



2017

— 年度報告 —
ANNUAL REPORT



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

Stock Code:1776.HK 000776.SZ

Important Notice

The 2017 annual financial report of the Company prepared in accordance with International Financial Reporting Standards has been audited by Deloitte Touche Tohmatsu, who has issued a standard unqualified audit report. Unless otherwise indicated, the financial data stated in this report is denominated in RMB.

According to the profit distribution proposal of the Company passed in this Board meeting, all shareholders will be distributed a cash bonus of RMB4.0 (tax inclusive) for every 10 shares based on the number of shares held as at the record date.

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

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

Warning About Material Risk Factors

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

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

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Term	Definition
Reporting Period	Year 2017 (January 1, 2017 to December 31, 2017)
The Company, Company, parent company, GF Securities	GF Securities Co., Ltd.
The Group, Group	the Company and its subsidiaries
Jilin Aodong	Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司)
Liaoning Cheng Da	Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司)
Zhongshan Public Utilities	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司)
HKSCC Nominees	HKSCC Nominees Limited
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司)
GF Securities (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券(香港)經紀有限公司)
GF Asset Management (Hong Kong)	GF Asset Management (Hong Kong) Limited (廣發資產管理(香港)有限公司)
GF Investments (Hong Kong)	GF Investments (Hong Kong) Company Limited (廣發投資(香港)有限公司)
GF Capital (Hong Kong)	GF Capital (Hong Kong) Limited (廣發融資(香港)有限公司)
GF Global Capital	GF Global Capital Limited (廣發全球資本有限公司)
GF Futures	GF Futures Co., Ltd. (廣發期貨有限公司)
GF Futures (Hong Kong)	GF Futures (Hong Kong) Co., Limited (廣發期貨(香港)有限公司)
GF Xinde	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司)
GF Qianhe	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司)
GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司)
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
GFFL	Guangfa Finance Lease (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司)
GF Hexin	GF Hexin Industry Investment Management Co., Ltd. (廣發合信產業投資管理有限公司)
GF Junce	GF Junce Overseas Investment Fund Management (Shanghai) Co., Ltd. (廣發鈞策海外投資基金管理(上海)有限公司)

GF Internet Microfinance	Guangdong GF Internet Microfinance Limited (廣東廣發互聯小額貸款股份有限公司)
Guangdong Equity Exchange	Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
ECT	E-Capital Transfer Co., Ltd. (證通股份有限公司)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
The PRC	Mainland China
CSRC	the China Securities Regulatory Commission
CIRC	the China Insurance 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	Rules Governing the Listing of Stocks 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
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers
Stock Index Futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
Stock Pledged Repo Transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge

Security Transactions with Repurchase Agreement

a transaction in which a qualified customer sells the subject securities at an agreed price to the securities company which is the custodian of such securities, and agrees to purchase the subject securities from the securities company at another agreed price on a future date, and the securities company will return the relevant yields generated by the subject securities during the period pending for repurchase to the customer pursuant to the agreement signed with the customer.

NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as new third board (新三板)
QDII	Qualified Domestic Institutional Investors
QFII	Qualified Foreign Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
ETF	Exchange Traded Funds, an open index fund available for trading, commonly known as Exchange Traded Fund, which is an open fund listed for trading on a stock exchange with variable portions of the fund components
FICC	Fixed Income, Currencies & Commodities
MSCI index	an index published by Morgan Stanley Capital International
VaR	Value at Risk
A Share(s)	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SZSE and traded in Renminbi
H Share(s)	foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
CPA, auditor, Deloitte	Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, accounting firms appointed by the Company
WIND	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In this 2017 annual report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.

Section 1

Company Profile



I. COMPANY INFORMATION

Stock Name	廣發證券	Stock Code	000776 (SZSE); 1776 (Hong Kong Stock Exchange)
Listing venues of the Shares	SZSE and Hong Kong Stock Exchange		
Name in Chinese	廣發證券股份有限公司		
Short Name in Chinese	廣發證券		
Name in English	GF Securities Co., Ltd.		
Short Name in English	GF SECURITIES		
Legal Representative of the Company	Sun Shuming		
General Manager of the Company	Lin Zhihai		
Authorized Representatives of the Company	Lin Zhihai, Wan Ka Hung		
Joint Company Secretaries	Luo Binhua, Wan Ka Hung		
Registered Address	Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong		
Postal Code of the Registered Address	510555		
Principal Business Address	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 the Business Address	510620		
Place of Business in Hong Kong	29-30/F, LI PO CHUN CHAMBERS, 189 DES VOEUX ROAD CENTRAL, HONG KONG		
Company Website	www.gf.com.cn		
Company E-mail	gfzq@gf.com.cn		
Tel	020-87555888		
Customer Service Hotline	95575		
Registered Capital of the Company	RMB7,621,087,664		
Net Capital of the Company	RMB63,665,152,176.89		

II. CONTACT PERSONS AND CONTACT INFORMATION

	Secretary of 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
Tel	020-87550265/87550565	020-87550265/87550565
Fax	020-87553600	020-87554163
E-mail	lbh@gf.com.cn	xuyj@gf.com.cn

III. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers designated by the Company for A Shares information disclosure	The China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
Website designated by the CSRC for publication of annual report	www.cninfo.com.cn
Website designated by the Hong Kong Stock Exchange for publication of annual report	www.hkexnews.com.hk
Place where the annual report of the Company is available for inspection	39th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou

IV. CHANGES IN REGISTRATION INFORMATION

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

V. QUALIFICATIONS OF MEMBERS AND INDIVIDUAL BUSINESSES

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

No.	Type of License	Approval Authority	Issue Date
8	Qualification as an eligible clearing participant for purchasing warrants (Qualification for warrants clearing business of China Securities Depository and Clearing Corporation Limited)	China Securities Depository and Clearing Corporation Limited	August 2005
9	Short-term financing bill underwriting business	PBOC	September 2005
10	Qualification for quotation transfer business	Securities Association of China	January 2006
11	Clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	March 2006
12	Membership of SSE	SSE	April 2007
13	Membership of SZSE	SZSE	April 2007
14	Qualification of level one dealer on the SSE Integrated Electronic Platform for Fixed Income Securities	SSE	July 2007
15	Class A clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	August 2007
16	Qualification for providing intermediary services for futures companies	CSRC	May 2008
17	Qualification of qualified investor of block trade system	SSE	June 2008
18	Qualification for margin financing and securities lending	CSRC	March 2010
19	Qualification for providing intermediary services for GF Futures Co., Ltd.	Guangdong Bureau of the CSRC	March 2010
20	Membership of Chongqing Share Transfer Center	Chongqing Share Transfer Center	July 2011
21	License for operating foreign exchange business	State Administration of Foreign Exchange	August 2011
22	Qualified Domestic Institutional Investor (QDII) qualification for overseas securities investment management business	Guangdong Bureau of the CSRC	November 2011

No.	Type of License	Approval Authority	Issue Date
23	Qualification for bond-pledged repo business authorization	SSE	November 2011
24	Alternative investment business (conducted through GF Qianhe)	Guangdong Bureau of the CSRC	January 2012
25	Qualification for provision of marketing unit for insurance institutional investors	CIRC	January 2012
26	Qualification for the participation in proprietary business of securities firms in the interest rate swap investment and transaction	Guangdong Bureau of the CSRC	July 2012
27	Membership of Zhejiang Equity Exchange	Securities Association of China	August 2012
28	Qualification for the first batch of pilot work for refinancing business of China Securities Finance Corporation Limited	China Securities Finance Corporation Limited	August 2012
29	Trading permission for Security Transactions with Repurchase Agreement	SSE	September 2012
30	Qualification for entrusted management insurance fund	CIRC	October 2012
31	Institutional member recommended by Guangzhou Equity Exchange	Guangzhou Equity Exchange	October 2012
32	Qualification for main underwriting business of debt financing instruments for non-financial businesses	National Association of Financial Market Institutional Investors	November 2012
33	Qualification for OTC trading business	Securities Association of China	December 2012
34	Qualification for the swap transaction business of equity income	Securities Association of China	January 2013
35	Trading authorization for Security Transactions with Repurchase Agreement	SZSE	January 2013
36	Qualification for stock index futures business of China Financial Futures Exchange	China Financial Futures Exchange	January 2013
37	Authorization for lending transaction of refinancing securities	SSE	February 2013
38	Qualification of the sales agent for financial products	Guangdong Bureau of the CSRC	May 2013

No.	Type of License	Approval Authority	Issue Date
39	Membership certificate of the Asset Management Association of China	Asset Management Association of China	May 2013
40	Authorization for Stock Pledged Repo Transaction	SSE	June 2013
41	Authorization for Stock Pledged Repo Transaction	SZSE	June 2013
42	Qualification for consultancy services relating to the secrets of the military industry	The Office of Science, Technology and Industry for National Defense of Guangdong Province	June 2013
43	Qualification for proprietary business of Shanghai Futures Exchange	Shanghai Futures Exchange	September 2013
44	Qualification for ETF liquidity service provider business (Bosera S&P 500ETF, E Fund SSE & SZSE 300ETF, HuaAn SSE 180ETF, HuaAn SSE Gold ETF)	SSE	September 2013
45	Membership of the Guangdong High Tech Service Zone for Financial Institution Equity Trading Centre	Securities Association of China	November 2013
46	License for part-time insurance agency	CIRC Guangdong Bureau	November 2013
47	Securities fund consumption payment services for clients	CSRC	December 2013
48	Qualification for the pilot work of comprehensive custody business of private equity	CSRC	January 2014
49	Qualification for pledged repo business authorization	SZSE	April 2014
50	Qualification for pilot work of receipt certificates	Securities Association of China	May 2014
51	Qualification for custody business of securities investment funds	CSRC	May 2014
52	Qualification for pilot work of Internet securities business	Securities Association of China	June 2014
53	Qualification on the Dalian Equity Exchange	Securities Association of China	June 2014
54	Engagement in the business relating to the non-IPO for enterprises on the Shandong Equity Exchange	Shandong Equity Exchange	June 2014
55	Qualification for the mutual swap and central clearing of Renminbi interest rates	Shanghai Clearing House	June 2014

No.	Type of License	Approval Authority	Issue Date
56	Qualification on the Gansu Equity Exchange Center	Securities Association of China	July 2014
57	Qualification for market-making business on the National Equities Exchange and Quotations	National Equities Exchange and Quotations Co., Ltd.	July 2014
58	Qualification for Hong Kong Stock Connect business authorization	SSE	October 2014
59	Membership certificate of the Asset Management Association of China	Asset Management Association of China	November 2014
60	Qualification for agency services business for gold and other precious metal spot contracts and proprietary trading for spot gold contract	CSRC	January 2015
61	Qualification for stock option market-making business	CSRC	January 2015
62	Qualification for options settlement business	China Securities Depository and Clearing Corporation Limited	January 2015
63	Qualification as a stock options trading participant	SSE	January 2015
64	Qualification for the SSE 50 ETF options market-making business	SSE	January 2015
65	Qualifications for financing-oriented option exercise business and restricted securities lending business with respect to share incentive schemes of listed companies	SZSE	January 2015
66	Membership certificate of the Shanghai Gold Exchange	Shanghai Gold Exchange	April 2015
67	Membership of the China Emissions Exchange	China Emissions Exchange	June 2015
68	Opening accounts through one-way video	China Securities Depository and Clearing Corporation Limited	June 2015
69	Filing Certificate of Private Equity Outsourcing Institutions	Asset Management Association of China	June 2015
70	Qualification as a market maker in the national interbank bond market	PBOC	January 2016
71	Council entity of the National Internet Finance Association of China	National Internet Finance Association of China	August 2016

No.	Type of License	Approval Authority	Issue Date
72	Interbank Market operations Class A clearing membership	Shanghai Clearing House	September 2016
73	Qualification for Hong Kong Stock Connect business authorization under Shenzhen-Hong Kong Stock Connect	SZSE	November 2016

The qualifications of individual business that the Company has obtained in 2017 include:

1	Membership of foreign currency funding in interbank funding market	China Foreign Exchange Trading System	March 2017
2	"Bond Connect" quotation bureau qualification	National Interbank Funding Center	July 2017
3	Qualification for interbank gold inquiry business	Shanghai Gold Exchange	December 2017
4	Member of book-entry government bond underwriting syndicates-Class B	Ministry of Finance	December 2017

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

No.	Type of License	Approval Authority	Issue Date
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Membership and business qualifications obtained by GF Futures and its subsidiaries

1	Qualification for commodity futures brokerage business	CSRC	March 1993
2	Membership	ICE Futures Europe	March 2005
3	Type 2: dealing in futures contracts	SFC	February 2007
4	Futures Exchange Participant	Hong Kong Futures Exchange Limited (Hong Kong)	May 2007
5	HKCC Participant	HKFE Clearing Corporation Limited (Hong Kong)	May 2007
6	Qualification for futures financial futures brokerage business	CSRC	August 2007
7	Membership	China Financial Futures Exchange	February 2008
8	Membership	Shanghai Futures Exchange	June 2008
9	Membership	ICE Clear Europe	September 2008
10	Membership	Dalian Commodity Exchange	December 2008
11	Membership	Zhengzhou Commodity Exchange	March 2009
12	Qualification for futures investment consulting business	CSRC	August 2011
13	Trading membership	Singapore Exchange Derivatives Trading Limited	August 2011

No.	Type of License	Approval Authority	Issue Date
14	Membership of the Euronext London Derivatives Market	NYSE Liffe London	July 2011
15	Qualification for asset management business	CSRC	November 2012
16	Membership	Sugar Association of London	June 2013
17	Category 1, Ring dealing membership	London Metal Exchange	January 2014
18	Trading membership	Dubai Gold & Commodities Exchange	January 2014
19	Membership	London Stock Exchange	February 2014
20	Qualification for fund sales business	Guangdong Bureau of CSRC	February 2015
21	Qualification for RMB Qualified Foreign Institutional Investor (RQFII)	CSRC	April 2016
22	Asset management license	Financial Conduct Authority (FCA) of the UK	October 2016

Membership and business qualifications obtained by GFHK and its subsidiaries

1	Type 1: dealing in securities	SFC	January 2007
2	Type 6: advising on corporate finance	SFC	January 2007
3	Stock Exchange Participant	Hong Kong Stock Exchange	February 2007
4	Type 4: advising on securities	SFC	November 2007
5	Type 9: asset management	SFC	November 2007
6	Business license for securities investment	CSRC	December 2011
7	RMB Qualified Foreign Institutional Investor Qualification	CSRC	December 2011
8	Approval for RMB Qualified Foreign Institutional Investor (RQFII) investment quota Qualification	State Administration of Foreign Exchange (PRC)	January 2012
9	Account opening license	PBOC Shenzhen Central Sub-branch (PRC)	February 2012
10	Money Lenders License	Licensing Court (Hong Kong)	February 2013
11	Qualified Foreign Institutional Investor Qualification	CSRC	January 2015
12	Approval for QFII investment quota and related account opening	State Administration of Foreign Exchange (PRC)	March 2015

13	Business license for insurance brokerage: (long term (including LLT) & general)	Professional Insurance Brokers Association (PRC)	March 2015
14	Licensed securities dealer of IIROC	Investment Industry Regulatory Organization of Canada (IIROC)	May 2015
15	Options Trading Exchange Participant	Hong Kong Stock Exchange	November 2015
16	Direct Clearing Participant	The SEHK Options Clearing House Limited	November 2015

Membership and business qualifications obtained by GF Asset Management

1	Permit for Operations of Securities Business (securities asset management)	CSRC	March 2014
2	Qualified Domestic Institutional Investor (QDII) qualification for overseas securities investment management business	Guangdong Bureau of the CSRC	December 2013
3	Member of National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors	July 2015
4	Investment Manager Qualification for Management of Entrusted Investment of Insurance Funds	China Insurance Regulatory Commission	March 2016

Membership and business qualifications obtained by GF Qianhe and its subsidiaries

1	Private Investment Fund Manager Registration Certificate	Asset Management Association of China	June 2015
2	Qualified Domestic Limited Partner Pilot (QDLP)	Shanghai Office of Financial Services	November 2015
3	Membership	Securities Association of China	May 2017

Membership and business qualifications obtained by GF Xinde and its subsidiaries

1	Membership	Securities Association of China	April 2017
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No.	Type of License	Approval Authority	Issue Date
Membership and business qualifications obtained by GF Fund and its subsidiaries			
1	Permit for Operations of Securities and Futures Business	CSRC	July 2003
2	Client-specific asset management	CSRC	February 2008
3	Qualified Domestic Institutional Investor (QDII)	CSRC	January 2009
4	Entrusted Domestic Investment Manager of NSSF	NSSF	December 2010
5	Type 4: advising on securities	SFC	September 2011
6	Type 9: asset management	SFC	September 2011
7	RMB Qualified Foreign Institutional Investor (RQFII)	CSRC	August 2012
8	Entrusted investment managers of insurance funds	CIRC	October 2012
9	Client-specific asset management	CSRC	June 2013
10	Entrusted asset management investment managers of Insurance Security Fund	China Insurance Security Fund Co., Ltd.	August 2013
11	Qualified Foreign Institutional Investors (QFII)	CSRC	September 2013
12	Financial Services Commission of South Korea - investment consulting business license	Financial Services Commission of South Korea	November 2013
13	Type 1: dealing in securities	SFC	March 2014
14	Investment advisory	U.S. Securities and Exchange Commission	May 2014
15	MiFID and UCITS businesses	Financial Conduct Authority (FCA)	October 2015
16	RMB Qualified Foreign Institutional Investor (RQFII)	CSRC	December 2015
17	Basic pension insurance fund securities investment management agency	NSSF	December 2016

VI. COMPANY HISTORY AND DEVELOPMENT

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

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

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

- the repurchase by Yan Bian Road of 84,977,833 shares from one of its then shareholders, Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司);
- the issuance of 2,409,638,554 shares by Yan Bian Road to shareholders of the Original Guangfa in exchange for all the then existing shares of the Original Guangfa; and
- as a result of the Reverse Takeover, the Original Guangfa transferred all of its assets and employees to Yan Bian Road and was deregistered on February 10, 2010.

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

MAJOR INCREASES IN SHARE CAPITAL

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

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

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

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

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

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

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

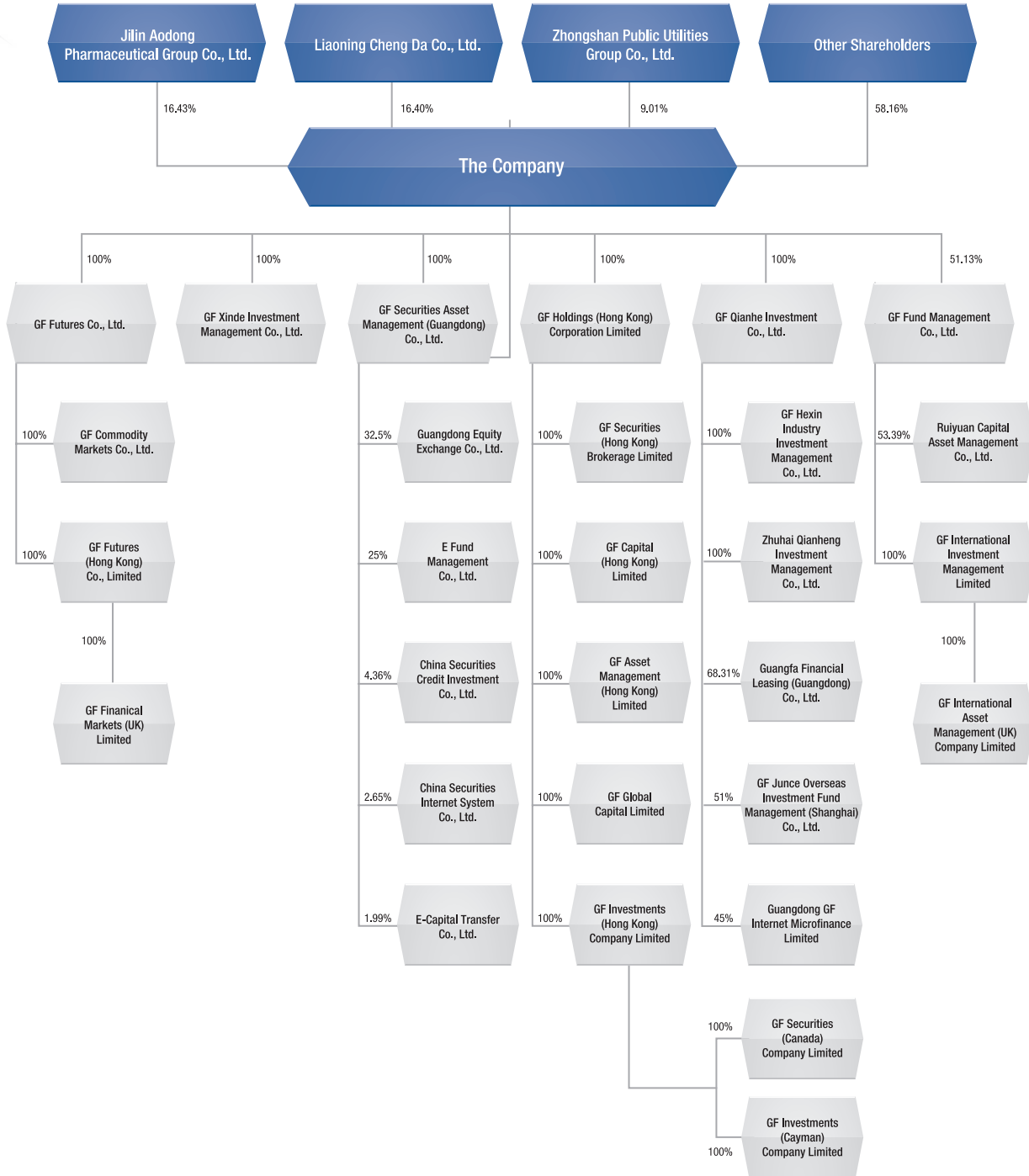
On December 15, 2011, the Company issued 452,600,000 A Shares to 10 investors by way of private placement. As a result, the Company increased its registered capital to RMB2,959,645,732.

