as using Delivery Versus Payment (DVP) settlement, collaterals, guarantees, netting agreements, credit derivatives and etc. to mitigate or even eliminate counterparty risks, and adopts the credit rating management, establishment of client admission criteria, credit limit control, authorization setting for a single transaction, investment limit control and other measures to manage related counterparty credit risks.

The credit risk of 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.

47. FINANCIAL RISK MANAGEMENT – *continued*

47.3 Market Risk

Market risks faced by the Group refer to the risk that the fair value of the financial instruments held by the Group or future cash flows will fluctuate as a result of changes in market prices, including interest rate risk, exchange rate risk and other price risk.

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

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

The Risk Management Department uses a series of quantitative methods to estimate possible losses resulted from market risks, including possible losses arising from normal market fluctuations and extreme market movements. The Risk Management Department measures possible short-term losses from normal fluctuations mainly by means of VaR and sensitivity analysis. The Group’s VaR is measured using the historical simulation method with a confidence interval of 95%. The Group is clearly aware that VaR involves certain limitations because it is a risk indicator. Possible losses in extreme case are estimated through stress testing.

47. FINANCIAL RISK MANAGEMENT – *continued*47.3 Market Risk – *continued**Interest rate risk*

Interest rate risk is the risk of fluctuation in the fair value or future cash flows arising from adverse movements in interest rates. The Group's interest-bearing assets mainly include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions and debenture investments. Fixed-income investments of the Group are mainly central bank bills, government bonds, medium-term notes, high-quality short-term papers, corporate bonds, treasury bond futures and interest rate swaps. In order to manage interest rate risks, the Group uses VaR, stress test and sensitivity analysis to monitor indicators such as the duration, convexity and DV01 (dollar value of one basis point) of the fixed income investment portfolio on a daily basis.

Sensitivity analysis

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax for the period		
Increase by 100bps	(737,336)	(76,440)
Decrease by 100bps	766,476	76,440
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other comprehensive income before income tax		
Increase by 100bps	(653,699)	(682,091)
Decrease by 100bps	669,476	708,390

47. FINANCIAL RISK MANAGEMENT – continued**47.3 Market Risk – continued***Currency risk*

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's overseas 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 were subject to currency risk due to exchange rate fluctuations. The Group's overseas net operating assets and the net profit derived from which only account for a small proportion of the Group's total asset and net profit, the directors are of the opinion that the overall currency risk is relatively small and manageable.

Price risk

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instruments prices and commodity price 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 trading financial instrument and the available-for-sale financial instrument. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, risk sensitivity indicators, stress testing indicators calculated by Risk Management Department in daily risk monitoring.

Sensitivity analysis

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax for the period		
Increase by 10%	413,163	997,390
Decrease by 10%	(423,796)	(1,003,417)

47. FINANCIAL RISK MANAGEMENT – *continued*

47.3 Market Risk – *continued*

Sensitivity analysis – continued

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other comprehensive income before income tax		
Increase by 10%	1,984,701	2,270,137
Decrease by 10%	(1,984,701)	(2,270,137)

47.4 Liquidity risk

Liquidity risk is the risk that the Group may be unable to secure sufficient funds timely at reasonable cost to settle debts upon due dates, perform other payment obligations and satisfy capital needs for normal business operations. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy change, market fluctuation, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, early redemption of exchange-quoted bond repurchase product by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or high ratio of long term investment. If the Group fail to address any liquidity risk by adjusting the asset structure, the consequences of such non-compliance with regulatory requirements on risk indicators could be costly. The regulatory body could penalise the Group by imposing restrictions on the Group's business operation. In severe cases, the Group could lose one or more business qualifications, leading an adverse impact on the Group's operation and reputation.

As at 30 June 2017 and 31 December 2016, cash and bank deposits held by the Group amounting to RMB70.19 billion and RMB80.30 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounting to RMB18.74 billion and RMB29.17 billion, respectively, providing a strong capability of quick liquidation to meet foreseeable financing commitments or clients' withdrawal demands on maturity. Therefore, the Group considers the exposure to liquidity risk as insignificant.

47. FINANCIAL RISK MANAGEMENT – *continued*

47.4 Liquidity risk – *continued*

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

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48. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 30 June 2017 and 31 December 2016.