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

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

VII. STRUCTURE OF THE COMPANY

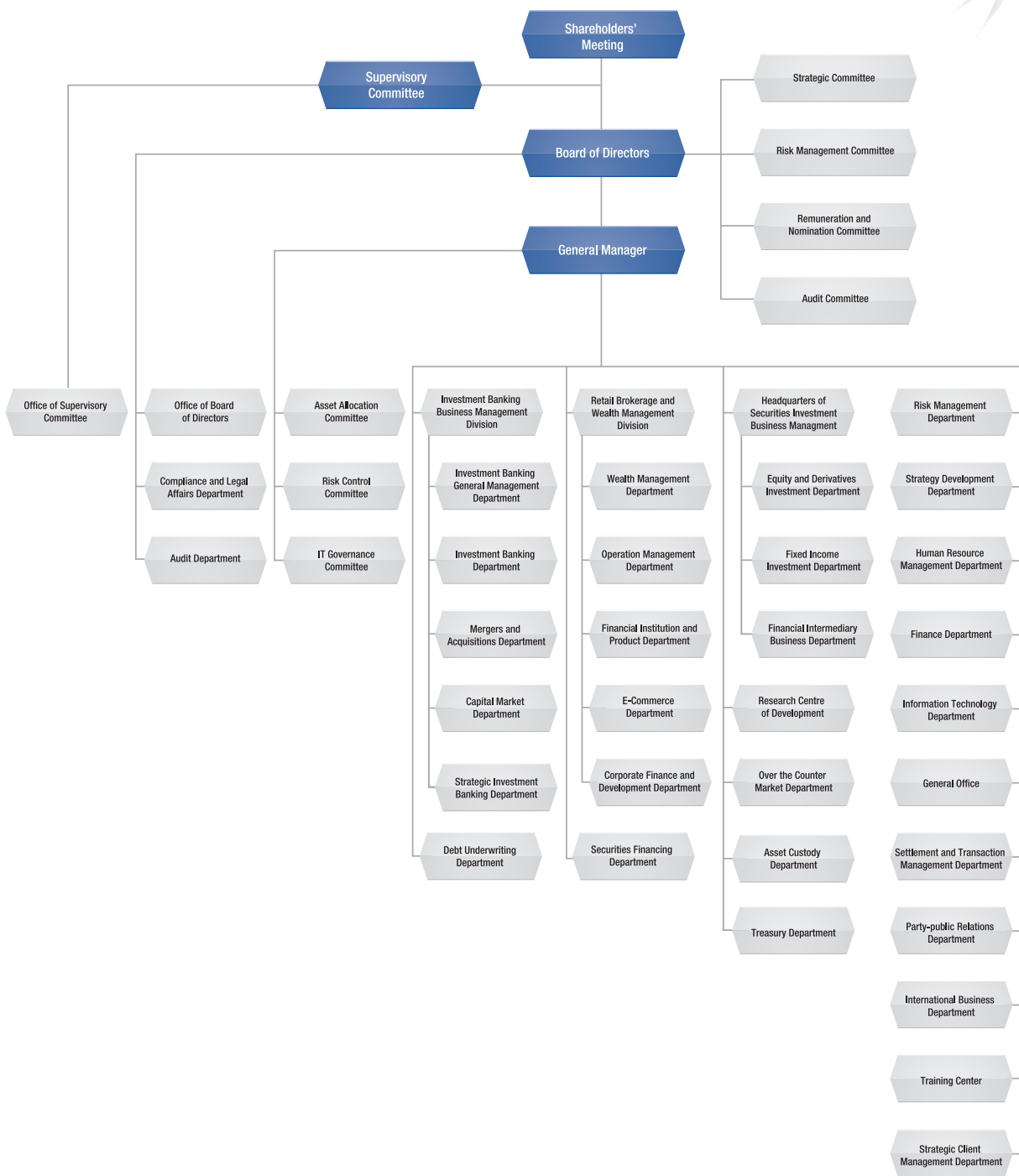
1. Shareholding Structure of the Company (As of 31 December 2017)



Note 1: Entities of GF Qianhe are making adjustments according to regulatory requirements and norms.

Note 2: As of December 31, 2017, GF Investments (Hong Kong) held the remaining 31.69% equity interest in Guangfa Financial Leasing.

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



3. Domestic Branch Companies (as of December 31, 2017)

Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Shenzhen Branch	Level 20, Shum Yip Centre, 5045 Shennan East Road, Luohu District, Shenzhen	July 2009	Jing Jianguo	0755-82083898
GF Securities Co., Ltd. Dalian Branch	478 Zhongshan Road, Shahekou District, Dalian, Liaoning Province	July 2009	Chen Deming	0411-84335166
GF Securities Co., Ltd. Shandong Branch	West Wing of the 10th Floor and rooms 905 and 908 of the 9th floor, 3 Luoyuan Street, Lixia District, Jinan	July 2009	Zhang Yuqiang	0531-86993666
GF Securities Co., Ltd. Shanghai Branch	Unit 13, 16F, 8 Century Avenue, Shanghai Free Trade Zone, PRC	July 2009	Mei Jiyuan	021-68818808
GF Securities Co., Ltd. Hebei Branch	Room 1401, 14th floor, Wutong Business Center Project, 36 Zhongshan West Road, Qiaoxi District, Shijiazhuang	July 2009	Huang Bin	0311-85278887
GF Securities Co., Ltd. Hubei Branch	Rooms 6, 7 and 8, 34th floor, Office Tower of Huijin Plaza, 1268 Jinghan Avenue, Jiangan District, Wuhan	July 2009	Peng Tao	027-82763201
GF Securities Co., Ltd. Guangzhou Branch	2nd Floor, Industrial Bank Plaza, 101 Tianhe Road, Guangzhou, Guangdong Province	July 2009	Chen Liming	020-83863518
GF Securities Co., Ltd. Zhejiang Branch	Room A201, 41 Qianjiang Road, Shangcheng District, Hangzhou	August 2009	Chen Xiaoyu	0571-86566651
GF Securities Co., Ltd. Chengdu Branch	Room 2210, Level 22, Unit 1, Building 1, 722 Yizhou Avenue Central, High Tech Zone, Chengdu	August 2009	Liu Jiezhou	028-85972529
GF Securities Co., Ltd. Beijing Branch	Level 18, Yuetan Building, 2 Yuetan North Street, Xicheng District, Beijing	August 2009	You Haiyang	010-59136868
GF Securities Co., Ltd. Xi'an Branch	Units 03 and 05, 12th Floor, COLI Building, 3 Furong South Road, Qujiang New District, Xi'an, Shaanxi Province	August 2009	He Xiaoshe	029-82518760

Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Jiangsu Branch	272 Jiqingmen Avenue, Gulou District, Nanjing	August 2009	Li Ping	025-86899227
GF Securities Co., Ltd. Zhuhai Branch	Area I (2), Level 2, Building 17, Zhuhai Hengqing Financial Industry Service Base, Shizimen Central Business District, Hengqing New District, Zhuhai, Guangdong Province	February 2011	Zhong Xiongying	0756-8286229
GF Securities Co., Ltd. Foshan Branch	Room 401, Block 2, 100 Lingnan Avenue North, Chancheng District, Foshan, Guangdong Province	May 2011	Wu Yuemin	0757-83035720
GF Securities Co., Ltd. Changchun Branch	1272 Minkang Road, Nanguang District, Changchun, Jilin Province	August 2011	Li Chao	0431-88639610
GF Securities Co., Ltd. Fujian Branch	Units 03 & 05, Level 34, Yuyang Zhongyang Jinzuo Office Building, 118 Shuguang Road, Taijiang District, Fuzhou, Fujian Province	April 2012	Zhuo Wen	0592-5801968
GF Securities Co., Ltd. Yuexi Branch	Second of 201, 45 Tianchang Road, Pengjiang District, Jiangmen, Guangdong Province	June 2014	Lin Qing	0750-3488001
GF Securities Co., Ltd. Yuedong Branch	5 Haibin Road, Jinping District, Shantou, Guangdong Province	June 2014	Zhang Haiou	0754-88280098
GF Securities Co., Ltd. Dongguan Branch	Level 5, The Union Plaza, Dongcheng South Road, Dongcheng District, Dongguan, Guangdong Province	June 2014	Kang Shaohua	0769-22323933
GF Securities Co., Ltd. Hainan Branch	Room 203, Level 2, Building A, Incubator of Haikou National Hi-tech Zone, 266 Nanhai Avenue, Haikou	September 2015	Li Junhua	0898-66288660

4. Domestic and Overseas Principal Wholly-owned and Non-wholly-owned Subsidiaries (as of December 31, 2017)

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

Company Name	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures	Flat 1002, 12 Junxian Street, Huangpu District, Guangzhou, Guangdong Province	1993.03	RMB140,000	100	Luo Mansheng	020-38456937
GF Xinde	545 Kashi West Road, Urumqi Economic and Technological Development Zone, Xinjiang	2008.12	RMB280,000	100	Zeng Hao	020-87555888
GF Qianhe	Room 206, 3 Xingfu West Street, Beifang Town, Huairou District, Beijing	2012.05	RMB375,000	100	Luo Binhua	010-56571886
GF Asset Management	Room 105-285, 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2014.01	RMB100,000	100	Fu Zhu	020-87555888
GF Fund	Room 4004-56, 3 Baozhong Road, Hengqin New District, Zhuhai, Guangdong Province	2003.08	RMB12,688	51.13	Sun Shuming	020-83936666
GF Equity Exchange	A2-12 of 1st Floor and 2nd Floor, Building 2, Phase I, Guangdong Xiayi International Rubber & Plastics City, Nanping West Road, Guicheng Subdistrict, Nanhai District, Foshan, Guangdong Province	2013.10	RMB10,000	32.5	Wang Wensheng	0757-81666888
E Fund	Room 4004-8, 3 Baozhong Road, Hengqin New District, Zhuhai, Guangdong Province	2001.04	RMB12,000	25	Liu Xiaoyan	020-38797888
China Securities Credit Investment Co., Ltd.	Room 201, Block A, No.1 Qianwanyulu, Shenzhen – Hong Kong Cooperation Zone, Qianhai, Shenzhen	2015.05	RMB458,598	4.36	Niu Guanxing	0755-84362888
China Securities Internet System Co., Ltd.	Unit B808, Level 8, Building B, 19 Finance Avenue (Lot 5 of Block B in Finance Avenue), Xicheng District, Beijing	2013.02	RMB755,024.45	2.65	Chen Gongyan	010-83897972
ECT	Building 1, 27 Xinqiniao Road, Shanghai Free Trade Zone, PRC	2015.01	RMB251,875	1.99	Wang Guanrong	021-20538888

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

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Commodity Markets Co., Ltd.	Room A-1088H, 188 Yesheng Road, Shanghai Free Trade Zone, PRC	2013.04	RMB20,000	100	Zou Gongda	021-60126359

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

Company Name	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
Zhuhai Qianheng Investment Management Co., Ltd.	Room 105-1891, 6 Baohua Road, Hengqin New District, Zhuhai	2015.03	RMB85,000	100	Jin Bo	020-87570115
GFFL	No. 612, 36 Jintao West Street, Nansha District, Guangzhou	2015.06	RMB 80,000	68.31	Zhang Wei	020-38880058
GF Hexin	Room 105-5649, 6 Baohua Road, Hengqin New District, Zhuhai	2015.08	RMB10,000	100	Zhang Wei	010-56571798
GF Junce	Room 701-5, 438 Pudian Road, Pudong New District, Shanghai City	2015.10	USD500	51	Fu Zhu	021-50296666
GF Internet Microfinance	Zibian Zone D, 17 Guocai zhi Street, Yuxiu District, Guangzhou City	2015.08	RMB50,000	45	Yang Long	020-87550010

Note: As of December 31, 2017, GF Investments (Hong Kong) held the remaining 31.69% equity interest in GFFL.

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

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
Ruiyuan Capital Asset Management Co., Ltd.	Room 4004-128, 3 Baozhong Road, Hengqin New District, Zhuhai	2013.06	RMB7,500	53.39	Chen Bojun	020-89188996

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

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

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

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Securities (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$280,000	100	Wang Yue	(852)37191111
GF Capital (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$13,000	100	Ye Yong	(852)37191111
GF Asset Management (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$32,500	100	Lee Wilson Tsz Kin	(852)37191111
GF Investments (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2011.09	HK\$500	100	Sha Jianyuan	(852)37191111
GF Global Capital	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2015.11	HK\$160,000	100	Li Weixiang	(852)37191111
GF Securities (Canada) Company Limited	5911 No 3 Rd Unit 130 Richmond BC V6X 0K9	2014.03	CAD1,640	100	Wen Huiqing	(778)2975888
GF Investments (Cayman) Company Limited	190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands	2011.09	USD 60	100	Sha Jianyuan	(852)37191111
GF Wealth Management (Hong Kong) Limited	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2014.11	HK\$300	100	Wang Yue	(852)37191111

Note: In February 2018, GFHK completed the incorporation of wholly-owned subsidiaries, GF Securities Canada Holdings Company Limited and GF Asset Management (Canada) Company Limited as its wholly-owned subsidiaries.

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

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF International Investment Management Limited	Suite 3503-05, 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong Special Administrative Region	2010.12	HK\$50,000	100	Shangguan Peng	(852) 36952868
GF International Asset Management (UK) Company Limited	First Floor 43 London Wall, London, EC2M 5TF, United Kingdom.	2014.11	GBP 700.01	100	Guo Congyang	(44) 2038289888

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

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.05	HK\$55,100	100	Liu Boya	(852)37191155
GF Financial Markets (UK) Limited	1 Broadgate, London, EC2M 2QS, United Kingdom	1976.02	GBP 3,000	100	Zhao Guiping	(44)2073301688

5. Numbers and Distribution of Securities Brokerage Branches

As of December 31, 2017, the Company had established 264 securities brokerage branches. The numbers and distribution of securities brokerage branches are set out below:

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

VIII. OTHER RELEVANT INFORMATION

(1) Auditors engaged by the Company

PRC Auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Office Address of PRC Auditor	30th Floor, Bund Center, 222 Yan An Road East, Shanghai, China
Name of Signing Auditor	Hong Ruiming, Hu Xiaojun
Name of International Auditor	Deloitte Touche Tohmatsu
Office Address of International Auditor	35/F, One Pacific Place, 88 Queensway, Hong Kong

(2) Legal Advisors

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

(3) Share Registrars

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

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

The Company was rated as Class 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.

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

Not applicable

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

Not applicable

Section 2
**Key Accounting
Data
and Financial
Indicators**



I. KEY ACCOUNTING DATA (CONSOLIDATED STATEMENTS)

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

Unit: RMB in millions

	2017	2016	Variance in comparison with last year	2015
Total revenue and other income	28,614	27,488	4.10%	42,733
Profit before income tax	11,644	10,705	8.77%	17,806
Net profit attributable to owners of the Company	8,595	8,030	7.04%	13,201
Net cash from (used in) operating activities	(16,417)	11,115	—	(7,691)
Basic earnings per share (RMB/share)	1.13	1.05	7.62%	1.85
Diluted earnings per share (RMB/share)	N/A	N/A	—	1.85
Return on weighted average net assets (%)	10.55	10.29	increase of 0.26 percentage points	21.14

	December 31, 2017	December 31, 2016	Variance in comparison with the end of last year	December 31, 2015
Total assets	356,905	359,801	-0.81%	419,097
Total liabilities	268,279	278,448	-3.65%	339,276
Equity attributable to owners of the Company	84,854	78,530	8.05%	77,519
Total share capital	7,621	7,621	—	7,621
Equity per share attributable to owners of the Company (RMB/share)	11.13	10.30	8.06%	10.17
Gearing ratio (%)	69.64	70.32	decrease of 0.68 percentage points	73.48

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

II. ACCOUNTING DATA DISCREPANCY UNDER CAS AND IFRS

The net profits in the years of 2017 and 2016 and the net assets as of December 31, 2017 and December 31, 2016 as stated in the consolidated financial statements of the Company disclosed in accordance with International Financial Reporting Standards (IFRS) are consistent with those in accordance with China's Accounting Standards (CAS).

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

Unit: RMB

Item	December 31, 2017	December 31, 2016	Variance in comparison with the end of last year
Core net capital	53,715,152,176.89	50,219,411,786.96	6.96%
Supplementary net capital	9,950,000,000.00	16,600,000,000.00	-40.06%
Net capital	63,665,152,176.89	66,819,411,786.96	-4.72%
Net assets	75,980,179,935.50	71,678,864,866.04	6.00%
Total risk capital reserves	25,591,085,824.40	26,068,251,883.47	-1.83%
Total on- and off-balance sheet assets	246,659,580,064.54	242,011,780,555.29	1.92%
Risk coverage ratio	248.78%	256.32%	decrease of 7.54 percentage points
Capital leverage ratio	22.49%	21.37%	increase of 1.12 percentage points
Liquidity coverage ratio	155.59%	305.17%	decrease of 149.58 percentage points
Net stable funding ratio	134.47%	139.14%	decrease of 4.67 percentage points
Net capital/Net assets	83.79%	93.22%	decrease of 9.43 percentage points
Net capital/Liabilities	38.95%	40.61%	decrease of 1.66 percentage points
Net assets/Liabilities	46.48%	43.57%	increase of 2.91 percentage points
Proprietary equity securities and securities derivatives/Net capital	35.07%	32.09%	increase of 2.98 percentage points
Proprietary non-equity securities and securities derivatives/Net capital	155.11%	156.62%	decrease of 1.51 percentage points

At the end of the year, the parent company had net capital of RMB63,665 million and total risk capital reserves of RMB25,591 million. Risk coverage ratio, net capital/net assets ratio and net capital/liabilities ratio were 248.78%, 83.79% and 38.95%, well above the regulatory requirements of 100%, 20% and 8%. The Company has solid asset quality. Each risk control indicator is in compliance with the relevant requirements under the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》).

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

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

1. Earnings (Unit: RMB'000)

	2017	2016	2015	2014	2013
Total revenue and other income	28,614,334	27,487,923	42,732,815	16,163,495	9,331,847
Total expenses	17,431,273	17,185,727	25,216,915	9,852,065	6,247,556
Profit before income tax	11,644,026	10,705,060	17,805,712	6,648,595	3,477,313
Net profit attributable to owners of the Company	8,595,399	8,030,107	13,201,014	5,022,568	2,812,501

2. Assets (Unit: RMB'000)

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Total assets	356,904,639	359,801,354	419,097,015	240,099,776	117,292,171
Total liabilities	268,279,057	278,448,018	339,276,186	198,722,320	82,549,195
Equity attributable to owners of the Company	84,854,203	78,530,210	77,519,274	39,610,880	34,604,666
Share capital	7,621,088	7,621,088	7,621,088	5,919,291	5,919,291

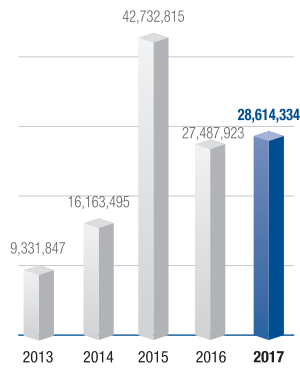
3. Key financial indicators

	2017	2016	2015	2014	2013
Basic earnings per share (RMB/share)	1.13	1.05	1.85	0.85	0.48
Diluted earnings per share (RMB/share)	N/A	N/A	1.85	N/A	N/A
Return on weighted average net assets (%)	10.55	10.29	21.14	13.56	8.33
Gearing ratio (%)	69.64	70.32	73.48	75.46	59.45
Equity per share attributable to owners of the Company (RMB/share)	11.13	10.30	10.17	6.69	5.85

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

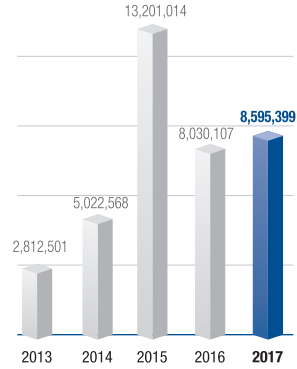
Total revenue and other income

(Unit: RMB'000)



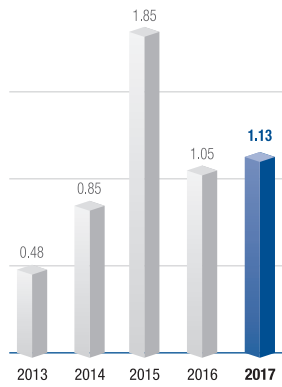
Net profit attributable to owners of the Company

(Unit: RMB'000)

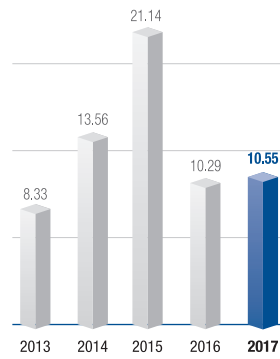


Basic earnings per share

(RMB/share)

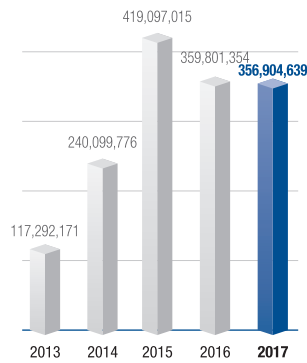


Return on weighted average net assets (%)



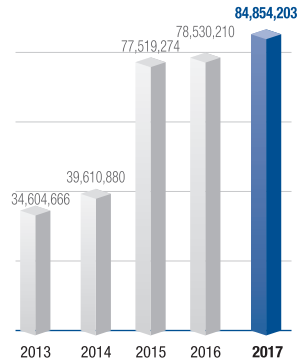
Total assets

(Unit: RMB'000)



Equity attributable to owners of the Company

(Unit: RMB'000)



Section 3
Chairman's
Statement



2017 was a milestone for the development of China. In this year, the 19th National Congress of the Communist Party of China was successfully convened, which signaled that the socialism with Chinese characteristics had entered a new era. Based on the reform and opening-up for the past 40 years, we are now at a historic moment of launching the new journey of fully building a socialist modern country. Thorough understanding of the basic logic of the new era, taking full advantage of the development opportunities of the new start and daring to face various challenges of new journey are the great themes for the future development. The financial industry will continue and deepen the reforms, prevent and address risks and consistently enhance the ability to serve the real economy. The securities industry has great responsibility in exploring more development potentials in the aspects of increasing the percentage of direct financing and facilitating the multi-level and healthy development of capital market.

In 2017, under the correct decision of the board of directors, the operation management led all the staff to work hard, strive to make progress and struggle forward. The Company maintained healthy momentum of development, made impressive overall operating results and continued to rank at the forefront of the industry in terms of various main operating indicators. In 2017, the Company continued to maintain its industry-leading position in terms of the main indicators of the investment banking business and ranked No.1 in the industry in terms of number of IPO equity financing projects in which it acted as lead underwriter and our research and development ranked 1st in the “Domestic Best Research Teams(本土最佳研究團隊)” by New Fortune (《新財富》). We would like to express our heartfelt gratitude to our customers and business partners for their high trust in GF Securities as well as all Shareholders and investors for their strong support. We would also like to thank all the staff for their diligence and endeavor!

In 2017, the Company formulated a new round Five-year Strategic Plan based on the previous five-year strategic plan. We will continue to adhere to our core values of “inquisitiveness, integrity, client focus and teamwork” and has, on the premise of dedicating to “become a modern bank with international competitiveness, brand influence and systematic importance”, positioned its strategic vision of new stage as “Four First-class (四個一流)”, namely first-class resource-allocated investment banking, first-class wealth management, first-class investment banking with international competitiveness and first-class investment banking with comprehensive risk management capacity. The Company uphold its strategic guiding principle of “Customer-oriented” throughout its operation and have a thorough understanding of customers’ needs in the principle of collaboration and the spirit of innovation, and strive to maximize customers’ interests by focusing on their expectation; fully promote leadership strategy, fintech strategy, internationalization strategy, group strategy and platformization strategy, and endeavor to achieve the transformation and upgrading of the four major businesses of investment banking, wealth management, trading and institution and investment management; establish the system of six major strategic supports including strategic management, research platform, comprehensive risk management, financial resource management, human resource management and information technology construction to provide strong support for the achievement of four major business strategies to strive to achieve the strategic objective of overall improvement in its industry position through its efforts of five years.

“Thoughtful consideration is beneficial to long-term development and actions shall not be taken until strategies have been established (思深方益遠,謀定而後動).” In 2018, the Company will carry through the spirit of the 19th National Congress of the Communist Party of China. With Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era guiding and facilitating the work of the Company, the Company will adapt the main trend, serve the overall interests, actively support the supply side structural reform and make greater contributions by, among other things, serving real economy, putting great efforts to wealth management and assisting in opening-up. The year of 2018 is the first year to implement the new strategic plan. In 2018, the Company will implement new strategic plans, further consolidate resources, focus on its advantages, stay enthusiastic and explore new breakthrough in the front office business, further strengthen and enhance its market position and make active efforts and form new support in middle and back office function management.

We will closely center around the principle of “Customer-oriented”, grasp new opportunities and embrace new challenges. With firmer belief, more enthusiastic passion and more innovative thinking and solid work, we will create a brighter future!

Section 4
Directors' Report



The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statement of the Company and the Group for the year ended December 31, 2017. Contents of relevant section in this report mentioned in the cross references in the Directors' Report forms part of the Directors' Report.

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

(I) The Group's Main Business Type

The Group is positioned as a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality 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 each operating indicator has ranked among forefront of the industry.

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

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

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

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

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

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

The Group has persisted in adhering to the core of securities business, integrating resources to better service customers, and creating an innovative integrated financial services platform. During the Reporting Period, the Company conducted strict regulated adjustment on the business positioning and business scope of relevant subsidiaries according to 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》) issued by the Securities Association of China, pursuant to which, individual adjustments were made to the business delineation of corresponding business segments. The "alternative investment" business was adjusted from the "investment management" business segment to the "trading and institution" business segment. "Financial leasing" business was added to the "wealth management" business segment. Save for the aforesaid adjustments, the main businesses and the operating model of the Group have had no significant changes.

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

The main businesses of the Group have developed steadily in light of various driving factors, which mainly include the following aspects: (1) The importance of the securities industry has been improved and will show a steady and developing trend. The report of the 19th National Congress of the Communist Party of China clearly put forward the need to strengthen financial services for the real economy, raise the proportion of direct financing, and promote the healthy development of the multi-level capital markets, which reflects that the highest decision-makers attach great importance to the development of capital markets. There still has a remarkable space for the development of the industry. (2) Capital market is an important platform for market-oriented allocation of resources and is of great significance to revitalizing the real economy. The direct financing demand of enterprises is huge, and the market for merger and acquisition is developing. Benefited from the government's policy to strongly encourage and support the development of real economy and direct financing, China's capital market has a strong growth potential. Besides, assets reorganization and mergers and acquisitions will play an important role in the economic transformation of China. (3) The wealth of residents has been accumulated and allocation structure has changed, and there will be a huge room for development in wealth management business. With the continuous growth of China's economy and the wealth of residents, asset management industry of China has developed rapidly, which has become the sector with most dynamic and growth potential in finance sub-area. The percentage of the financial assets in the household asset allocation of China will increase, and there will be a huge room for development in wealth management business for the wealth of residents. (4) There are changes in investor structure, with obvious institutionalization of individual investors and continuously increase in the proportion of institutional investors. The institutional investors will become the mainstream of the market. With the robust development of private fund, the degree of participation of institutional investors, such as insurance funds, pensions and offshore funds, has increased, which will generate new income sources and diversified business opportunities for securities companies. (5) The internationalization of capital market has accelerated. Regulatory authorities encourage securities companies to promote overseas development. Following the establishment of "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect", the regulatory authorities in both places launched "Bond Connect" business. The inclusion of A shares in the MSCI index was announced in 2017 and international funds of a larger scale will thus be allocated to A shares. Especially with the steady progress of the national Belt and Road Initiative, the internationalization of the capital market is also accelerating.

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

II. BUSINESS REVIEW

Business operations and business review of the Group for the year ended December 31, 2017 are set out in "Discussion and Analysis of Operations", which forms part of the Directors' Report, in Section 5 of this report.

III. ANALYSIS ON CORE COMPETITIVENESS

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

The Company has no controlling shareholder and de facto Controller. Over the past 18 years, the top three shareholders of the Company have been Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all public listed companies) (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non-registered shareholders of H Shares). As of December 31, 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 17.26%, 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 long run, which facilitates the Company to achieve sustained and healthy development.

2. Excellent corporate culture and stable management team

With the core value of **“inquisitiveness, integrity, client focus and teamwork”**, the Company has carried out the management philosophy of **“stable growth, continual innovations, performance-driven culture and business strategies”** to seek sustained, healthy and stable development. Sound corporate culture will boost the Company’s cohesion and momentum. The Company has a highly stable management team and a core business team with low turnover rate of talent. The management team members have an average of more than 23 years of managerial experience in securities and finance and relevant sectors and have served an average term of approximately 19 years. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees are not exceeding 2% and 3% or so, thus greatly boosting client confidence, the continuity and stability of the operation of various business lines.

3. 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 four major brokerages which has not received investment or restructuring due to operating losses among the first batch of brokers established from the end of the 80’s to the early 90’s. The Company has firmly conforming to the compliance base line and the risk management life-line. 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 realize the vertical management of all departments, sub-branches and controlling 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

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 2015 to 2017

Items	2017/Year End	2016/Year End	2015/Year End
Total assets	4	5	5
Net assets	5	5	5
Net capital	4	4	4
Operating revenue	4	4	4
Net profit	5	4	5

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

Note 2: The indicative data of net capital represents the data for parent company. The 2017 indicators are based on unaudited statistical data for parent company. The 2016 and 2015 indicators are based on audited statistical data in the consolidated statements.

While seeking economic benefits and market position, both reputation and brand of the Company have been enhancing persistently. From 2015 to 2017, the Company ranked Top Three among securities firms in China in "Hurun Brand List" for three consecutive years. The Company actively fulfilled the social responsibility, focusing on the two areas of helping the poor and providing student loan to promote education through "Guangdong Province GF Securities Social Charity Foundation". The Company took initiative to fulfill its social responsibility. The reputation and brand influence of the Company have continued to improve.

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

Our Group possesses licenses for a full range of services including investment banking, wealth management, transaction and institution and investment management. The various main businesses of the Company have achieved balanced development and rank among the top in the industry for years in terms of main operating indicators, especially the number of public offerings for which Company acted as a lead underwriter and research capability covering PRC companies. At present, the Group has built a financial group structure, enabling the Company to boost its customer service continuously.

6. Leading scientific and technological financial model in the industry

The Group attaches high importance to innovation in the long-term and sustainable development of the Company. It has been exploring for innovations in each aspect of management, business, service and technology and received good effects. 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. Our team advocates engineer culture, and we adopt a series of agile team management approaches to inspire team members' enthusiasm about technical innovation. 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 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. So far, the Company has in aggregate applied for 7 invention patents, 2 utility model patents and 6 software copyrights, of which, the Company has obtained 1 utility model patent and 6 software copyrights.

IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation details of the Company's cash dividends policy and the profit distribution proposal for 2017 are set out in "I. Profit Distribution of Ordinary Shares and Conversion of Capital Reserves into Share Capital of the Company" and "II. Proposals on Profit Distribution and Conversion of Capital Reserves into Share Capital during the Reporting Period" of Section 6 "Significant Events" in this report.

V. SHARE CAPITAL CHANGES AND MATTERS RELATING TO BONDS

Particulars about changes in the share capital of the Company during the Reporting Period are set out in Note 51 of the Notes to the Consolidated Financial Statements.

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

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

VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

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

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

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

IX. SHARE PURCHASE RIGHTS OF DIRECTORS AND SUPERVISORS

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

X. PERMITTED INDEMNITY PROVISION

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

XI. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

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

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

Mr. Qin Li, our Executive Director, was nominated to act as a director of E Fund, which is a fund management company in China, in which we held 25.0% equity interest as of December 31, 2017. E Fund provides asset management services to insurance companies, finance companies, corporate annuities, other institutional investors, high net worth individuals and NSSF. Since E Fund is primarily engaged in fund management business, it competes or may compete, directly or indirectly, with certain aspects of our business.

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

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

XIII. MANAGEMENT CONTRACTS

For the year ended December 31, 2017, no contract has been entered into for the management and administration of the entire business or any material part of the business of the Group.

XIV. MAJOR CUSTOMERS

The Company provides diversified businesses and services to satisfy the diverse needs of customers, such as enterprises, individuals and institutional investors, financial institutions and the government. Our major customers are based in the PRC. With further progress in internationalization and the development of international business, the Company will provide services to more overseas customers. In 2017, income generated from the five largest customers of the Company contributed 1.38% to the total revenue and other income of the Company.

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

XV. CHARITABLE DONATIONS

During the Reporting Period, the Group's total expenditure on social charity was RMB16,958,600. The GF Securities Social Charity Foundation in Guangdong Province (廣東省廣發證券社會公益基金會) established by the Group actively organized activities for poverty relief and provided financial support for education. The total expenditure on social charity for the full year was RMB14,529,400.

XVI. RESERVES AND RESERVES FOR PROFIT DISTRIBUTION

For particulars about changes in reserves and reserves for profit distribution, please refer to the "Consolidated Statement of Changes in Equity" of Financial Statements and Notes 53 and 54 of the Notes to the Consolidated Financial Statements in this report.

XVII. EMPLOYEES

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

XVIII. PRE-EMPTIVE RIGHT

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

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

Regarding the performance of social responsibilities of the Company, please see “XV. Social Responsibilities” of Section 6 “Significant Events” in this report. For environmental policy and performance, the Company cares about environmental and ecological development, promotes low carbon environmental protection, advocates green business and green office ideas, upgrades video conferencing system, paperless meeting system, tele-conferencing system, conference room reservation system etc., continues printing and copying outsourcing development, minimizes energy consumption, optimizes resources allocation, and actively contributes to the sustainable development of the society. The Company has complied with the “comply or explain” provisions as set out in the Environmental, Social and Governance Reporting Guide during the year, for details, please see “GF Securities Co., Ltd. 2017 Social Responsibility Report” published by the Company.

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

By Order of the Board
Sun Shuming
Chairman

Guangzhou
March 23, 2018

Section 5
Discussion and
Analysis of
Operations



I. OVERVIEW

2017 is a key year for the Company to hold its course, the year for the completion of the last round strategic plan and the starting of a new round of strategic plan. Under the guidance of the Board of Directors, the Company has formulated and issued a new round of strategic plan: under the mission of “Becoming a Modern Investment Bank with International Competitiveness, Brand Influence and Systemic Importance”, the Company will continuously uphold its core values of “inquisitiveness, integrity, client focus and teamwork”. We insisted on “customer-oriented” as the consistent strategic guideline, comprehensively promote the transformation and upgrade of all business strategies and strive to achieve the strategic goal of the “overall elevation of the Company’s position in the industry” within 5 years.

During the Reporting Period, facing complicated capital market conditions and the industry regulatory environment that emphasizes lawful, stringent and comprehensive supervision, under the guidance of the Board of Directors, the Company insisted on the principle of changing according to circumstances, improving quality and efficiency as well as optimizing layout, to speed up the pace of business transformation and manage reformation. By continuously consolidating existing advantages, upgrading business layers, optimizing resource allocation, the Company steadily build a competitive edge in the entire business chain. In the end, the Company managed to achieve impressive results in the market condition characterized with improved economic fundamentals and tight liquidity. 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

In 2017, the pace of world economic growth accelerated and the economy was recovering steadily. There are obvious signs of a pick-up in the domestic real economy. The supply-side structural reforms have achieved stage results, the PRC promoted structural optimization, power conversion and quality improvement. The national economy steadily improved and better than expected, achieving a steady and healthy development. The GDP grew by 6.9% over the previous year (Source: National Bureau of Statistics, 2018).

Based on the unaudited financial statements, the total assets, net assets, net capital, customers' transaction settlement fund amount market value of securities under custodianship and the total principal sum of funds under management of 131 securities firms were RMB6.14 trillion, RMB1.85trillion, RMB1.58 trillion, RMB1.06 trillion, RMB40.33 trillion and RMB17.26 trillion as of the end of 2017, representing an increase 6.04%, an increase of 12.80%, an increase of 7.48%, a decrease of 26.39%, an increase of 19.43% and a decrease of 3.14% as compared to the end of 2016, respectively. In 2017, 120 of 131 securities firms in the industry were profitable with total operating revenue of RMB311.328 billion, representing a year-on-year decrease of 5.08%. Specifically, net income from the securities trading agency service business was RMB82.092 billion, representing a year-on-year decrease of 22.04%; net income from the securities underwriting and sponsorship business was RMB38.424 billion, representing a year-on-year decrease of 26.11%; net income from the financial advisory service business was RMB12.537 billion, representing a year-on-year decrease of 23.63%; net income from the investment advisory service business was RMB3.396 billion, representing a year-on-year decrease of 32.81%; net income from the asset management business was RMB31.021 billion, representing a year-on-year increase of 4.64%; income from the securities investment (including changes in fair value) business was RMB86.098 billion, representing a year-on-year increase of 51.46%; net interest income was RMB34.809 billion, representing a year-on-year decrease of 8.83%; net profit for the year was RMB112.995 billion, representing a year-on-year decrease of 8.47% (Source: Securities Association of China, 2018).

As of 31 December 2017, total assets of the Group amounted to RMB356,905 million, representing a decrease of 0.81% as compared to the end of 2016 and equity attributable to owners of the Company was RMB84,854 million, representing an increase of 8.05% as compared to the end of 2016. During the Reporting Period, the total revenue and other income of the Group was RMB28,614 million, representing a year-on-year increase of 4.10%; the total expenses were RMB17,431 million, representing a year-on-year increase of 1.43%; the net profit attributable to owners of the Company was RMB8,595 million, representing a year-on-year increase of 7.04%.

(II) Analysis of Principal Business

The principal business of the Group can be divided into four segments, namely investment banking business, wealth management business, trading and institution business and investment management business. During the Reporting Period, the total revenue and other income from the investment banking business segment was RMB2,766 million, representing a year-on-year decrease of 0.26%; the total revenue and other income from the wealth management business segment was RMB11,306 million, representing a year-on-year decrease of 4.47%; the total revenue and other income from the trading and institution business segment was RMB7,018 million, representing a year-on-year increase of 15.53%; and the total revenue and other income from the investment management business segment was RMB6,793 million, representing a year-on-year increase of 12.27%.

1. Investment banking business segment

The Group's investment banking business segment mainly comprises of equity financing business, debt financing business and financial advisory business. During the Reporting Period, the total revenue and other income from the investment banking business segment was RMB2,766 million, representing a year-on-year decrease of 0.26%.

(1) Equity financing business

A total of 1,009 equity financing projects (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance included assets acquired by issuing shares)) were issued in A-share market in 2017, with a total amount of RMB1,597.208 billion, representing a year-on-year decrease of 6.23% and 22.32% respectively from the previous year. With the normalization of IPO issuance reviews, the introduction of new policies for refinancing of listed companies and new rules on shareholding reduction, the number and financing size of IPOs in 2017 increased to 438 and RMB230.108 billion respectively, representing an increase of 92.25% and 53.81% respectively, while the number and scale of refinancing decreased to 571 and RMB1,367.1 billion respectively, representing a decrease of 28.89% and 24.79% respectively (Source: Wind, 2018).