	As at 30 June 2017 (unaudited)			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
Current				
Bonds payable - corporate bonds	2,998,958	2,995,031	(3,927)	Level 2
Bonds payable - subordinated bonds	2,995,055	3,000,511	5,456	Level 2
Non-current				
Bonds payable - corporate bonds	17,985,789	17,912,756	(73,033)	Level 2
Bonds payable – subordinated bonds	28,000,000	27,606,069	(393,931)	Level 2

	As at 31 December 2016 (audited)			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
Current				
Bonds payable - subordinated bonds	9,000,000	8,986,391	(13,609)	Level 2
Non-current				
Bonds payable - corporate bonds	14,987,897	15,285,208	297,311	Level 2
Bonds payable - subordinated bonds	43,286,136	43,177,300	(108,836)	Level 2

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

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)				
1) Financial assets at fair value through profit or loss						
Debt instruments						
– Traded on stock exchanges	14,283,924	12,059,247	Level 1	Quoted bid prices in an active market.	N/A	N/A
– Unlisted	86,790	92,864	Level 2	Recent transaction prices.	N/A	N/A
– Traded on interbank market	45,626,293	17,925,388	Level 2	Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Unlisted	363,711	605,825	Level 3	Discounted cash flows with future cash flows that are estimated based on the host contractual discounted at a rate that reflects the credit risk of counterparty, and the value of the option based on the fair value of the underlying equity instruments.	Default loss The fair value of the underlying equity instruments.	The higher default loss, the lower the fair value. The higher the fair value of the underlying equity instruments, the higher the fair value.
Equity instruments						
– Traded on stock exchanges	2,490,844	1,659,360	Level 1	Quoted bid prices in an active market.	N/A	N/A
– Traded on national equities exchanges and quotations	1,441,425	1,840,383	Level 2	Quoted bid prices in an inactive market. (Quoted from market makers)	N/A	N/A
– Traded on national equities exchange	660,949	287,335	Level 3	Recent transaction price.	N/A	N/A
– Unlisted	623,298	592,353	Level 3	Recent transaction price.	N/A	N/A

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48. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)				
1) Financial assets at fair value through profit or loss – continued						
Funds						
– Funds with quoted bid prices	5,532,137	17,504,510	Level 1	Quoted bid prices in an active market.	N/A	N/A
– Other funds	167,912	192,907	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
Other investments						
– Collective asset management products launched by financial institutions	2,984,084	3,147,994	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and equity securities (included listed in exchanges and listed in Interbank Bond Market) in each portfolio.	N/A	N/A
– Other asset management products/wealth management products	2,514,008	5,822,909	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and equity securities (included listed in exchanges and listed in Interbank Bond Market) in each portfolio.	N/A	N/A
– Collective asset management schemes launched by financial institutions	1,045	1,046	Level 3	Discounted cash flow with future cash flow that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty.	Default loss	The higher the the default loss the lower the fair value.
	76,776,420	61,732,121				

48. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)				
2) Available-for-sale financial assets						
Debt instruments						
– Traded on stock exchanges	27,173,043	20,763,945	Level 1	Quoted bid prices in an active market.	N/A	N/A
– Traded on inter-bank market	32,163,981	37,912,337	Level 2	Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Equity instruments						
– Traded on stock exchanges	3,576,689	3,818,660	Level 1	Quoted bid prices in an active market.	N/A	N/A
– Traded on stock exchanges (inactive)	15,223	14,780	Level 2	Quoted bid prices in an inactive market.	N/A	N/A
– Traded on national equities exchange and quotations	287,527	565,545	Level 2	Quoted bid prices in an inactive market. (Quoted from market makers)	N/A	N/A
– Traded on national equities exchange and quotations	239,456	—	Level 3	Recent transaction price.	N/A	N/A
– Restricted shares	1,648,766	1,559,335	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability	The higher the discount, the lower the fair value.
Funds						
– Funds with quoted bid prices	3,327,166	3,404,205	Level 1	Quoted bid prices in an active market.	N/A	N/A
– Other funds	102,104	100,503	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