In order to adapt to the changes in economic structure, market environment and regulatory policies, the Company continued to consolidate its advantages in the field of high-quality small and medium-sized enterprise customers and increased its efforts in securing large customers. At the same time, the Company continued to promote cross-border investment bank business and strive to enhance the international competitiveness of investment banking business. During the Reporting Period, the Company completed 61 equity financing projects for which the Company acted as a lead underwriter, ranking 1st in the industry; the lead underwritten amount was RMB37.072 billion, ranking 7th in the industry. Among these projects, the Company acted as a lead underwriter for 33 IPOs, ranking 1st in the industry and the lead underwritten amount was RMB16.965 billion, ranking 2nd in the industry (Source: Wind, statistics of the Company, 2018). During the Reporting Period, the Company's commission and fee income from stock underwriting and sponsoring business was RMB1,455 million, representing a year-on-year increase of 22.31%.

Details of the Company's equity underwriting and sponsoring business in 2017 are shown in the table below:

Items	2017		2016	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial public offering (IPO)	169.65	33	70.84	16
Refinancing offering	201.07	28	629.62	38
Total	370.72	61	700.46	54

Source: Wind, Statistics of the Company, 2018

(2) Debt financing business

During 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. Financing of corporate bonds and enterprise bonds were generally deteriorating. During 2017, the offering size of corporate bonds throughout the market was RMB1,102.174 million, representing a year-on-year decrease of 60.26%; the offering size of enterprise bonds was RMB373.095 million, representing a year-on-year decrease of 37.04% (Source: WIND, 2018).

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, on the other hand, the company improved the management of immature bonds and implemented risk classification management for immature bonds. The Company continually expanded and reserved quality products. During the Reporting Period, the Company acted as the lead underwriter for 121 bonds, with a total underwritten amount of RMB116.324 billion, representing a year-on-year decrease of 27.06%. During the Reporting Period, the Company recorded commission and fee income from the bond underwriting and sponsoring business of RMB622 million, representing a year-on-year decrease of 30.36%.

Details of bond deals underwritten and sponsored by the Company in 2017

Items	2017		2016	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	109.00	10	333.20	27
Corporate bonds	644.67	85	980.92	93
Debt financing instruments of non-financial enterprises	69.78	11	141.95	18
Financial bonds	256.80	9	138.70	8
Exchangeable bonds	83.00	6	—	—
Total	1,163.24	121	1,594.77	146

Source: Statistics of the Company, 2018.

(3) *Financial advisory business*

The Company's financial advisory business mainly comprises of M&A and restructuring of listed companies and NEEQ listings. During the Reporting Period, the commission and fee income from financial advisory business was RMB507 million, representing a year-on-year decrease of 4.46%.

During 2017, there was an overall growth in the market of the M&A and restructuring. The trading volume and trading amount as reported in the market of the M&A and restructuring were 8,391 and RMB3,420.293 billion, representing year-on-year increase of 60.44% and 6.63% respectively (Source: WIND, 2018). During the Reporting Period, the Company acted as a financial advisor for 16 material asset restructurings (including the CSRC M&A and Restructuring Committee approved projects and non-administrative material asset restructuring projects), ranking 3rd in the industry, the transaction amount completed was RMB85.248 billion, and ranking 2nd in the industry (Source: Statistics of the Company, 2018). Our M&A and restructuring financial advisory service was graded as "A" by the Securities Association of China for 3 consecutive years. The Company recorded the commission and fee income from the M&A and restructuring financial advisory business of RMB313 million during the Reporting Period, representing a year-on-year increase of 4.66%.

In 2017, due to the stringent regulatory environment, IPO speedup and the lack of liquidity on NEEQ, the expansion of NEEQ slowed down. As of the end of 2017, the number of enterprises listed on the NEEQ was 11,630, representing an increase of 1,467 compared to the beginning of 2017. The Company adhered to the core principle of discovering value. Leveraging on its outstanding research capabilities, the Company strengthened business synergy and provided high-quality integrated entire industry chain services for NEEQ. As of the end of 2017, the Company sponsored a total of 308 companies listed on the NEEQ as the lead brokerage, of which there were 55 innovative enterprises, ranking 6th in the industry (Source: NEEQ, Statistics of the Company, 2018).

In addition, in respect of the overseas investment banking business, the Company carried out such business primarily through its indirectly wholly-owned subsidiary, GF Capital (Hong Kong). During the Reporting Period, GFHK completed 33 deals by acting as lead underwriter (including IPO, refinancing and bond offering), financial advisers and mergers and acquisitions. During the Reporting Period, the total revenue and other income was RMB118 million.

2. Wealth management business segment

The Group's wealth management business segment mainly comprises of retail brokerage and wealth management business, margin financing and securities lending business, repurchase transaction business, financial leasing and Internet small loans business. During the Reporting Period, the total revenue and other income from the wealth management business segment was RMB11,306 million, representing a year-on-year decrease of 4.47%.

(1) Retail brokerage and wealth management business

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

At the end of 2017, the SSE Composite Index and SZSE Component Index increased by 6.56% and 8.48% respectively and the ChiNext Index was down by 10.67% as compared to the end of 2016, while the turnover of A shares on the market was RMB111.76 trillion, representing a year-on-year decrease of 11.66% (Source: WIND, 2018). In addition to decrease in transaction amounts and commission rate, there were stricter regulatory requirements in the industry and increasing pressure on traditional retail business, and securities firms faced increasing competition in respect of commission level, business procedure, service methods, service contents and talents demands. During 2017, the Company continued reform of retail business. Taking technological finance, wealth management, institutional brokerage and integration as the four driving forces, the Company adhered to the principle of customer focus, established customer demand-driven wealth management products system, built customer service system of private banks, optimize the layout and continuously promoted business transformation.

In respect of science and technology finance, the Company's self-developed Beta Bull (貝塔牛) smart investment advisory system phase II was launched in 2017. 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 Significant Contribution Award for Product Innovation by the Financial Computerizing magazine (《金融電子化雜誌》產品創新突出貢獻獎), the Best Innovation Award for Financial Technology Product by the American Institutional Investors (美國《機構投資者》金融科技產品最佳創新獎) and etc. The Company continued to deepen the layout in the field of artificial intelligence and mobile transaction terminals, completed the establishment of "Smart GF智慧廣發", a smart application strategy support platform and released a number of smart applications such as "Smart Customer Service智慧客服", "Smart Voice Assistant智慧語音助手" and "Accurate Information精準資訊". As of the end of the Reporting Period, the number of mobile-phone securities users exceeded 15.73 million, representing a year-on-year increase of over 50%, which gradually became an important account opening channel; the number of subscribers of the Company's WeChat account was over 3.17 million; during the Reporting Period, the sales and transfer amount of products of the Yitaojin E-commerce platform amounted to RMB115.7 billion.

In 2017, the turnover of stock funds of the Company was RMB10.27 trillion (bilateral statistics), ranking 6th in the industry, one place down as compared to 2016 (Source: SSE, SZSE, 2018). The Company recorded the commission and fee income from acting trading securities business throughout the year of RMB3,505 million, representing a year-on-year decrease of 24.72%.

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 in 2017 (RMB100 million)		Trading volume in 2016 (RMB100 million)	
	Market share in 2017 (%)	Market share in 2016 (%)	Market share in 2017 (%)	Market share in 2016 (%)
Stocks	100,954.40	4.49	116,534.41	4.57
Funds	1,732.57	0.88	1,793.13	0.80
Bonds	335,692.51	6.49	306,001.76	6.56
Total	438,379.48	5.76	424,329.30	5.71

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 the commission and fee income from the financial products agency sales business of RMB123 million during the Reporting Period, representing a year-on-year decrease of 21.92 %.

In respect of the futures brokerage business, the Group carried out the futures brokerage business through its wholly-owned subsidiary, GF Futures, and provides trading and settlement services for customers in major international commodity market through the wholly-owned subsidiary of GF Futures, GF Futures (Hong Kong), and the wholly-owned subsidiary of GF Futures (Hong Kong), GF Financial Markets (UK) Limited. During the Reporting Period, GF Futures recorded the commission and fee income from the futures brokerage business of RMB337 million, representing a year-on-year decrease of 1.39%.

In regions outside of the PRC, the Group provides brokerage services for high-net-worth individuals and retail customers primarily through its indirectly wholly-owned subsidiary, GF Securities (Hong Kong), covering stocks listed on the Hong Kong Stock Exchange and other overseas exchanges. During the Reporting Period, GFHK recorded the total revenue and other income from the securities brokerage business of RMB405 million, representing a year-on-year increase of 38.35%.

(2) Margin financing and securities lending business

In 2017, the balance of margin financing and securities lending business experienced a volatile rise. As at the end of 2017, the balance of margin financing and securities lending in SSE and SZSE was RMB1,026.264 billion, representing an increase of 9.26% as compared to the end of 2016 (Source: WIND, 2018).

As at the end of 2017, the closing balance of the Company's margin financing and securities lending business was RMB56.003 billion, representing a year-on-year increase of 3.55% as compared to the end of 2016; and the market share was 5.46%, ranking 5th in the industry on a combined basis. During the Reporting Period, the Company recorded interest income from the margin financing and securities lending business of RMB4,107 million, representing a year-on-year decrease of 1.94%.

(3) Repurchase transaction business

Since 2017, the market scale of the Stock Pledged Repo Transaction business continued to grow rapidly. At the end of 2017, the balance of the Stock Pledged Repo Transaction business launched by the securities company with its own funds was RMB844.621 billion, representing a year-on-year increase of 68.74% (Source: Shanghai Stock Exchange, Shenzhen Stock Exchange, 2018). During the Reporting Period, the stock pledged business of the Company continued to grow rapidly under the constant strengthening of risk control access of stock pledged business. As at the end of 2017, the balance of the Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB26.582 billion, representing an increase of 94.73% as compared to the end of 2016. Due to the substitution diversion effect of the Stock Pledged Repo Transaction business, the scale of agreed repurchase securities trading business was relative small.

During the Reporting Period, the Company recorded interest income from the repurchase transaction business of RMB1,178 million, representing a year-on-year increase of 105.89%.

(4) Financial Leasing

To enhance the stickiness of our customers and enhance the comprehensive financial services capability, the Company conducted financial leasing and Internet small loans business through GFFL, our subsidiary and GF Internet Microfinance, our associate, respectively. As of the end of 2017, the net financial leasing receivables of GFFL amounted to RMB4,095 million and the balance of loan of Guangdong GF Loan Co., Ltd. was RMB882 million.

3. Trading and institution business segment

The Group's trading and institution business segment mainly includes the equity and derivatives trading business, fixed income sales and trading business, OTC sales and trading business, alternative investment business, investment research business and asset custody business. During the Reporting Period, the total revenue and other income from the trading and institution business segment was RMB7,018 million, representing a year-on-year increase of 15.53%.

(1) Equity and derivatives trading business

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

In 2017, A shares market showed value-based investing trend, with stark differentiation in market performance of individual stocks. Blue chip stocks and white horse stocks led in their overall increase while the small and medium stocks had a larger overall fall. As of December 31, 2017, the SSE Composite Index increased by 6.56% as compared to the end of 2016, SZSE Component Index increased by 8.48% and ChinNext Index fell by 10.67%. The company seized structured investment opportunities and achieved impressive investment returns. In the meantime, the Company was awarded the highest annual AA rating of the SSE 50ETF for options market-making business and monthly AA rating for funds market-making business several times. In addition, the Company started its first OTC equity swap business in 2017. 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. Due to policy adjustment, the derivatives trading business was also affected.

During the Reporting Period, the Company recorded net investment gains from the equity and derivatives trading business of RMB1,517 million, representing a year-on-year increase of 1,249.41%.

(2) *Fixed income sales and trading business*

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

The Company conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market making services, such as government bonds, policy-based financial bonds, central bank notes, medium term notes, short-term financing bonds, enterprise bonds, company bonds, treasury fund futures and interest rate swaps. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the risk arising from trading transactions and market-making activities. In addition, the Company 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 was one of the first batch of companies which obtained the "Bond Conned" quotation bureau qualification and acquired the qualification of inter-bank gold price inquiry transaction of Shanghai Gold Exchange in 2017. During the Reporting Period, the Company ranked No. 6 among securities firms in the trading volume of bonds in China (Source: www.chinabond.com.cn, 2018).

During the Reporting Period, the Company properly controlled the duration and investment scale of the bond investment portfolio, and reduced the interest risk. The net investment gains from fixed income sales and trading business of the Company were RMB3,740 million, representing a year-on-year decrease of 10.50%.

(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 6,108 OTC products in aggregate with an aggregate amount of approximately RMB464.8 billion. The market value of the products as at the end of the Reporting Period was approximately RMB53.681 billion. Specifically, the Company issued 2,268 new OTC products with an aggregate amount of RMB139.706 billion during 2017 (source: statistics of the Company, 2018).

As of the end of 2017, the Company provided market-making services for 160 NEEQ enterprises.

(4) Alternative investment business

The Group actively carried out alternative investment business with its own funds through GF Qianhe, a wholly-owned Subsidiary. Currently, the Group mainly focuses on equity investment business. As of the end of 2017, GF Qianhe and its subsidiaries have completed 67 equity investment projects, 29 of which are new addition in 2017 with an aggregate total investment of RMB2.246 billion. A total of 4 projects have been listed by way of IPO in 2017 and 16 projects were completed through various ways including mergers and acquisitions by listed companies.

During the reporting period, GF Qianhe recorded the total revenue and other income from alternative investment business of RMB193 million.

(5) Investment research business

The investment research business of the Group mainly comprises investment research services provided in areas such as macro economy and strategy, industry and listed companies, and financial engineering for the institutional clients. The company earned commission fee for sub-position transactions from institutional clients. To be specific, our investment research services cover the provision of research reports and customized investment research services for the National Social Security Fund, insurance companies, fund companies, private equity funds, financial companies, securities companies and other institutional investors in Hong Kong and the PRC. The Company's equity research covers over 750 listed companies in the PRC in 26 industries, and over 86 companies listed on the Hong Kong Stock Exchange. The outstanding research capacity of the Company enjoys a high reputation in the industry. The Company's research team ranked No. 4, No. 2 and No.1 in the "Best Local Research Team" of New Fortune from 2015 to 2017, and our macroeconomic research and six industry studies for 2017 ranked No. 1 of New Fortune.

During the Reporting Period, the total revenue and other income from the investment research business of the Company was RMB342 million, representing a year-on-year increase of 13.78%.

(6) Asset custody business

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

As at the end of 2017, the total asset scale of asset custody and fund service business provided by the Company was RMB150.847 billion, representing a year-on-year increase of 44.50%, of which the scale of trust products was RMB79.356 billion, and the scale of fund service products provided was RMB71.491 billion.

4. Investment management business segment

The Group's investment management business segment mainly covers asset management business, public fund management business and private fund management business. During the Reporting Period, the total revenue and other income from the investment management business segment was RMB6,793 million, representing a year-on-year increase of 12.27%.

(1) *Asset management business*

Asset management services provided by the Group aim to preserve and increase the value of financial assets for its clients. The Group's asset management clients include individuals and institutional investors. The Group carries out asset management business through its subsidiaries, namely GF Asset Management, GF Futures and GF Asset Management (Hong Kong). During the Reporting Period, management fee income from the asset management business of the Group was RMB1,647 million.

GF Asset Management manages the investments of client assets of various asset categories and all kinds of investment strategies, including fixed-income investment, equity investment, quantitative investment and cross-border products. The clients of GF Asset Management mainly include commercial banks, trust companies, other institutional investors and affluent population including the high-net-worth individuals.

Under the general regulatory direction of reducing leverage risk, reducing channels and turning back to the original business, GF Asset Management steadily progressed with transformation to high-quality organic growth, such as active management, and gradually boosted core competitiveness while maintaining year-on-year decrease of management size in 2017. As of the end of 2017, the scale of collective asset management schemes, targeted asset management schemes and specific asset management schemes of GF Asset Management decreased by 33.76%, 19.40% and 23.06% respectively as compared with the corresponding period of last year.

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

Asset management scale and income in 2017

	Net asset management scale (RMB 100 million)		Asset management fee income (RMB 100 million)	
	December 31, 2017	December 31, 2016	2017	2016
Collective asset management business	2,438.24	3,681.06	15.38	17.09
Targeted asset management business	2,586.79	3,209.35	2.08	1.84
Specific asset management business	208.80	271.39	0.09	0.31
Total	5,233.83	7,161.80	17.55	19.24

Source: Statistics of the Company, 2018.

As at the end of 2017, the monthly total size of assets under management of GF Asset Management ranked sixth in the securities industry, the management size of its collective schemes ranked first and the active management size ranked second (Source: Asset Management Association of China, 2017).

In 2017, the total management fee income realized by GF Asset Management was RMB1,755 million, representing a year-on-year decrease of 8.82%.

The Group carries out futures asset management business mainly through GF Futures. As at the end of 2017, the asset management scale of GF Futures was RMB2.867 billion.

In the area of overseas asset management business, the Group provides consulting services and management for various investment instruments mainly through GF Asset Management (Hong Kong), its indirectly wholly-owned subsidiary. GFHK is one of the first Sino-funded financial institutions in Hong Kong granted with RQFII qualification. GF Asset Management (Hong Kong) conducts asset management and investment operation by public equity funds, private equity funds and entrusted management accounts. As at the end of 2017, the scale of assets managed by GF Asset Management (Hong Kong) was HKD5.520 billion.

(2) *Public fund management service*

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

As at the end of 2017, the Company held 51.13% interests in GF Fund. GF Fund is one of the domestic investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, other institutional investors and high-net-worth individuals. In addition, GF Fund can invest the capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII through its wholly-owned subsidiary GF International Investment Management Limited; GF Fund has participated actively in the mutual recognition of funds from Mainland China and Hong Kong. It has been selling certified fund products in Hong Kong. As at the end of 2017, the publicly offered funds managed by GF Fund have reached RMB279.938 billion, representing a decrease of 8.14% as compared to the end of 2016, and the total fund size excluding money market funds was RMB188.930 billion, ranking eighth in the industry (Source: Galaxy Securities Fund Research Center, 2018).

During the Reporting Period, GF Fund realized total revenue and other income of RMB2,957 million, representing a year-on-year increase of 15.88%; the net profit was RMB948 million, representing a year-on-year increase of 22.12%.

As at the end of 2017, the Company held 25% interests in E Fund, becoming one of the three parallel largest shareholders. E Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, enterprise annuity, other institutional investors as well as high-net-worth individuals. In addition, E Fund can invest capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII. E Fund has participated actively in the mutual recognition of funds from Mainland China and Hong Kong. It has been selling certified fund products in Hong Kong. As at the end of 2017, the publicly offered funds managed by E Fund have reached RMB607.672 billion, representing an increase of 41.88% as compared to the end of 2016, and the total fund size excluding money market funds was RMB288.210 billion, ranking first in the industry (Source: Galaxy Securities Fund Research Center, 2018).

During the Reporting Period, E Fund realized net profit of RMB1,402 million, representing a year-on-year increase of 4.61%.

(3) Private fund management services

The Group mainly engages in private fund management business through its wholly-owned subsidiary GF Xinde. During the Reporting Period, GF Xinde and the funds under its management have completed a total of 38 equity investment deals, with the investment amount up to RMB1.251 billion; as at the end of 2017, GF Xinde and the funds under its management completed 204 equity investment projects, of which 19 projects were listed through IPO. GF Xinde exited eight projects through merger of listed companies. As at the end of 2017, GF Xinde set up and managed 35 private funds. The total size of customers' assets under management amounted to RMB9.329 billion. GF Xinde's Bay City Capital International Life Science US Dollar Fund was awarded "50 Most Active Bio-pharmaceutical Venture Capital Fund of 2017" by ENDPOINTS NEWS, the authoritative media in the field of biotechnology in the United States.

During the Reporting Period, GF Xinde realized the total revenue and other income of RMB1,413 million, representing a year-on-year increase of 124.74%; the net profit was RMB932 million, representing a year-on-year increase of 341.15%.

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 of new energy, TMT and life science. In December 2016, GF Investment (Hong Kong) established jointly with a Canadian institution consisting of a team of scientists Global Health Science Fund I, L.P. focusing on investment in the health science sector.

III. ANALYSIS ON FINANCIAL STATEMENTS

(I) Analysis on Consolidated Statement of Profit or Loss

1. Revenue composition

Item	Unit: RMB'000			
	2017	2016	Amount of increase/ decrease	Percentage of increase/ decrease
Commission and fee income	11,564,482	13,390,788	-1,826,306	-13.64%
Interest income	8,017,630	7,830,720	186,910	2.39%
Net investment gains	8,733,919	6,510,790	2,223,129	34.15%
Other income and gains	298,303	-244,375	542,678	—
Total revenue and other income	<u>28,614,334</u>	<u>27,487,923</u>	<u>1,126,411</u>	<u>4.10%</u>

In 2017, due to market volatility, total revenue and other income of the Group was RMB28,614 million, representing an increase of 4.10% as compared with RMB27,488 million for 2016.

2. Commission and fee income

Unit: RMB'000

Item	2017	2016	Amount of increase/ decrease	Percentage of increase/ decrease
Securities brokerages business commission and fee income	4,252,901	5,338,243	-1,085,342	-20.33%
Underwriting and sponsoring fees	2,170,361	2,169,565	796	0.04%
Futures brokerages business commission and fee income	336,928	341,544	-4,616	-1.35%
Asset management and fund management fee income	3,982,627	4,159,583	-176,956	-4.25%
Consultancy and financial advisory fee income	703,269	1,261,323	-558,054	-44.24%
Others	118,396	120,530	-2,134	-1.77%
Total commission and fee income	11,564,482	13,390,788	-1,826,306	-13.64%

The change in total revenue and other income is reflected in the commission and fee income of RMB11,564 million in 2017 which has decreased by RMB1,826 million or 13.64% as compared with 2016, mainly due to (1) decreased trading volume of stock and fund by our brokerage clients which resulted in a decrease in securities brokerages business commission and fee income of RMB1,085 million in 2017 over 2016; and (2) decrease in financial advisory business which resulted in a decrease in consultancy and financial advisory fee income of RMB558 million in 2017 over 2016.

3. Interest income

Unit: RMB'000

Item	2017	2016	Amount of increase/ decrease	Percentage of increase/ decrease
Deposits with exchanges and non-bank financial institutions and bank balances	2,142,407	2,566,290	-423,883	-16.52%
Margin financing and securities lending	4,326,602	4,357,854	-31,252	-0.72%
Financial assets held under resale agreements	1,248,120	668,061	580,059	86.83%
Financial leasing	222,076	120,330	101,746	84.56%
Others	78,425	118,185	-39,760	-33.64%
Total interest income	<u>8,017,630</u>	<u>7,830,720</u>	<u>186,910</u>	<u>2.39%</u>

The change in total revenue and other income is also attributable to the interest income of RMB8,018 million in 2017 which has increased by RMB187 million or 2.39% as compared with 2016, mainly attributable to the increase in scale of business held under resale agreements which resulted in an increase in interest income from financial assets held under resale agreements of RMB580 million, and the increase was partly offset by a decrease of RMB424 million in interest income from deposits with exchanges and non-bank financial institutions and bank balances as compared with 2016.

4. Net investment gains

Item	Unit: RMB'000			
	2017	2016	Amount of increase/ decrease	Percentage of increase/ decrease
Net realized gains from disposal of available-for-sale financial assets	2,124,208	1,216,911	907,297	74.56%
Dividend income and interest income from available-for-sale financial assets	3,268,410	2,575,867	692,543	26.89%
Net realized gains from disposal of financial instruments at fair value through profit or loss	420,879	-371,104	791,983	—
Dividend income and interest income from financial instruments at fair value through profit or loss	2,857,570	2,777,056	80,514	2.90%
Interest income and net realized gains from disposal of loan and receivable investments	180,991	96,060	84,931	88.41%
Net realized gains from derivatives financial instruments	-119,755	52,202	-171,957	—
Unrealized fair value change of financial instruments at fair value through profit or loss	-114,677	-43,831	-70,846	—
Unrealized fair value change of derivatives financial instruments	116,377	207,331	-90,954	-43.87%
Others	-84	298	-382	—
Net investment gains	8,733,919	6,510,790	2,223,129	34.15%

The increase in total revenue and other income was mainly reflected in the net investment gains in 2017 was RMB8,734 million, representing an increase of RMB2,223 million or 34.15% as compared with 2016, mainly attributable to (1) an increase of net realized gains from disposal of available-for-sale financial assets of RMB907 million in 2017 over 2016; (2) an increase of net realized gains from disposal of financial instruments at fair value through profit or loss of RMB792 million in 2017 over 2016; and (3) an increase of dividend income and interest income from available-for-sale financial assets of RMB693 million in 2017 over 2016.

5. Expenses composition

Unit: RMB'000

Item	2017	2016	Amount of increase/ decrease	Percentage of increase/ decrease
Depreciation and amortization	312,454	293,417	19,037	6.49%
Staff costs	6,836,367	6,586,871	249,496	3.79%
Commission and fee expenses	336,255	375,942	-39,687	-10.56%
Interest expenses	7,064,048	6,542,655	521,393	7.97%
Other operating expenses	2,483,884	2,963,403	-479,519	-16.18%
Impairment losses	398,265	423,439	-25,174	-5.95%
Total expenses	17,431,273	17,185,727	245,546	1.43%

In 2017, total expenses of the Group was RMB17,431 million, representing an increase of 1.43% as compared with RMB17,186 million in 2016. The change in total expenses was mainly reflected in the increase in interest expenses and the decrease in other operating expenses. Interest expenses in 2017 increased by RMB521 million as compared with 2016, which was reflected in the increase in interest expenses of borrowings and debt financing; other operating expenses in 2017 decreased by RMB480 million as compared with 2016, mainly due to the implementation of “replacement of business tax by value-added tax” since May 1, 2016, resulting a decrease of RMB349 million in other tax and surcharges.

In 2017, the Group realized net profit attributable to owners of the Company of RMB8,595 million, representing a year-on-year increase of 7.04%; basic earnings per share were RMB1.13, representing a year-on-year increase of 7.62%; return on weighted average net assets was 10.55%, representing a year-on-year increase of 0.26 percentage points.

(II) Analysis on Consolidated Statement of Financial Position

Unit: RMB'000

	December 31, 2017	Composition	December 31, 2016	Composition	Amount of increase/decrease	Percentage of increase/decrease
Non-current assets	39,078,853	10.95%	33,864,130	9.41%	5,214,723	15.40%
Of which: Available-for-sale financial assets	18,139,298	5.08%	19,676,173	5.47%	-1,536,875	-7.81%
Investments in associates	3,444,727	0.97%	3,089,121	0.86%	355,606	11.51%
Property and equipment	2,128,222	0.60%	1,761,438	0.49%	366,784	20.82%
Financial assets held under resale agreements	8,846,105	2.48%	3,879,213	1.08%	4,966,892	128.04%
Investment in joint ventures	931,962	0.26%	681,500	0.19%	250,462	36.75%
Financial assets at fair value through profit or loss	1,279,652	0.36%	—	—	1,279,652	—
Advances to customers	354,494	0.10%	814,957	0.23%	-460,463	-56.50%
Financial leasing receivables	2,818,433	0.79%	1,713,908	0.48%	1,104,525	64.44%
Current assets	317,825,786	89.05%	325,937,224	90.59%	-8,111,438	-2.49%
Of which: Bank balances	56,746,208	15.90%	80,297,484	22.32%	-23,551,276	-29.33%
Advances to customers	61,395,697	17.20%	58,186,338	16.17%	3,209,359	5.52%
Financial assets at fair value through profit or loss	61,919,063	17.35%	61,732,121	17.16%	186,942	0.30%
Available-for-sale financial assets	74,455,101	20.86%	72,404,483	20.12%	2,050,618	2.83%
Clearing settlement funds	17,652,948	4.95%	21,742,626	6.04%	-4,089,678	-18.81%
Financial assets held under resale agreements	24,821,297	6.95%	18,081,989	5.03%	6,739,308	37.27%
Deposits with exchanges and non-bank financial institutions	4,700,753	1.32%	5,132,685	1.43%	-431,932	-8.42%
Derivative financial assets	5,450,742	1.53%	692,456	0.19%	4,758,286	687.16%
Total assets	356,904,639	100.00%	359,801,354	100.00%	-2,896,715	-0.81%

	December 31, 2017	Composition	December 31, 2016	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Current liabilities	198,863,458	74.13%	216,572,603	77.78%	-17,709,145	-8.18%
Of which: Accounts payable to brokerage clients	65,026,117	24.24%	85,726,525	30.79%	-20,700,408	-24.15%
Financial assets sold under repurchase agreements	55,475,158	20.68%	50,549,266	18.15%	4,925,892	9.74%
Short-term financing payables	25,101,447	9.36%	16,329,741	5.86%	8,771,706	53.72%
Other liabilities	11,638,550	4.34%	12,887,728	4.63%	-1,249,178	-9.69%
Due to banks and other financial institutions	4,953,656	1.85%	10,606,395	3.81%	-5,652,739	-53.30%
Bonds payable	10,524,843	3.92%	15,250,564	5.48%	-4,725,721	-30.99%
Net current assets	118,962,328		109,364,621		9,597,707	8.78%
Non-current liabilities	69,415,599	25.87%	61,875,415	22.22%	7,540,184	12.19%
Of which: Bonds payable	62,147,878	23.17%	58,274,033	20.93%	3,873,845	6.65%
Long-term loans	3,778,117	1.41%	2,568,684	0.92%	1,209,433	47.08%
Total liabilities	268,279,057	100.00%	278,448,018	100.00%	-10,168,961	-3.65%
Total equity	88,625,582		81,353,336		7,272,246	8.94%

As of December 31, 2017, total assets of the Group were RMB356,905 million, representing a decrease of RMB2,897 million or 0.81% over the end of 2016; total liabilities were RMB268,279 million, representing a decrease of RMB10,169 million or 3.65% over the end of 2016. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 20.85%, the proportion of financial assets at fair value through profit or loss and available-for-sale financial assets to total assets was 43.65%, the proportion of advances to customers to total assets was 17.30%, and the proportion of financial assets held under resale agreements to total assets was 9.43%.

As of December 31, 2017, non-current assets were RMB39,079 million, representing an increase of 15.40% over the end of 2016, which was mainly attributable to an increase in financial assets held under resale agreements; current assets were RMB317,826 million, representing a decrease of 2.49% over the end of 2016, which was mainly attributable to a decrease in bank balances and clearing settlement funds; current liabilities were RMB198,863 million, representing a decrease of 8.18% as compared with that at the end of 2016, which was mainly attributable to fluctuations in market conditions, resulting in a decrease in accounts payable to brokerage clients; non-current liabilities were RMB 69,416 million, representing an increase of 12.19% as compared with that at the end of 2016, which was mainly attributable to an increase in bonds payable and long-term loans.

The Group's equity attributable to owners of the Company as of December 31, 2017 were RMB84,854 million, representing an increase of RMB6,324 million or 8.05% over the end of 2016. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of December 31, 2017 was 69.64%, representing a decrease of 0.68 percentage points as compared with the gearing ratio of 70.32% at the end of 2016, while the Group's assets and liabilities structure remained relatively stable.

Borrowings and debt financing

As of December 31, 2017, total borrowings and debt financing of the Group amounted to RMB109,649 million. The following table sets forth details of the Group's borrowings and debt financing:

	December 31, 2017	December 31, 2016
	Unit: RMB'000	
Short-term borrowings	7,349,536	4,863,874
Short-term financing payables	25,101,447	16,329,741
Bonds payable	72,672,721	73,524,597
Long-term loans	4,525,492	2,729,250
Total	109,649,196	97,447,462

For details of the interest rates and maturities of short-term borrowings, short-term financing payables, bonds payable and long-term loans, please refer to Notes 41, 42, 55 and 56 to the Financial Statements attached below.

Apart from borrowings and debt financing instruments, the Company also raised funds through inter-bank lending, brokers lending as well as on-market and OTC repurchase, with balance due to banks and other financial institutions and financial assets sold under repurchase agreements amounting to RMB4,954 million and RMB55,516 million, respectively at the end of the Reporting Period.

The aforesaid debts totaled RMB170,119 million, of which, debts with financing terms less than one year (one year included) were RMB92,880 million and debts with financing terms more than one year were RMB77,239 million, representing 54.60% and 45.40% of the aforesaid total debts, respectively.

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

(III) Analysis on the Consolidated Statement of Cash Flow

As of December 31, 2017, cash and cash equivalents of the Group amounted to RMB11,729 million, representing a decrease of 30.67% as compared with RMB16,918 million as at the end of 2016, of which: net cash flow used in operating activities was RMB16,417 million in 2017, and net cash flow from operating activities was RMB11,115 million. The change was attributable to an increase in net cash outflow in financial instruments at fair value through profit or loss; net cash flow from investing activities was RMB5,010 million in 2017, representing an increase of 23.44% as compared to RMB4,059 million in 2016. The change was attributable to an increase in proceeds from disposal of loan and receivable investments and the dividends and interests received from investments; net cash flow from financing activities was RMB6,308 million in 2017, and the net cash flow used in financing activities was RMB18,731 million in 2016. The change was attributable to an increase in net cash inflow generated from structured notes.

(IV) Investment on research and development

	2017	2016	Variance
Amount of investment on research and development (RMB)	553,996,801.93	526,062,191.21	5.31%
Investment on research and development as a percentage of total revenue and other income	1.94%	1.91%	increase of 0.03 percentage points

Note: The 2016 data was adjusted according to the 2017 statistics indicators.

Explanation: For stronger transformation of traditional businesses, the self-control capability of building information system was increased with respect to business and management in response of Internet plus strategy of the state, and management efficiency was enhanced. During the Reporting Period, the Company continued to expand its input in technological finance, such as cloud computing, big data and artificial intelligence, total investment on the expenditure and hardware of the information system management platform was RMB554 million through approaches such as self-development, collaborative development, commissioned development.

(V) 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 (廣發控股(香港)有限公司) controlled GF Global Investment Fund I, L.P., GF Global Partners Limited, GF Qianheng I Limited and GF GTEC Investment Management Limited through GF Investments (Hong Kong) Company Limited (廣發投資(香港)有限公司), therefore included them in the scope of consolidation.

GF Holdings (Hong Kong) Corporation Limited controlled GFGL Limited through GF Global Partners Limited, therefore included it in the scope of consolidation.

GF Holdings (Hong Kong) Corporation Limited controlled Canton Fortune Limited through GF Bright Investment Limited, therefore included it in the scope of consolidation.

GF Holdings (Hong Kong) Corporation Limited established Horizon Holdings, a subsidiary, through GF Global Investment Fund I, L.P., therefore included it in the scope of consolidation.

GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司) controlled Shanghai GF Yong Capital Investment Management Partnership L.P. (上海廣發永霄投資管理合夥企業(有限合夥)) through Shanghai GF Yong Capital Investment Management Co., Ltd. (上海廣發永霄投資管理有限公司), and controlled Shanghai GF Yong Capital Medical Investment Management Center L.P. (上海永霄醫療投資管理中心(有限合夥)) through Shanghai GF Yong Capital Investment Management Partnership L.P., therefore included the above companies in the scope of consolidation.

GF Xinde Investment Management Co., Ltd. established Ningbo GF Xinde Aoyuan Investment Partnership L.P. (寧波廣發信德奧園投資合夥企業(有限合夥)) during the Reporting Period, therefore included it in the scope of consolidation.

GF International Investment Management Limited (廣發國際資產管理有限公司), a subsidiary of GF Fund Management Co., Ltd. (廣發基金管理有限公司), 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. Subsidiaries ceased to be included in the scope of consolidation during the Reporting Period

Shanghai GF Henjin Equity Investment Fund Management Co., Ltd. (上海廣發恒進股權投資基金管理有限公司), a subsidiary of GF Qianhe Investment Co., Ltd. (廣發乾和投資管理有限公司) were cancelled during the Reporting Period, therefore it was no longer included in the scope of consolidation as at the end of the Reporting Period.

Shenzhen Ruiyuan Fund Management Co., Ltd. (深圳瑞元基金管理有限公司) and Zhuhai Haoyitou Internet Financial Services Co., Ltd. (珠海好易投互聯網金融服務有限公司), had been transferred to third parties outside the Group during the Reporting Period by Ruiyuan Capital Asset Management Co., Ltd. (瑞元資本管理有限公司), a subsidiary of GF Fund Management Co., Ltd. therefore such transferred subsidiaries were no longer included in the scope of consolidation as at the end of the Reporting Period.

Shanghai GF Xinde Asset Management Co., Ltd. (上海廣發信德資產管理有限公司) and Shanghai GF Xinde Asset Management Centre L.P. (上海廣發信德資產管理中心(有限合夥)), subsidiaries of GF Xinde Investment Management Co., Ltd., were cancelled during the Reporting Period, therefore they were no longer included in the scope for consolidation as at the end of the Reporting Period.

GF Xinde Investment Management Co., Ltd. ceased to own the controlling stake in its subsidiary, Zhuhai GF Xinde Hou Yuan Investment Enterprise L.P. (珠海廣發信德厚源投資企業(有限合夥)), during the Reporting Period, therefore the latter was no longer included in the scope of consolidation as at the end of the Reporting Period.

3. During the current period, 21 funds and asset management schemes were newly included in the scope of consolidation, and 16 funds and asset management schemes were excluded from the scope of consolidation.

(VI) 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.

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

	December 31, 2017 RMB	December 31, 2016 RMB
Financial assets at fair value through profit or loss pledged for pledge-style repo business	6,697,994,373.36	3,733,369,724.63
Of which: Financial assets at fair value through profit or loss pledged for bond pledged quoted-repo business	164,952,954.05	700,860,294.63
Available-for-sale financial assets pledged for pledge-style repo business	20,364,314,217.43	14,106,972,704.73
Of which: Available-for-sale financial assets pledged for bond pledged quoted-repo business	42,620,742.40	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	3,453,770,411.01	9,496,900.00
Available-for-sale financial assets transferred for buyout repo business	10,930,024,100.00	15,501,043,465.00
Financial assets held under resale agreements transferred for buyout repo business	152,555,780.00	838,694,220.00
Financial assets at fair value through profit or loss transferred for margin financing and securities lending business	554,475,839.50	279,128,975.71
Available-for-sale financial assets transferred for margin financing and securities lending business	3,240,933.18	28,583,772.64
Available-for-sale financial assets pledged for refinancing business	79,937,357.69	2,846,758,339.00
Financial assets at fair value through profit or loss pledged for bond lending business	4,600,839,075.00	6,634,988,570.00
Available-for-sale financial assets pledged for bond lending business	10,505,523,360.00	4,593,775,790.00
Financial assets held under resale agreements pledged for bond lending business	193,354,760.00	258,316,100.00
Available-for-sale financial assets pledged for interest rate swap business	20,060,160.00	20,591,820.00
Rights and interests in financial leasing receivables pledged for OTC repurchase business	172,751,433.15	399,514,238.80
Rights and interests in financial leasing receivables pledged for short-term borrowings	275,200,477.54	17,373,038.10
Rights and interests in financial leasing receivables pledged and factored for long-term borrowings	2,992,185,083.55	563,893,981.70
Available-for-sale financial assets pledged for due to banks and other financial institutions business	7,708,482,731.43	1,873,574,765.86
Total	69,704,710,092.84	51,992,896,476.17

V. ASSETS AND LIABILITIES

(I) Analysis on financing channels and short-term and long-term liability structure

(1) *Financing channels of the Company*

Financing channels of the Company specifically include equity financing and debt financing, of which the debt financing channel is divided into short-term and mid-and-long term channel. The short-term debt financing channel includes credit lending in the interbank market, and bond repurchase, issuance of short-term financing bonds, short-term corporate bonds and short-term income certificate in interbank and exchange markets. The mid-and-long term financing channel includes issuance of corporate bonds, subordinated bonds, mid-and-long repurchase through an off-market contract, long-term income certificate and asset backed securities.

In 2017, the Company raised funds by means of comprehensive use of short-term and mid- and long-term financing channels, including credit lending, bond repurchase, and issuance of eight tranches of short-term corporate bonds, two tranches of subordinated bonds, three tranches of private corporate bonds and two tranches of publicly issued corporate bonds.

(2) *Liability structure of the Company*

At the end of the Reporting Period, the ratio of net assets to liabilities was 46.48%, and the ratio of net capital to liabilities was 38.95%.

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

(3) Liquidity management measures and policies

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

(4) Analysis on financing capacity

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

(5) Contingencies and their influence

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

VI. INVESTMENT CONDITIONS

1. General

Investment in the Reporting Period (RMB)	Investment of the same period of last year (RMB)	Change
100,000,000.00	850,000,000.00	-88.24%

Note: Investment in the Reporting Period is the increased capital contribution made by the Company to its subsidiary GF Futures Co., Ltd. (廣發期貨有限公司).