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48. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)				
2) Available-for-sale financial assets – continued						
Other investments						
– Collective asset management schemes launched by financial institutions	1,366,562	1,465,516	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and equity securities (included listed in exchanges and listed in Interbank Bond Market) in each portfolio.	N/A	N/A
– Other asset management schemes/wealth management products	12,000,625	14,633,943	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and equity securities (included listed in exchanges and listed in Interbank Bond Market) in each portfolio.	N/A	N/A
– Trading seats	6,246	7,014	Level 2	Recent transaction prices.	N/A	N/A
– Collective asset management schemes launched by financial institutions	116,260	120,000	Level 3	Discounted cash flows with future cash flow that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty.	Default loss	The higher the default loss, the lower the fair value.
– Other asset management schemes/wealth management products and others	3,420,380	4,649,612	Level 3	Discounted cash flows with future cash flow that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty.	Default loss	The higher the default loss, the lower the fair value.
	<u>85,444,028</u>	<u>89,015,395</u>				

48. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)				
3) Derivative financial instruments						
Equity return swaps – assets	2,703	3,085	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Equity return swaps – liabilities	(3,280)	(524)	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Structured notes – liabilities	(6,651)	(6,028)	Level 2	Calculated based on the interest expense linked to underlying stock indexes from stock exchanges in the PRC.	N/A	N/A
Structured notes – liabilities	(1,923)	(1,946)	Level 3	Calculated based on the default probability (the probability of the underlying asset does not achieve an agreed result), loss given default and expected loss.	Default probability	The higher the probability the lower the fair value.
Interest rate swaps – assets	408,126	683,348	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

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48. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)				
3) Derivative financial instruments – continued						
Interest rate swaps – liabilities	(413,621)	(678,494)	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Stock index futures – assets	33	—	Level 1	Quoted bid prices in an active market.	N/A	N/A
Stock index futures – liabilities	—	(14)	Level 1	Quoted bid prices in an active market.	N/A	N/A
Treasury futures – assets	7,113	—	Level 1	Quoted bid prices in an active market.	N/A	N/A
Stock options – assets	9,925	6,023	Level 1	Quoted bid prices in an active market.	N/A	N/A
Stock options – liabilities	(14,285)	(4,965)	Level 1	Quoted bid prices in an active market.	N/A	N/A
Interest rate options – assets	87,102	—	Level 1	Quoted bid prices in an active market.	N/A	N/A
Interest rate options – liabilities	(99,501)	—	Level 1	Quoted bid prices in an active market.	N/A	N/A
Currency forward – liabilities	(208)	(41)	Level 2	Discounted cash flows. Future cash flows are estimated based on observable forward exchange rates and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Commodity options – assets	442	—	Level 2	Estimated based on option pricing model, in consideration of contract term, commodity price, interest rate, etc.	N/A	N/A
Commodity options – liabilities	(498)	—	Level 2	Estimated based on option pricing model, in consideration of contract term, commodity price, interest rate, etc.	N/A	N/A

48. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)				
4) Financial liabilities at fair value through profit or loss						
Bonds	—	4,022,587	Level 2	Discounted cash flows with future flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Stocks	234,555	86,557	Level 1	Quoted bid prices in an active market.	N/A	N/A
Funds	—	34,826	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity return swap	461,275	472,404	Level 3	Calculated based on the fair value of the underlying equity instruments.	The fair value of the underlying equity instruments	The higher the the fair value of the underlying equity instruments, the higher the fair value.
	<u>695,830</u>	<u>4,616,374</u>				
5) Designated at fair value through profit or loss						
Investment in an associate	33,871	34,688	Level 3	Recent transaction prices.	N/A	N/A

Note: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures, treasury bond futures, gold futures and part of interest rate swaps were settled daily in PRC, the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2017 and 31 December 2016. Accordingly, the net position of the derivative financial instruments mentioned above was nil at the end of each reporting period.

There were no transfer between Level 1 and 2 as at 30 June 2017 and 31 December 2016.