2. Significant equity investments obtained in the Reporting Period

N/A

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

Unit: RMB

Project name	Investment method	Fixed asset investment or not	Industry of the investment project	Investment amount of the Reporting Period	Actual accumulative investment amount as of the end of the Reporting Period	Capital source	Project progress	Estimated earnings	The accumulative earnings realized as of the end of the Reporting Period	Reasons for failing to reach the planned progress and estimate earnings	Date of disclosure (if any)	Index to disclosure (if any)
GF Securities Tower	Others	Yes	-	345,744,373.85	1,457,851,881.51	Self-owned	In progress	-	-	-	-	-
Total	-	-	-	345,744,373.85	1,457,851,881.51	-	-	-	-	-	-	-

4. Financial asset investment

(1) Security investment condition

Unit: RMB '0,000

Securities type	Securities code	Securities short name	Investment cost	Accounting measurement mode	Book value at the beginning of the period	Profit and loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Fund source
Other	GFYFD0727	E Fund- BOCOM-GF Securities No.1	250,000.00	Measured according to fair value	250,255.51	-2,883.21	-	-	-	573.14	247,372.30	Held for trading	Self-owned
Fund	000509	GF Qianfaizi Money Market Fund (廣發錢袋子貨幣)	123,232.76	Same as the above	77,994.57	-	-	205,500.00	165,600.00	5,338.19	123,232.76	Available-for-sale/ Held for trading	Self-owned
Fund	002195	BOC Institutional Cash Management Market Fund (中銀機構現金管理)	120,037.03	Same as the above	55,014.56	-	-	190,080.72	125,058.25	224.48	120,037.03	Held for trading	Self-owned
Bond	170014	17 Interest-bearing Treasury Bond 14 (17附息國債14)	113,394.00	Same as the above	-	-370.39	-	330,052.02	216,658.02	44.00	113,023.61	Held for trading	Self-owned
Bond	019301	13 Treasury Bond 01 (13國債01)	106,976.04	Same as the above	10,030.00	-	-83.04	97,000.00	-	345.33	106,893.00	Available-for-sale	Self-owned
Bond	019540	16 Treasury Bond 12 (16國債12)	105,926.30	Same as the above	87,692.00	-	-582.30	18,000.00	-	2,565.16	105,364.00	Available-for-sale	Self-owned
Fund	100028	Fuguo Transhi Money Market Fund B (富國天時貨幣B)	102,248.05	Same as the above	-	-	-	132,248.05	30,000.00	2,248.05	102,248.05	Held for trading	Self-owned
Fund	000539	BOC Huoqibao Market Fund (中銀活期寶)	100,034.69	Same as the above	100,030.11	-	-	200,341.19	200,336.61	534.54	100,034.69	Held for trading	Self-owned
Stock	000623	Jilin Aodong	6,079.27	Same as the above	103,531.58	3.05	91,663.14	359.17	378.02	827.73	97,718.58	Available-for-sale/ Held for trading	Self-owned
Bond	170205	17 China Development Bank 05 (17國開05)	95,245.41	Same as the above	-	-94.65	-978.21	233,460.45	138,215.04	1,547.56	94,172.54	Available-for-sale/ Held for trading	Self-owned
Other securities investments held at the end of the period			13,786,260.81	-	14,429,435.21	8,308.13	215,670.14	N/A	N/A	845,846.78	14,536,648.59	-	-
Total			14,909,434.36	-	15,113,983.54	4,963.93	305,909.73	N/A	N/A	860,094.96	15,746,945.15	-	-

- Note: 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 and the gains and losses from the fair value change obtained by the Company in connection with its holding of the securities during the Reporting Period.
5. Other securities investments include the investment by the Company in the special account of CSF. Pursuant to the relevant contract entered into between the Company and CSF, the special account will be under the united operation of CSF, with the investment risks and investment income shared by us based on the investment ratio. As at the end of the Reporting Period, the balance of the Company's investment in such special account was RMB10,310,300,000.00 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 RMB11,439,924,831.64.

(2) Derivative investment conditions

N/A

5. Use of proceeds

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

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

The Company issued H Shares which were listed on the Main Board of the Hong Kong Stock Exchange on April 10, 2015 after being approved by the CSRC on March 5, 2015 by issuing the Reply for Approving GF Securities Co., Ltd. to Issue Overseas Listed Foreign Shares (Zheng Jian Xu Ke [2015] No. 347), and being approved at the 8th meeting of the eighth session of the Board of Directors and the second extraordinary general meeting in 2014 of the Company. A total of 1,479,822,800 H Shares were issued at the price of HKD18.85 per share through both public offering and international placement. Subsequently, the Company issued 221,973,400 H Shares at the price of HKD18.85 per share by over-allotment on April 13, 2015. This time, the Company issued a total of 1,701,796,200 H Shares and raised a total of HKD32.079 billion, which was equivalent to RMB25.680 billion after settlement of exchange. The net amount was RMB25.077 billion after deducting the issuance cost.

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

As of December 31, 2017, RMB10.855 billion out of the proceeds raised from the issuance of H Shares was used for the wealth management business to mainly develop margin financing and securities lending business and build a strategic Internet financial platform and wealth management platform; RMB4.342 billion was used for the investment management business, investment banking business and transaction and institution business to mainly increase the asset size under the investment management, increase input into the seed funds, innovate and develop investment management products, and participate in various financial products markets as a market maker and provide liquidity support; RMB3.328 billion was used for the international business to mainly increase input into the investment management, transaction and institution businesses in Hong Kong; RMB6.552 billion was used to replenish the working capital and develop short-term investment business. The Company will apply the proceeds raised from the H Share issuance to various businesses of the Company gradually as planned according to relevant requirements in the H Share prospectus.

VII. SALE OF MAJOR ASSETS AND EQUITY

1. Sale of major assets

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

2. Sale of major equity

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

VIII. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND PARTICIPATING STOCK COMPANIES

The status of principal subsidiaries and participating stock companies

Company name	Company type	Main business	Registered capital	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sale.	RMB1,400,000,000	12,042,196,451.27	1,986,647,424.70	149,479,202.67
GF Xinde	Subsidiary	Establishing private investment funds to make equity investments or debt investments in enterprises or investing in other investment funds in relation to equity investments and debt investments; providing financial advisory services on equity investment and debt investment to clients; other businesses approved by regulatory authorities.	RMB2,800,000,000	8,676,685,183.95	5,877,089,175.44	931,934,500.95
GFHK	Subsidiary	Investment holding, undertaking investment banking, sale and transactions, asset management, equity investment and other businesses approved by the SFC through professional subsidiaries.	HKD5,600,000,000	28,020,778,082.54	5,508,741,723.17	320,136,620.95
GF Qianhe	Subsidiary	Equity investment with its own funds, investment in financial products and other businesses approved by regulatory authorities.	RMB3,750,000,000	8,480,104,827.20	5,008,907,473.68	136,076,076.18
GF Asset Management	Subsidiary	Securities asset management.	RMB1,000,000,000	18,551,522,005.49	3,959,929,485.85	1,001,860,393.80
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB126,880,000	7,523,014,908.88	5,559,297,077.10	948,330,256.77
E Fund	Participating stock company	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB120,000,000	21,243,268,576.00	7,154,672,599.00	1,401,832,714.00

Note: Among the companies above, GF Xinde recorded consolidated net profit of RMB932 million in 2017, representing a year-on-year increase of 341.15%, attributable to the increase in the investment gains from the disposal of available-for-sale financial assets.

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

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

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

1. Relevant matters about bankruptcy reorganization

There was no relevant matter about bankruptcy reorganization of the Company in the Reporting Period.

2. Merger or separation of the Company

N/A

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

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

4. Structured entities controlled by the Company

As at December 31, 2017, the Group consolidated 37 structured entities, which mainly comprised of asset management schemes and funds. The Group is assessing the rights over structured entities, the variable returns generated from the structured entities and the connection between the rights and variable returns to determine whether the Group gains control over the structured entities. If the Group has control over the structured entities managed by it, the structured entities will be included in the consolidated financial statements. As at December 31, 2017, the net assets of the structured entities included in the consolidated financial statements were RMB15,949,407,862.16 (the opening balance: RMB16,591,925,878.74). The book value of the Group’s interests was RMB4,328,956,378.95 (the opening balance: RMB3,356,788,685.03). The book value of the interests held by the parties outside the Group in the above-stated structured entities was RMB11,620,451,483.21 (the opening balance: RMB13,235,137,193.71). As regards to the interests held by the parties outside the Group in the above-stated structured entities, the Group recognized them as payables or financial liabilities at fair value through profit or loss.

5. Major asset disposal, acquisition, replacement and divestment

N/A

6. Restructuring of other companies

N/A

X. OUTLOOK OF THE COMPANY

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

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

The 19th CPC National Congress has pointed out direction and drawn a blueprint for the development of the capital market. In the future, the country will continue to deepen reform of the financial system, enhance capacities of the finance to serve the real economy, increase the proportion of direct financing, and promote the sound development of the multi-level capital market. Under the guidance of national strategy, the securities industry shall closely keep to the policies put forwarded by the 19th CPC National Congress, such as Beautiful Life, Manufacturing Power, Beautiful China, One Belt and One Road and the reform of state-owned enterprises. The industry shall seize opportunities and base advantages to take initiatives with respect to household wealth management, strategic emerging industries, internationalization and M&A and restructuring of state-owned enterprises.

2. *Internationalization will become an inherent requirement for the development of the capital market and securities industry*

The gradual introduction of a series of measures, including Bond Connect, inclusion of A shares in the MSCI and full circulation of H shares, reflects the firm attitude of the state to support the internationalization of capital market. Chinese companies have stepped up their pace to go global, and the demand of residents for global allocation of assets has been increasing. Under the trend of two-way openness of the capital market, the internationalization level of the securities industry will be improved continuously.

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

In the areas of refinancing and asset management, the regulatory authorities have issued various policies to guide the healthy development of the industry. It is expected that in future, the capital market will continue its orderly momentum of growth, and financial institutions shall develop robustly under the premise that there will be no systemic risk. The securities industry should return to the source, stressing competitiveness of the principal business of securities companies.

4. *Institutionalization trend in the capital market is becoming more obvious*

With the rapid growth of the number and scale of institutional investors, the investment demand has become more complex and diversified. It provides a huge potential for the development of securities companies' businesses, such as transaction, custody, operation outsourcing, investment and research, wealth management and capital intermediary. Also, institutionalization in the capital market is becoming a more obvious trend.

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

1. The securities industry is still facing challenges of declining commission

The brokerage agency's business of securities sale has a very high degree of homogeneity at a low marginal cost of providing the service, and the level of commission rate shows a downward trend. Especially under the impact of Internet account opening and the policy of one client with multiple accounts, the industry commission rate is still showing a slow downward trend.

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

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

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

3. The business with heavy assets may be affected under the background of reducing leverage and prevention of risk

In 2017, under the circumstances of leverage reduction, increase in interest rate and tight liquidity, local credit risk events occur constantly. This trend shall still continue in 2018 and the risk exposure may be increased. Brokerages have currently entered into a time of comprehensive risk management, facing the challenges of continuous improvement of the overall risk management capability. Under the overall background of new normal economy, reduction of excessive production capacity and leverage, turning back to the original business and serving for the real economy, the business with heavy assets shall experience much uncertainties and the pressure arising from prevention of financial risk will significantly increase.

(III) The Company's development strategy

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

(IV) Annual business plan in 2018

In 2018, the Company will leverage on the market-oriented mechanism, accelerate the transformation pace of traditional businesses, actively cultivate mid- to high-end customer base and seize the commanding height in future market competition. The Company will focus on strengthening the market position, foster new competitive advantages, improve the institutional customer service system and enhance international competitiveness, so as to create a new pattern under the new round of strategy.

(V) Fund demand of the development

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

(VI) Risk factors and counter-measures

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

(1) Policy risk

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

(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 securities, interest rate, exchange rate or commodity price, etc.). Market risks include securities price risk, interest rate risk, exchange rate risk and commodity price risk, etc., which respectively refers to risk arising from change in securities price, interest rate, exchange rate or commodity price, etc. The market risks faced by the Company mainly concentrate on securities 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. 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 concentrate 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, the overall regulatory environment was tightening and the market liquidity was diversified with limited refinancing channels for financiers, 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 of internal rules and procedures, manual operational errors, system malfunction and external events. The operational risk of a securities company runs through each department of the Company. Each role in each subsidiary and the entire process of each function line or business line, featuring wide coverage variety and thoroughness. As the Company's business scale constantly increase, the business process becomes increasingly complicated and the comprehensive operation and internationalization process is promoted. If the Company fails to timely identify the key operational risk points in each of its 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.

2. 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, under the overall risk management system framework of four pillars, the Company has been continuously promoting the construction of the risk culture, improving the risk management system, optimizing risk management organization, constructing the risk management information system, enhancing professional level of risk management, and bringing in professional risk management talents, etc. Under the guidance of the integrated company development strategy, the Company continuously constructs and implements powerful, independent, and precise management and control system, constructs effective overall risk management strategy, organization, system, technology and personnel system, promotes the effective utilization of company risk resources, controls the risks within the scope which matches with the company risk preferences, and supports steady development of company business and development of innovative business and products. In 2017, the Company actively implemented the requirements under the "Comprehensive Risk Management Standards for Securities Companies" and conducted daily risk management and various key projects based on the principle of "full coverage of risks, monitoring of risks, measurement of risks, analysis of risks and handling of risks", so as to continue to improve the comprehensive risk management system.

(2) Specific management for various risks

① Policy risk management

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

② Liquidity risk management

The Company implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under normal situation and pressure state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about liquidity risk index to 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 implements multi-level liquidity reserve management, sets corresponding risk limit for the liquidity reserve of the Company and conducts daily monitoring for relevant indexes; 4) The Company establishes liquidity risk limit system for indicators of liquidity portfolio and conducts daily calculation and supervision for the relevant monitoring indexes in accordance with requirements for liquidity risk supervision and internal liquidity risk management; 5) The Company regularly or irregularly evaluates cash gap and liquidity risk index of the Company under circumstances of internal and external liquidity pressure and formulates corresponding liquidity management strategies; 6) The Company regularly or irregularly carries out liquidity risk drill and optimizes and perfects liquidity risk emergency disposal processes and mechanism of the Company based on the drill condition.

In 2017, faced with a market of neutral to tight liquidity, the Group strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity regulatory indicators with the regulatory standards through early calculation and planning; the Group calculated the cash flow on the asset and liability sides daily for the next period of time and evaluated the shortest survival time; the Group assessed liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure secured liquidity of the Company.

③ Market risk management

The Company sets market risk tolerance of the Company based on principles of active management and quantization orientation in accordance with risk preference of the Company and guarantees market risk undertaken by the Company is within the risk tolerance set by the Company through identification, evaluation, measuring, monitoring and management. With development of the FICC business, derivative products business and overseas business of the Company, the Company will enhance effectiveness and efficiency of risk management through the following measures to cope with more complicated market risk: 1) The Company further refines risk limits for various businesses, 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 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 domestic and 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, measuring and monitoring of dynamic risk, timely risk report and settlement to effectively prevent or avoid risk event, reduce loss of the Company due to risk event and achieve income maximization after risk adjustment within the scope that credit risk can be accepted. The Company will stick to the following basic principles for credit risk management: 1) The Company shall identify and manage credit risk included in all products and business including new product and new business; 2) The Company controls risk at the front end by formulating risk policy about credit business (including due diligence request of the customer, business access requirement); 3) The Company improves credit management of counterparties by 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.. For the purpose of adapting to the complicated internal and external environment and in response to the operational risks featuring with various factors and broad aspects, the Company has improved the level and effect of operational risk control through the following measures: 1) The Company improved the operational risk management system and operational mechanism, strengthened the joint coordination between the three lines of defense of the operational risk management, and enhanced the in-depth analysis and rectification tracking of the operational risk related issues; 2) The Company 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 established the operational risk management system and gradually realizes the systematization and standardization of the operation risk management; 4) The Company explored the collective management system framework of the operational risk and gradually implemented it by launching a pilot program; 5) Together with the construction of operational risk management system, the Company continued to improve the access assessment on the new products and new business and the construction of the post-launch dynamic tracking management mechanism.

⑥ Compliance Risk Management

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

⑦ Information Technology Risk Management

During the Reporting Period, the Company 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 information system was further enhanced with effective prevention, solution and tackling methods for information technology risk, ensuring the safe, reliable and stable operation of 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.

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

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

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

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

The Company regards pressure test tools as significant tools of risk assessment and management of the Company and regularly and irregularly carries out comprehensive and special pressure test evaluations to provide support for business decision making and operation management in accordance with requirements of "Guidelines for Pressure Test of Securities Companies" (《證券公司壓力測試指引》) and in combination with business development situation and risk management demand. In 2017, the Company has carried out comprehensive pressure test and submitted reports in accordance with requirements of the Securities Association of China. The Company has carried out special pressure test analysis for carrying out innovative business, significant market fluctuation, major business scale adjustment and important decision of the Company and continuously improved risk factor and scenario design, optimized model and method of parameter setting to optimize the effectiveness of pressure test results.

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

The Company has established sound capital complement mechanism in accordance with the “Guidelines for Capital Complement of Securities Companies” (《證券公司資本補充指引》) issued by the Securities Association of China, to broaden capital complement channels, improve capital quality and strengthen capital constraints. In 2017, in order to strengthen and promote the construction of the Group’s capital management system, the Company carried out analysis in light of various core elements such as regulatory requirements, the Company’s profitability and shareholders’ return, corporate strategy and business development, industry environment and financing cost and formulated the Group’s capital management plan. The plan includes five core elements of capital management, capital complement triggering conditions and capital adequacy evaluation mechanism, capital plan implementation and promotion mechanism and capital complement mechanism. When the capital adequacy ratio indicator exceeds the threshold, comprehensive evaluation will be made on the necessity of complementing capital. The Company will regularly monitor the relevant indicators and continuously optimize and improve the capital adequacy evaluation mechanism.

4. Compliance with risk control indicators during the Reporting Period

In 2017, the Company’s core risk control indicators were in good operation and complied with regulatory standards. As of December 31, 2017, net asset of the parent company was RMB75,980 million. Net capital was RMB63,665 million, of which Tier 2 net capital was RMB9,950 million and core net capital was RMB53,715 million. As at the end of 2017, the Company maintained a relatively high security margin for various risk control indicators, which have reserved spacious room for business development.

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

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

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

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
January 1, 2017 to December 31, 2017	Telephone communication	Individual	Individual	Operation and development of the Company
January 5, 2017	Performance road show	Institution	Investors invited to 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	J.P.Morgan	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, GFHAM, 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	Performance road show	Institution	Analysts and investors invited to the 2016 Annual Results Presentation of GF Securities	Strategic and business development of the Company

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
March 30, 2017	Performance road show	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
April 18, 2017	Field research	Institution	Capital International, The Capital Group	Operation and development of the Company
April 20, 2017	Telephone communication	Institution	Maple Brown Abbott	Operation and development of the Company
April 28, 2017	Performance road show	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	Performance road show	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, Shenzhen KWT Investment, GF Securities	Operation and development of the Company
May 17, 2017	Performance road show	Institution	Investors invited to the Singapore Asian Concept Summit sponsored by Deutsche Bank	Strategic and business development of the Company
May 18, 2017	Performance road show	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	Performance road show	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	Performance road show	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

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
June 6, 2017	Performance road show	Institution	Investors invited to the 2017 Global China Summit sponsored by JP Morgan Chase	Strategic and business development of the Company
June 15, 2017	Performance road show	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
July 4, 2017	Field research	Institution	TF Securities	Operation and development of the Company
July 5, 2017	Field research	Institution	Zhongtai Securities	Operation and development of the Company
July 6, 2017	Field research	Institution	CITIC Securities, APS Asset Management	Operation and development of the Company
July 6, 2017	Field research	Institution	Guotai Junan Securities, Huatai Securities	Operation and development of the Company
July 10, 2017	Field research	Institution	Matthews Asia	Operation and development of the Company
July 14, 2017	Performance road show	Institution	Investors invited to the Mid-2017 Investment Strategy Conference of Shenwan Hongyuan	Strategic and business development of the Company
July 25, 2017	Telephone communication	Institution	Goldman Sachs	Operation and development of the Company
July 25, 2017	Field research	Institution	Changjiang Securities, Orient Securities	Operation and development of the Company
August 28, 2017	Performance road show	Institution	Analysts and investors invited to the 2017 Interim Results Presentation of GF Securities	Strategic and business development of the Company
September 4, 2017	Telephone communication	Institution	Tengyue Partners	Operation and development of the Company
September 7, 2017	Field research	Institution	J.P.Morgan, BlackRock, Senrihan Capital, Moore Capital, CIMB, Capital International, State Street Global Advisors, Robeco, AIA, Japan Post Bank	Operation and development of the Company

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
September 12, 2017	Telephone communication	Institution	Maple-brownabbott Investment, Citi Research	Operation and development of the Company
September 13, 2017	Field research	Institution	Zhongtai Securities, Tebon Securities	Operation and development of the Company
September 13, 2017	Field research	Institution	Abu Dhabi Investment Authority, CITIC Securities	Operation and development of the Company
September 25 to 27, 2017 (ET)	Performance road show	Institution	Investors invited to the Citigroup Pan Asia Forum NY, Boston	Strategic and business development of the Company
October 13, 2017	Performance road show	Institution	Investors invited to the J.P.Morgan China A-Share Opportunities Forum	Strategic and business development of the Company
October 30, 2017	Performance road show	Institution	Analysts and investors invited to the 2017 Third Quarterly Results Teleconference of GF Securities	Strategic and business development of the Company
November 2, 2017	Performance road show	Institution	Investors invited to the 2017 China Investors Forum of Credit Suisse AG	Strategic and business development of the Company
November 3, 2017	Performance road show	Institution	Investors invited to the 12th Citigroup China Investors Forum	Strategic and business development of the Company
November 9, 2017	Performance road show	Institution	Investors invited to the 2017 China Investors Forum sponsored by Bank of America Merrill Lynch	Strategic and business development of the Company
November 10, 2017	Performance road show	Institution	Investors invited to the 2017 China Investors Forum sponsored by Daiwa Capital	Strategic and business development of the Company
November 17, 2017	Performance road show	Institution	Investors invited to the 2017 Morgan Stanley Asia-pacific Investors Summit	Strategic and business development of the Company
November 22, 2017	Performance road show	Institution	Investors invited to the 2017 Asia Financials Corporate Day	Strategic and business development of the Company
December 13, 2017	Performance road show	Institution	J.P.Morgan	Operation and development of the Company
December 13, 2017	Performance road show	Institution	CICC	Operation and development of the Company
December 19, 2017	Telephone communication	Institution	Credit Suisse AG	Operation and development of the Company
December 25, 2017	Field research	Institution	Fidelity Fund	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).

Number of reception	49
Number of institutional participants	Approximately 300
Number of individual participants	No onsite visit by individual investors
Number of other participants	None
Whether or not disclose, reveal or leak undisclosed significant information	Not

In 2017, the Company organized four local and overseas results presentations and answered 41 questions raised by investors via the EasyIR platform of Shenzhen Stock Exchange.

XIII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

XIV. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

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

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

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

XVI. PERFORMANCE OF SOCIAL RESPONSIBILITIES

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

XVII. TAX CONCESSION

(I) Holders of A-shares

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

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

Listed companies will withhold and remit enterprise income tax at the tax rate of 10% for qualified foreign institutional investors (QFII) in accordance with provisions of the “Notice of State Administration of Taxation on Relevant Issues Regarding the Withholding and Payment of Enterprise Income tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII” (GSH2009 No. 47) 《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函2009[47]號). If dividends and bonus obtained by QFII shareholders need to enjoy tax convention (arrangement) treatment, they can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

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

(II) Holders of H Shares

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

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

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

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

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

XVIII. Impact of implementing IFRS 9 “Financial instruments”

The Group will adopt IFRS 9 on 1 January 2018. For the details of its major impact, please refer to Note 2 to the consolidated financial statements.

Section 6

Significant Events



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

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

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

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

Specific Particulars of Cash Dividend Policy

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

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

Year of Dividend	Amount of Cash Dividends (tax inclusive)	Amount of Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements of the Year of Dividend	Percentage of Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements	Amount of	
				Cash Dividends Otherwise Distributed	Percentage of Cash Dividends Otherwise Distributed
2017	3,048,435,065.60	8,595,399,060.76	35.47%	—	—
2016	2,667,380,682.40	8,030,106,628.93	33.22%	—	—
2015	6,096,870,131.20	13,201,014,064.72	46.18%	—	—

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

Number of bonus shares (shares) distributed per 10 shares	0
Amount of dividends (RMB) (tax inclusive) distributed per 10 shares	4.0
Number of shares (shares) converted per 10 shares	0
Equity base (shares) for distribution proposal	7,621,087,064
Total cash dividends (RMB) (tax inclusive)	3,048,435,065.60
Distributable profit (RMB)	18,701,927,240.01
Percentage of cash dividends in total profit distribution	100%

Current Distribution of Cash Dividends

Based on the number of shares held as at the record date, it was proposed that a cash dividend of RMB4.0 (tax inclusive) for every 10 shares be distributed to all shareholders. Based on the Company's existing share capital of 7,621,087,664 shares, the total cash dividend would be RMB3,048,435,065.60, and the remaining undistributed profit of RMB15,886,410,963.64 would be carried forward to the next year.

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

According to the figures in the Company's consolidated statements in 2017 audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP., the net profit attributable to owners of the parent company was RMB8,595,399,060.76; the net profit of the parent company was RMB6,065,591,170.15 and the distributable profit for the year was RMB20,754,745,672.78.

Having considered the requirements under the Company Law, the Securities Laws, the Financial Rules for Financial Enterprises, the Articles of Association of the Company and the Document (No. [2007] 320) issued by the CSRC, the Company proposed the following profit distribution for the year of 2017 in the interest of the shareholders and the development of the Company:

In 2017, the parent company of GF Securities achieved a net profit of RMB6,065,591,170.15, and in accordance with the provisions of the Articles of Association of the Company, each of the statutory surplus reserve, the general risk reserve, and the transaction risk reserve was credited with 10% of the net profit, amounting to RMB606,559,117.02 for each of the reserves. According to the Provisional Measures on Supervision and Administration of Risk Reserve of Public Offering of Securities Investment Funds (《公開募集證券投資基金風險準備金監督管理暫行辦法》), a fund custodian should appropriate no less than 2.5% of the income from fund custodian fees to the risk reserve on a monthly basis. A sum of RMB222,292.48 was appropriated to the general risk reserve for asset custodian business, and the remaining distributable profit amounted to RMB18,934,846,029.24.

The above distribution proposal will be submitted to the Company's 2017 annual general meeting for consideration, and cash dividend will be distributed within two months after the pass of the proposal by the Company's 2017 annual general meeting.

According to the Document (No. [2007] 320) issued by the CSRC, securities firms shall not utilize the gains arising from fair value changes included in distributable profits to distribute cash dividends. After deducting the gains arising from fair value changes included in distributable profits, the distributable profit for cash dividends for the year amounted to RMB18,701,927,240.01.

The Company will announce in due course the date of the 2017 annual general meeting, and for the purpose of ascertaining the eligibility of the shareholders to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed. The Company will publish separate announcement on the record date and book closure period for the payment of the dividends to the H Shareholders, as well as the record date and the date for the payment of the dividends to A Shareholders.

III. IMPLEMENTATION OF COMMITMENTS

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

Cause of Commitment	Undertaking party	Type of Commitment	Details of Commitment	Date of Commitment	Term of Commitment	Performance
Share conversion undertakings/ undertakings made in acquisition report or equity changes report/ undertakings made in asset restructuring	The Company and its shareholders, directors, supervisors and senior management	Others	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	February 6, 2010	Nil	All undertaking parties have strictly performed the undertakings.

Cause of Commitment	Undertaking party	Type of Commitment	Details of Commitment	Date of Commitment	Term of Commitment	Performance
			<p>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:</p> <p>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>			

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

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

N/A

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

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

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

N/A

VI. APPOINTMENT AND REMOVAL OF ACCOUNTANTS

1. Currently Appointed Accounting Firms

PRC Accounting Firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of PRC Accounting Firm (RMB)	2.1 million
Continuous term of auditing service of PRC Accounting Firm	10 years
Name(s) of certified public accountant(s) of the PRC Accounting Firm	Hong Ruiming, Hu Xiaojun
International Accounting Firm	Deloitte Touche Tohmatsu
Remuneration of International Accounting Firm (RMB)	1.1 million
Continuous term of auditing service of the International Accounting Firm	3 years
Name(s) of certified public accountant(s) of the International Accounting Firm	N/A

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

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

In 2017, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as accounting firm for internal control audit with auditing fees at RMB350,000.

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

N/A

VIII. SIGNIFICANT LITIGATION AND ARBITRATION

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

As of December 31, 2017, the Company was involved in 57 litigation and arbitration cases (including those initiated by and against the Company) pending for final judgment or ruling, involving a total amount of claims at RMB571 million.

IX. PENALTY AND RECTIFICATION

1. 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 a written undertaking to 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.

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

2. Since the Company's securities branch located at Xianggang East Road in Qingdao failed to comply with the administrative requirements of Anti-Money Laundering Law relating to, among other things, internal control system, knowing the identity of customers, keeping records of customer information, large amount transaction and suspicious transaction reporting, the branch was imposed an administrative penalty by the Qingdao Branch of the People's Bank of China on September 29, 2017 and was subject to a fine of RMB100,000.

The Company regarded this matter with great importance and actively organized the relevant departments and the securities branch to implement various rectification measures which mainly involved, among other things, the construction of the anti-money laundering internal control system and organization structure, knowing the identity of customers and keeping of customer identification information and records and the reporting of suspicious transactions, and the rectification report was timely submitted.

3. Since the Company's Suixi securities branch in Zhanjiang failed to comply with the relevant requirements of laws and regulations including the Anti-Money Laundering Law, and did not strictly perform the obligations of knowing the identity of customers according to the provisions, the securities branch was imposed an administrative penalty by the Zhanjiang Center branch of the People's Bank of China on October 11, 2017 and was subject to a fine of RMB250,000.

The Company regarded this matter with great importance and actively organized the branch company and the securities branch to implement various rectification measures which mainly involved two aspects; firstly, to improve the internal system and the monitoring system of the Company, secondly, to complete continuous identification tasks on customers and analysis of suspicious transactions, and the rectification report was timely submitted.

4. On December 19, 2016, abnormal conditions occurred in the reporting of order status from the main trading system of GF Futures to Dalian Commodity Exchange, resulting in the inability of customers to obtain real-time reporting on the order status at Dalian Commodity Exchange and the normal trading of the customers was affected. The securities regulatory bureau of Guangdong issued the Decision on Adopting the Measure of Issuance of Warning Letter to GF Futures Co., Ltd. (關於對廣發期貨有限公司採取出具警示函措施的決定) on January 9, 2017.

The Company regarded this matter with great importance and took remedial actions promptly. In the morning session of the day when the system fault occurred, GF Future fixed the system immediately, trading settlement and other processes were conducted in an orderly manner, no significant complaint or disputes had occurred as a result of this incident. GF Futures actively implemented the various rectification requirements demanded in the warning letter, and completed acceptance inspection for the rectifications within the prescribed period.

5. GF Qianhe participated in the offline subscription business for the Initial Public Offering of shares by Wuxi Rural Commercial Bank through the investment account of its own proprietary funds and made payment for the subscription amount, however due to an objective error of the company, the subscription was invalid. The Securities Association of China issued a Warning Letter on Share Price Quotation for Initial Public Offering (關於首次公開發行股票詢價工作的警示函) to GF Qianhe on February 24, 2017.

The Company regarded this matter with great importance and adjusted the remedial measures in a timely manner. GF Qianhe made a timely explanation and delivered an explanatory letter to the Securities Association of China, and made improvements to its system and process.

X. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

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

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

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

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

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

Not Applicable

XIII. MAJOR RELATED TRANSACTIONS

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

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

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

In 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 Annual General Meeting of 2016 upon deliberation.

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

Part of the related party transactions set out in Note 63 of the Notes to the Consolidated Financial Statements constitute exempted continued connected transactions under Chapter 14A of the Hong Kong Listing Rules. The Company has confirmed that such related party transactions are in compliance with the requirements under Chapter 14A of the Hong Kong Listing Rules and are exempted from the reporting, announcement and independent shareholders' approval requirements.

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

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

During the Reporting Period, the Company had no related transaction in respect of the acquisition and sale of assets or equity interest.

3. Related Transactions in respect of Joint External Investment

During the Reporting Period, the Company had no related transaction in respect of material joint external investment.

4. Amount due to or from Related Parties

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

Unit: RMB

Item Name	Related Party	Amount as of the end of the period	Amount as of the beginning of the period
Seats commission and trailing commission receivable	E Fund Management Co., Ltd.	8,658,509.59	5,784,111.40
Seats commission and trailing commission receivable	Golden Eagle Fund Management Co., Ltd.	342,718.43	262,979.23
Seats commission and trailing commission receivable	Harvest Fund Management Co., Ltd.	2,446,080.93	2,978,162.08

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

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

5. Other material related transactions

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

6. Opinions of independent non-executive directors

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

XIV. MAJOR CONTRACTS AND THEIR PERFORMANCE

1. Custody, Contracting and Leases

(1) *Custody*

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

(2) *Contracting*

In May 2013 and September 2017, the Company and Guangzhou Construction Co., Ltd. entered into the “Construction General Contract for GF Securities Tower” and the relevant supplementary agreement. Guangzhou Construction Co., Ltd. is the main contractor for the construction of GF Securities Tower. The tentative contract price is RMB1,062 million.

(3) *Leases*

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

2. Material Guarantees

(1) Guarantees

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

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

Guarantees Provided to Subsidiaries by the Company

Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee	Term of Guarantee	Performance Fulfilled or not	Guarantee provided to Related Parties or not
GF Financial Markets (UK) Limited (Industrial and Commercial Bank of China Limited Guangzhou No. 1 Sub-branch issued a financing letter of guarantee or standby letter of credit, the Company undertook guarantee liabilities to the extent of the amount of the letter of guarantee ultimately and actually signed).	August 26, 2017	US\$70 million and relevant interest and expenses (if any).	August 25, 2017	US\$40 million	Joint and several guarantee liabilities	Until September 3, 2019	No	No

Total amount of guarantees for subsidiaries approved during the Reporting Period (B1)	RMB457.394 million	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)	RMB261.368 million
Total amount of guarantees for subsidiaries approved as at the end of the Reporting Period (B3)	RMB457.394 million	Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)	RMB261.368 million

Guarantees Provided to Subsidiaries by the Company

Name of the Guaranteed Party	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee	Term of Guarantee	Performance Fulfilled or not	Guarantee provided to Related Parties or not
GF Securities (Hong Kong) Brokerage Limited (GFHK provided guarantee to it)	December 19, 2013	HK\$50 million and relevant interest and expenses (if any)	December 16, 2013	HK\$50 million	Joint and several guarantee liabilities	From the date of agreement up to one month after the bank has received a termination notice in writing from the guarantor or the liquidator or receiver of the guarantor	No	No
Total amount of guarantees for subsidiaries approved during the Reporting Period (C1)			0	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)				RMB41.7955 million
Total amount of guarantees for subsidiaries approved as at the end of the Reporting Period (C3)			RMB41.7955 million	Total actual balance of guarantee provided to subsidiaries as at the end of the Reporting Period (C4)				RMB41.7955 million
Total Amount of Guarantees Provided by the Company (i.e. the total of the first three major items)								
Total amount of guarantees approved during the Reporting Period (A1+B1+C1)			RMB457.394 million	Total actual amount of guarantees provided during the Reporting Period (A2+B2+C2)				RMB303.1635 million
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)			RMB499.1895 million	Total actual balance of guarantees provided as at the end of the Reporting Period (A4+B4+C4)				RMB303.1635 million
Total actual amount of guarantees as a percentage of the net assets of the Company Including:								0.36%
Balance of guarantees provided to shareholders, de facto controller and their related parties (D)								0
Balance of debt guarantees provided directly or indirectly to guaranteed parties with gearing ratio over 70% (on the date of resolution) (E)								0
Amount of total guarantees above 50% of net assets (F)								0
Total of the above 3 amounts of guarantees (D+E+F)								0
For outstanding guarantees, description on the guarantee liabilities or possible joint and several liabilities of repayment occurred during the Reporting Period (if any)						The potential debt liabilities may be borne by GFHK in respect of this guarantee item which will increase the potential level of gearing ratio of GFHK.		
Description on the provision of external guarantee with non-compliance in required procedures (if any)								No

Note: Calculated by the central parity exchange rates of Hong Kong dollar to Renminbi at 1:0.8359 and US dollar to Renminbi at 1:6.5342 published by the People's Bank of China on December 29, 2017.

(2) Non-compliance in external guarantees

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

3. Cash asset management conducted by other entrusted parties

(1) Entrusted wealth management

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

(2) Entrusted loans

Unit: RMB'0,000

Total amount of entrusted loans	Source of funds of entrusted loans	Outstanding balance	Unrecovered overdue amount
8,300.00	Self-owned funds	5,957.76	—

Specific particulars of entrusted loans:

Unit: RMB'0,000

Borrower	Type of borrower	Loan interest rate	Loan amount	Source of funds	Start date	End date	Expected income	Actual profit/loss amount in the Reporting Period	Actual profit/loss recovered in the Reporting Period	Impairment provision	Through legal process or not	Any future plans of entrusted loans
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery industries	8.80%	2,000.00	Self-owned funds	Feb 1, 2016	Dec 21, 2018	357.57	134.45	134.45	5.00	Yes	No for the time being
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery industries	8.80%	3,000.00	Self-owned funds	Sep 19, 2016	Sep 5, 2019	536.36	248.42	248.42	13.26	Yes	No for the time being
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery industries	8.00%	1,800.00	Self-owned funds	Oct 13, 2017	Oct 13, 2020	292.21	122.26	122.26	9.00	Yes	No for the time being
Guangzhou Joysim Technology Co., Ltd.	Information transmission, software and information technology service industry	5.80%	1,500.00	Self-owned funds	Aug 28, 2017	Feb 28, 2018	24.03	20.58	20.58	2.52	Yes	No for the time being
Total			8,300.00	—	—	—	1,210.17	525.71	—	29.79	—	—

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

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

Nil

4. Other major contracts

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

XV. SOCIAL RESPONSIBILITIES

1. Fulfillment of Social Responsibilities

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

During the Reporting Period, the Group's total charitable expenses amounted to RMB16,958,600. The "GF Securities Social Charity Foundation in Guangdong Province" established by the Group actively conducted various activities such as helping the poor and donating money for education with annual charitable expenses of over RMB14,529,400; continued to care about environmental and ecological development, advocated low-carbon environmental protection, continued to promote the green operation and green office concepts, upgraded and optimized the video conference system, paperless conference system, teleconference system and meeting room reservation system, and continued to outsource printing of documents so as to save energy consumption and optimize allocation of resources to make active contribution to the sustainable development of the society. Please refer to the 2017 Social Responsibility Report of GF Securities Co., Ltd. attached hereto and disclosed on the websites of CNINFO (www.cninfo.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

2. Fulfillment of the social responsibility of targeted poverty alleviation

(1) *Planning for targeted poverty alleviation*

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

(2) Summary of annual targeted poverty alleviation

During the Reporting Period, the Group contributed a total of approximately RMB9,895,300 in poverty alleviation to assist Wuzhishan city in Hainan Province, Tianjinggang village and Xiaxi village in Lechang city in Guangdong Province Xi county in Shanxi Province and Pu'er city in Yunnan Province as well as Fenxi county in Shanxi Province to implement targeted poverty alleviation work and actively performed the social responsibilities of corporate citizen.

In the “one company one county” campaign among securities companies, the Company established the leadership group and office to assist the formation of “one company one county” ties for poverty alleviation and was responsible for decision-making and supervision tasks, formulation of work proposals, actual implementation and follow-up measures for poverty alleviation. Starting from brand building for specific industries in Wuzhishan City and strengthening the collective economies in villages, the infrastructure construction project for the fruit base in Maodao Xiang commenced. To enhance poverty alleviation through education, the “GF Inspirational Class” project was launched in the Second Health School in Hainan Province. Thematic training was also held to promote the capital market development in Wuzhishan.

In the targeted poverty alleviation work carried out in Guangdong Province, poverty alleviation through industries was implemented, an exemplary base for snow chicken farming was built and the village obtained profit distribution of RMB70,000 collectively and led to an increase in the average household income by approximately RMB6,000 for 24 poor families. Improvement was also made to the living environment by constructing more beautiful villages, increasing infrastructural investments, reconstructing village roads and lanes with a solid foundation, installing solar energy street lamps and reconstruction of dilapidated houses for poor households. During the Reporting Period, 24 households and 78 poor people from the Tianjinggang village successfully got rid of poverty through our assistance. The Company built photovoltaic power stations in Wuzijin Village and Xidiya Village in Yangtousheng Xiang in Shanxi Province.