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48. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

As at 30 June 2017 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt instruments	27,173,043	32,163,981	—	59,337,024
– Equity instruments	3,576,689	302,750	1,888,222	5,767,661
– Funds	3,327,166	102,104	—	3,429,270
– Others	—	13,373,433	3,536,640	16,910,073
Financial assets at fair value through profit or loss				
– Debt instruments	14,283,924	45,713,083	363,711	60,360,718
– Equity instruments	2,490,844	1,441,425	1,284,247	5,216,516
– Funds	5,532,137	167,912	—	5,700,049
– Others	—	5,498,092	1,045	5,499,137
Designated at fair value through profit or loss				
– Unlisted investment in an associate	—	—	33,871	33,871
Derivative financial assets	104,173	411,271	—	515,444
Total	56,487,976	99,174,051	7,107,736	162,769,763
Financial liabilities:				
Derivative financial liabilities	(113,786)	(424,258)	(1,923)	(539,967)
Financial liabilities at fair value through profit or loss	(234,555)	—	(461,275)	(695,830)
Total	(348,341)	(424,258)	(463,198)	(1,235,797)

48. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

As at 31 December 2016 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt instruments	20,763,945	37,912,337	—	58,676,282
– Equity instruments	3,818,660	580,325	1,559,335	5,958,320
– Funds	3,404,205	100,503	—	3,504,708
– Other investments	—	16,106,473	4,769,612	20,876,085
Financial assets at fair value through profit or loss				
– Debt instruments	12,059,247	18,018,252	605,825	30,683,324
– Equity instruments	1,659,360	1,840,383	879,688	4,379,431
– Funds	17,504,510	192,907	—	17,697,417
– Other investments	—	8,970,903	1,046	8,971,949
Designated at fair value through profit or loss				
– Unlisted investment in an associate	—	—	34,688	34,688
Derivative financial assets	6,023	686,433	—	692,456
Total	59,215,950	84,408,516	7,850,194	151,474,660
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	(4,979)	(685,087)	(1,946)	(692,012)
Total	(126,362)	(4,707,674)	(474,350)	(5,308,386)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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48. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

Reconciliation of Level 3 fair value measurements

For the six months ended 30 June 2017

	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Derivative financial liabilities RMB'000
At 1 January	1,486,559	472,404	6,328,947	(1,946)
Total gains/losses				
Profit or loss	(32,533)	(11,129)	129,214	1,597
Other comprehensive income	—	—	326,936	—
Purchases (issue)	97,541	—	888,410	(1,574)
Settlements/disposal	(226,096)	—	(1,916,566)	—
Transfers into level 3	433,972	—	282,660	—
Transfers out of level 3	(110,440)	—	(614,739)	—
As at end of the period	<u>1,649,003</u>	<u>461,275</u>	<u>5,424,862</u>	<u>(1,923)</u>
Total unrealized gains/losses for the period for assets/liabilities held as at the end of the period – included in profit or loss	<u>(11,440)</u>	<u>(11,129)</u>	<u>362</u>	<u>1,597</u>

48. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*Reconciliation of Level 3 fair value measurements – *continued*

For the year ended 31 December 2016

	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Derivative financial liabilities RMB'000
At 1 January	561,113	—	5,362,489	—
Total gains/losses				
Profit or loss	(61,651)	—	300,265	1,611
Other comprehensive income	—	—	(123,624)	—
Purchases (issue)	1,400,667	472,404	4,503,793	(3,557)
Settlements/disposal	(238,140)	—	(3,075,137)	—
Transfers into level 3	233,942	—	—	—
Transfers out of level 3	(409,372)	—	(638,839)	—
As at end of the year	<u>1,486,559</u>	<u>472,404</u>	<u>6,328,947</u>	<u>(1,946)</u>
Total unrealized gains/losses for the year for the year for assets/liabilities held as at the end of the year – included in profit or loss	<u>4,144</u>	<u>—</u>	<u>(6,404)</u>	<u>16</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 available-for-sale equity securities which are categorized into Level 3 of the fair value hierarchy.

49. CHANGE OF SCOPE OF CONSOLIDATION

49.1 Newly consolidated subsidiaries

The Company's wholly owned subsidiary GF Investments (Hong Kong) Corporation Limited controlled GF Global Investment Fund I, L.P., thus consolidated the in the condensed consolidated financial statements.

During the reporting period, the Company's non-wholly owned subsidiary GF International Investment Management Limited established GF NaZheng (Shang Hai) Asset Management Limited (廣發納正(上海)資產管理有限公司), while the capital injections were still in process up to 30 June 2017.

49.2 Newly consolidated structured entities

During the reporting period, Ruiyuan Capital Asset Management Co., Ltd ("Ruiyuan Capital"), a non-wholly owned subsidiary of GF Fund, is appointed as investment manager and holds significant financial interests in the Ruiyuan Capital-Tianjie Environment Equity Investment Management Scheme (瑞元資本天潔環境股權投資專項資產管理計劃). The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entity mentioned above is consolidated in the condensed consolidated financial statements.

During the reporting period, GF Future Co., Ltd ("GF Future"), a wholly owned subsidiary of the Company, is appointed as investment manager and holds significant financial interests in the GF Qijun Asset Management Scheme No.1 (廣發期駿1期資產管理計劃), GF Future-Qizhi Quantitative Hedge Yeniu Asset Management Scheme No.1(廣發期智量化對沖野牛1期資產管理計劃), and GF Future-Qiying Multi-Strategy Fund-of-funds Asset Management Scheme No.1 (廣發期盈多策略1期資產管理計劃). The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entities mentioned above are consolidated in the condensed consolidated financial statements.

During the reporting period, GF Xinde Investment Management Co., Ltd ("GF Xinde"), a wholly owned subsidiary of the Company, is appointed as investment manager and holds significant financial interests in GF Xinde Heying Private Investment Fund No.1 (廣發信德合贏1號私募投資基金). The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entity mentioned above is consolidated the in the condensed consolidated financial statements.

49. CHANGE OF SCOPE OF CONSOLIDATION – *continued*

49.3 Deconsolidated structured entities

During the reporting period, the Group has liquidated and deconsolidated GF Xinde Country garden Specified Asset Management Scheme II (廣發信德碧桂園二期專項資產管理計劃), which was managed by GF Xinde.

During the reporting period, the Group has liquidated and deconsolidated GF Quantitative Market Neutral Fund Series 19(廣發量子對沖19號資產管理計劃), Ruiyuan Selective Stock Market Neutral Series 1(瑞元股票精選對沖1號資產管理計劃), Ruiyuan Capital Xinrui Asset Management Scheme No.5(瑞元資本鑫瑞5號資產管理計劃), Ruiyuan Xinrui Structured Asset Management Scheme No.1(瑞元資本鑫瑞分級1號投資資產管理計劃), Ruiyuan Capital huge data Selective Asset Management Scheme No.1 (瑞元資本大數據精選1號資產管理計劃), and GF Quantitative Market Neutral Fund Series 35(廣發量子對沖35號資產管理計劃), which were managed by GF Fund and Ruiyuan Capital, a non-wholly owned subsidiary of GF Fund.

During the reporting period, the Group has liquidated and deconsolidated GF China Value Fund (廣發中國價值基金), GF RMB Focus Fund (廣發人民幣聚焦基金), and GF Global Investment Opportunities Fund (廣發全球投資機會基金), which were managed by GF Investments (Hong Kong) Corporation Limited.

50. OUTSTANDING LITIGATIONS

As at 30 June 2017 and 31 December 2016, the Group involved as defendant in certain lawsuits with claim amounts of approximately RMB30.95 million and RMB20.76 million, respectively. Based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The directors of the Company are of the opinion the final court judgment will not have a significant impact on the Group's financial position or operations.

51. EVENTS AFTER THE END OF REPORTING PERIOD

As at 10 July 2017, the Company has issued a short-term corporate bond (4th), with a period of 310 days, amounting to RMB4.50 billion and annual interest rate of 4.75%.

As at 26 July 2017, the Company has issued a 3-year corporate bond named 17GF02 (security code: 112556) with amount of RMB6.00 billion and annual interest rate of 4.50%.

As at 31 July 2017, the Company has issued a short-term corporate bond (5th), with a period of 240 days, amounting to RMB2.9 billion and annual interest rate of 4.70%.

As at 15 August 2017, the Company has issued a 3-year corporate bond named 17GF03 (security code: 114204) with amount of RMB3.50 billion and annual interest rate of 4.84%.

Section 11 Documents Available for Inspection

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- (I) The financial statements with the signatures and seals of the person in charge of the Company, the Chief Financial Officer and the head of accounting department of the Company.
- (II) The original copies of all corporate documents and announcements publicly disclosed on websites designated by the CSRC during the Reporting Period.
- (III) Other relevant materials.