Subsidiaries of the Group also participated actively in poverty alleviation work to establish combined forces for targeted poverty alleviation. In 2017, GF Futures bought agricultural insurance for poor farmer in Pu'er City in Yunnan Province and GF Fund built photovoltaic farms for Fenxi County, and assistance was provided to tie up with county to carry out poverty alleviation.

(3) Results of targeted poverty alleviation

Indicators	Unit of measurement	Quantity/ development status
I. General Information	—	—
Including:		
1. Funds	RMB 10,000	935.88
2. Assistance to establish files to record the number of people removed from poverty	person	78
II. Sub-segments of Investments	—	—
1. Poverty removal through industrial development	—	—
Including:		
1.1 Type of industrial development project for poverty removal	—	Poverty alleviation through agricultural and forestry industries and revenue from assets
1.2 Number of industrial development projects for poverty removal	project	5
1.3 Invested amount in industrial development projects for poverty removal	RMB 10,000	443.11
1.4 Assistance to establish files to record the number of people removed from poverty	person	78
2. Transfer of jobs for poverty removal	—	—
Including:		
2.1 Invested amount in vocational skills training	RMB10,000	1.2
2.2 Number of participants in vocational skills training	person	120
3. Poverty removal by education	—	—
Including:		
3.1 Invested amount to endow poor students	RMB10,000	37.85
3.2 Number of endowed poor students	person	26
4. Poverty alleviation through health	—	—
Including:		
4.1 Invested amount in medical and health resources in poverty areas	RMB10,000	37.62
5. Poverty alleviation through ecosystem protection	—	—
Including:		
5.1 Type of projects	—	Improvement to living environment and external look and landscape of villages
5.2 Invested amount	RMB10,000	88.68
6. Back-up protection	—	—

Indicators	Unit of measurement	Quantity/ development status
Including:		
6.1 Invested amount for “three residence” staff	RMB10,000	14.81
6.2 Number of “three residence” staff assisted	person	27
6.3 Invested amount for poor handicapped people	RMB10,000	7.26
6.4 Number of poor handicapped people assisted	person	11
7. Social poverty alleviation	–	–
Including:		
7.1 Invested amount in targeted poverty alleviation work	RMB10,000	989.53
8. Other projects	–	–
Including:		
8.1 Number of projects	project	8
8.2 Invested amount	RMB10,000	359.01
III. Awards received (details and grade)	Awarding Organisation	
2017 Special Tribute Award	The 7th China Charity Festival	
2017 Charity Project Award	The 7th China Charity Festival	
2017 Participation of Social Forces in Disaster Rescue Pioneer Unit	China Foundation for Poverty Alleviation	
Best Social Responsibility Enterprise of the Year	Annual Conference of Corporate Social Responsibility in China	
Outstanding Enterprise Award	2017 Corporate Social Responsibility Ranking in China by China Business News	
2017 Pioneer Organization in Poverty Alleviation by Education	Parade of Poverty Alleviation Pioneers in the Capital Market of China by International Financial News	
2017 Best Case of Poverty Alleviation by Industry	Parade of Poverty Alleviation Pioneers in the Capital Market of China by International Financial News	
Most Influential Award	Guangzhou Charity Association Charity for Citizens – 2017 Guangzhou Charity Gala	
Five Star Award on Donation Ranking	Guangzhou Charity Association Charity for Citizens – 2017 Guangzhou Charity Gala	
Excellent Enterprise Award	2017 Corporate Social Honour Presentation Ceremony by Southern Publishing and Media and New Weekly	

Note: Total amount invested in targeted poverty alleviation by the Company in 2017 was RMB9,895,300, the full amount was used in the targeted poverty alleviation work mentioned in 7.1.

(4) Targeted poverty alleviation follow-up programs

- ① Formation of the poverty alleviation mechanism. Under the centralized coordination of the poverty alleviation office, poverty alleviation meetings were held regularly and participated by all departments and subsidiaries of the Company to research, implement and improve the poverty alleviation projects.
- ② Continuous implementation of poverty alleviation projects in Wuzhishan city. Firstly, through continuous exploration of potential industries and financial projects for poverty alleviation in Wuzhishan city, the Company planned to start business actively in Wuzhishan city. Secondly, by increasing the number of dedicated personnel to oversee the implementation and progress of poverty alleviation projects in Wuzhishan city, the poverty alleviation force in Hainan would be strengthened.
- ③ Implementation of various poverty alleviation projects in Tianjinggang village. Following the national, provincial commission and provincial government requirements practicably, the focus was placed on the implementation of the beautiful village construction project in Tianjinggang village. Plans were made to use the online sales platform to realize sales of snow chicken and other agricultural products. Completion of building solid surface of village roads and lanes would be accomplished.
- ④ Preparation for the evaluation and acceptance inspection of poverty alleviation projects would be ready to complete this round of poverty alleviation tasks. The key focus will be the establishment of a long-term effective poverty removal mechanism in Tianjinggang village. Based on guaranteed income for the village collective, stable income for the poor families will be realized and the livelihood of citizens will be improved, this will help to ensure that poverty will not come back to the poor families due to illness or poor education.

3. The relevant conditions of environmental protection

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

The Company strictly observes laws and regulations including the Law on Environmental Protection of the People's Republic of China and the Law on Energy Saving of the People's Republic of China, and always applies green operation throughout the whole process of operational management by focusing on green and environmental operating concepts in various aspects of operation, in order to attain sustainable growth and organic fusion of society, environment and economic benefits. The Company has been practising green operation concepts actively for a long time, and has actively promoted a paperless office, various measures are also adopted to reduce the adverse effects of the Company's operation on the environment and natural resources. Please refer to the 2017 Social Responsibility Report of GF Securities Co., Ltd. disclosed concurrently with this report on the websites of CNINFO (www.cninfo.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

XVI. PARTICULARS OF OTHER SIGNIFICANT ISSUES

1. Changes in brokerage branches

As of December 31, 2017, the Company had a total of 20 branches and 264 securities business departments that cover 31 provinces, municipalities and autonomous regions. During the Reporting Period, a total of 14 business branches of the Company completed relocation within the same city or to other cities.

2. According to the resolution passed by the 2016 annual general meeting of the Company, it was agreed that the address of the Company would be relocated 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 published an announcement in June 2017 informing that it had completed the change in business registration in accordance with the laws and obtained the revised business license and the permit for the operation of securities and futures business.
3. During the Reporting Period, in order to streamline the relevant business operation mechanism of the Company, the Company eliminated the stock trading department and the original functions of this department were consolidated and adjusted. According to the development needs of the securities investment business, the Company established the securities investment business management headquarters to exercise central management over the securities investment business. The securities investment business management headquarters have three tier-one divisions including the equities and derivatives investment division, fixed income investment division and capital intermediary division.

XVII. SIGNIFICANT MATTERS FOR THE SUBSIDIARIES OF THE COMPANY

1. The Securities Association of China issued the Management Rules for the Private Investment Fund Subsidiaries under Securities Companies (證券公司私募投資基金子公司管理規範) and the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (證券公司另類投資子公司管理規範) on December 30, 2016, which put forward new norms and requirements for the private investment fund subsidiaries and the alternative investment subsidiaries under securities companies. During the Reporting Period, the relevant subsidiaries organized by the Group have conducted rectifications and developed businesses strictly in compliance with requirements. Both the Company and GF Xinde were included in the list of the regulated platforms of the Securities Association of China, achieving results for this stage.
2. In November 2017, the Company resolved to increase the capital contribution in GF Futures by RMB100 million. In December 2017, the Company completed the above capital increase pursuant to the resolution. GF Futures renewed the business license and the permit for the operation of securities and futures business, the registered capital was RMB1.4 billion.

XVIII. 2017 INDEX OF INFORMATION DISCLOSURE

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

No.	Matters of Announcement	Date of Publication
1	Announcement on 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 37 th Meeting of the Eighth Session of the Board of Directors	March 21, 2017
5	Announcement on the Estimated Daily Related/Connected Transactions for 2017	March 25, 2017
6	Announcement on the Resolutions of the 38 th Meeting of the Eighth Session of the Board of Directors	March 25, 2017
7	Highlights of the 2016 Annual Report	March 25, 2017

No.	Matters of Announcement	Date of Publication
8	Declaration by the Nominator and Candidate of Independent Director (Tang Xin)	March 25, 2017
9	Declaration by the Nominator and Candidate of Independent Director (Chan Kalok)	March 25, 2017
10	Declaration by the Nominator and Candidate of Independent Director (Yang Xiong)	March 25, 2017
11	Announcement on the Resolutions of the 15 th Meeting of the Eighth Session of the Supervisory Committee	March 25, 2017
12	Notice of the 2016 Annual General Meeting	March 25, 2017
13	Announcement on the Resignation of Mr. Chen Aixue as Director	March 29, 2017
14	Announcement on the Key Financial Information for March 2017	April 12, 2017
15	Declaration by Nominator and Candidate of Independent Director (Li Yanxi)	April 19, 2017
16	Supplementary Notice on the 2016 Annual General Meeting	April 19, 2017
17	Announcement on the Provisional Proposal of Liaoning Chengda Co., Ltd. on the Candidates for Independent Non-executive Directors for the Ninth Session of the Board of Directors of the Company	April 19, 2017
18	Announcement on the Result of the Issuance of the 2017 (First Tranche) Short-term Corporate Bonds of Securities Firms	April 21, 2017
19	Announcement on the Resolutions of the 16 th Meeting of the Eighth Session of the Supervisory Committee	April 28, 2017
20	Highlights of the 2017 First Quarterly Report	April 28, 2017
21	Announcement on the Resolutions of the 39 th Meeting of the Eighth Session of the Board of Directors	April 28, 2017
22	Announcement on the Result of Issuance of the 2017 (Second Tranche) Short-term Corporate Bonds of Securities Firms	April 28, 2017
23	Announcement on the Name Change of the 2016 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 5, 2017
24	Summary of the Offering Document of the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 5, 2017
25	Announcement on the Issuance of the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 5, 2017

No.	Matters of Announcement	Date of Publication
26	Announcement on Reminder Notice of the 2016 Annual General Meeting	May 6, 2017
27	Announcement on the Key Financial Information for April 2017	May 6, 2017
28	Announcement on the Coupon Rate for the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 9, 2017
29	Announcement on the Election Result of Employee Representative Supervisors	May 11, 2017
30	Announcement on the Resolutions of the 2016 Annual General Meeting	May 11, 2017
31	Announcement on the Resolutions of the 1 st Meeting of the Ninth Session of the Supervisory Committee	May 11, 2017
32	Announcement on the Resolutions of the 1 st Meeting of the Ninth Session of the Board of Directors	May 11, 2017
33	Announcement on the Result of Issuance of the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 12, 2017
34	Announcement on the Result of Redemption and Delisting upon the exercise of "16 GF 01" Subordinated Bonds	May 13, 2017
35	Announcement on Approval for Amendment to Material Clauses in the Articles of Association of the Company by the Guangdong Bureau of the CSRC	May 16, 2017
36	Announcement on the Approval for the Appointment Qualifications of Ms. Liu Xuetao and Mr. Li Yanxi as Directors	May 25, 2017
37	Announcement on the Result of Issuance of the 2017 (Third Tranche) Short-term Corporate Bonds of Securities Firms	May 27, 2017
38	Announcement on the Listing of the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 27, 2017
39	Announcement on the Payment of Principal and Interest and Delisting of "15 GF 05" Subordinated Bonds	June 2, 2017
40	Announcement on the Key Financial Information for May 2017	June 7, 2017
41	Announcement on the Renewal of Business License and Permit for the Operation of Securities and Futures Business	June 10, 2017
42	Announcement on the Interest Payment in 2017 for 2013 Corporate Bonds	June 10, 2017
43	Announcement on the Result of Redemption and Delisting upon the exercise of "15 GF 07" Subordinated Bonds	June 16, 2017

No.	Matters of Announcement	Date of Publication
44	Announcement on the Implementation of Profit Distribution for A Shares for 2016	June 27, 2017
45	Announcement on the Key Financial Information for June 2017	July 11, 2017
46	Announcement on the Result of Issuance of the 2017 (Fourth Tranche) Short-term Corporate Bonds of Securities Firms	July 13, 2017
47	Announcement on the Issuance of the 2017 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	July 20, 2017
48	Announcement on the Name Change of the 2016 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	July 20, 2017
49	Summary of the Offering Document of the 2017 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	July 20, 2017
50	Announcement on the Coupon Rate of the 2017 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	July 24, 2017
51	Announcement on the Result of Redemption and Delisting upon the exercise of "14 GF 02" Subordinated Bonds	July 25, 2017
52	Announcement on the Result of Issuance of the 2017 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	July 27, 2017
53	Announcement on the Listing of the 2017 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	July 29, 2017
54	Announcement on the Result of Issuance of the 2017 (Fifth Tranche) Short-term Corporate Bonds of Securities Firms	August 4, 2017
55	Announcement on the Key Financial Information for July 2017	August 5, 2017
56	Announcement on the Resolutions of the 2 nd Meeting of the Ninth Session of the Board of Directors	August 17, 2017
57	Announcement on the Result of Issuance of Corporate Bonds by way of Private Placement	August 22, 2017
58	Announcement on the Resolutions of the 2 nd Meeting of the Ninth Session of the Supervisory Committee	August 26, 2017
59	Announcement on the Resolutions of the 3 rd Meeting of the Ninth Session of the Board of Directors	August 26, 2017
60	Highlights of the 2017 Interim Report	August 26, 2017
61	Announcement on the Provision of Guarantee for the Offshore Loans of GF Financial Markets (UK) Limited	August 26, 2017

No.	Matters of Announcement	Date of Publication
62	Announcement on the Result of Issuance of Corporate Bonds by way of Private Placement	September 5, 2017
63	Announcement on the Annual Cumulative Amount of New Borrowings Above 20% of the Net Assets as at the end of the Preceding Year	September 7, 2017
64	Announcement on the Key Financial Information for August 2017	September 7, 2017
65	Notice of the 2017 First Extraordinary General Meeting	September 12, 2017
66	Announcement on the Resignation of the Chairman of the Supervisory Committee of the Company	September 19, 2017
67	Announcement on the Election of Employee Representative Supervisor	September 19, 2017
68	Announcement on the Resolutions of the 3 rd Meeting of the Ninth Session of the Supervisory Committee	September 19, 2017
69	Announcement on the Result of Issuance of the 2017 (Sixth Tranche) Short-term Corporate Bonds of Securities Firms	September 26, 2017
70	Announcement on the Result of Issuance of Corporate Bonds by way of Private Placement	October 10, 2017
71	Clarification Announcement on Media Rumours	October 13, 2017
72	Announcement on the Key Financial Information for September 2017	October 17, 2017
73	Announcement on the Reminder Notice of the 2017 First Extraordinary General Meeting	October 24, 2017
74	Announcement on the Result of Issuance of Subordinated Bonds by way of Private Placement	October 26, 2017
75	Announcement on the Resolutions of the 4 th Meeting of the Ninth Session of the Supervisory Committee	October 28, 2017
76	Announcement on the Resolutions of the 4 th Meeting of the Ninth Session of the Board of Directors	October 28, 2017
77	Announcement on the Resolutions of the 2017 First Extraordinary General Meeting	October 28, 2017
78	Highlights of the 2017 Third Quarterly Report	October 28, 2017
79	Announcement on the Result of Issuance of Subordinated Bonds by way of Private Placement	November 2, 2017
80	Announcement on the Key Financial Information for October 2017	November 7, 2017
81	Announcement on the Result of Issuance of the 2017 (Seventh Tranche) Short-term Corporate Bonds of Securities Firms	November 14, 2017

No.	Matters of Announcement	Date of Publication
82	Announcement on the Result of Issuance of the 2017 (Eighth Tranche) Short-term Corporate Bonds of Securities Firms	November 14, 2017
83	Announcement on the Key Financial Information for November 2017	December 7, 2017
84	Announcement on the Resignation of the Chief Risk Officer, Mr. Scott Xingong Chang	December 30, 2017

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

No.	Matters of Announcement	Date of Publication
1	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 to Non-Registered Shareholders	March 24, 2017
9	Notification Letter and Change of Request Form to Registered Shareholders	March 24, 2017
10	Reply Slip for 2016 Annual General Meeting	March 24, 2017
11	2016 Directors' Report/2016 Supervisory Committee's Report/2016 Final Financial Report/2016 Annual Report/2016 Profit Distribution Plan/Engaging Deloitte Touche Tohmatsu Limited as Auditors in 2017/ Authorization of Proprietary Investment Quota for 2017/2017 Expected Daily Related Party/Connected Transactions/Election of Directors for the Ninth Session of the Board of the Company/Election of Supervisors for the Ninth Session of the Supervisory Committee of the Company/ Amendment to the Articles of Association	March 24, 2017
12	Proxy Form for 2016 Annual General Meeting	March 24, 2017
13	Notice of Annual General Meeting	March 24, 2017
14	2016 Annual Report	March 24, 2017

No.	Matters of Announcement	Date of Publication
15	2016 Social Responsibility Report	March 24, 2017
16	Proposed Amendments to Articles of Association and Change of Company Address	March 24, 2017
17	Nomination of Director Candidates for the Ninth Session of the Board 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 Director	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 2016 Annual General Meeting	April 18, 2017
25	Supplemental AGM Notice	April 18, 2017
26	Election of Mr. Li Yanxi as Independent Non-Executive Director of the Ninth Session of the Board of the Company and Supplemental Notice of AGM	April 18, 2017
27	2017 First Quarterly Report	April 27, 2017
28	Monthly Return of Equity Issuer on Movements in Securities for the month ended April 30, 2017	May 5, 2017
29	Announcement on the Key Financial Information for April 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 Supervisor and Appointment of the Chairman of the Board of Directors, the Chairman of the Supervisory Committee and the General Manager	May 10, 2017
32	Announcement on the Poll Results of the 2016 Annual General Meeting	May 10, 2017
33	Articles of Association	May 11, 2017
34	Articles of Association	May 15, 2017
35	Announcement on the Distribution of Dividend for 2016	May 22, 2017

No.	Matters of Announcement	Date of Publication
36	Announcement on the Approval for the Appointment Qualifications of Ms. Liu Xuetao and Mr. Li Yanxi 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
39	Monthly Return of Equity Issuer on Movements in Securities for the month ended June 30, 2017	July 6, 2017
40	Announcement on the Key Financial Information for June 2017	July 10, 2017
41	Monthly Return of Equity Issuer on Movements in Securities for the month ended July 31, 2017	August 4, 2017
42	Announcement on the Key Financial Information for July 2017	August 4, 2017
43	Date of Board Meeting	August 10, 2017
44	Proposed Amendments to the Articles of Association	August 25, 2017
45	Interim Results Announcement for the six months ended June 30, 2017	August 25, 2017
46	Monthly Return of Equity Issuer on Movements in Securities for the month ended August 31, 2017	September 6, 2017
47	Announcement on the Key Financial Information for August 2017	September 6, 2017
48	Notification Letter and Request Form to Non-Registered Shareholders	September 11, 2017
49	Notification Letter and Change of Request Form to Registered Shareholders	September 11, 2017
50	Reply Slip for the 2017 First Extraordinary General Meeting	September 11, 2017
51	Proxy Form for the 2017 First Extraordinary General Meeting	September 11, 2017
52	Notice of 2017 First Extraordinary General Meeting	September 11, 2017
53	Circular	September 11, 2017
54	2017 Interim Report	September 11, 2017
55	Resignation of the Original Chairman of the Supervisory Committee, Appointment of Employee Representative Supervisor and Appointment of New Chairman of the Supervisory Committee	September 18, 2017
56	Monthly Return of Equity Issuer on Movements in Securities for the month ended September 30, 2017	October 9, 2017
57	Date of Board Meeting	October 12, 2017

No.	Matters of Announcement	Date of Publication
58	Clarification Announcement	October 12, 2017
59	Announcement on the Key Financial Information for September 2017	October 16, 2017
60	2017 Third Quarterly Report	October 27, 2017
61	Announcement on the Poll Results of the 2017 First Extraordinary General Meeting	October 27, 2017
62	2017 Third Quarterly Report	October 27, 2017
63	Announcement on the Poll Results of the 2017 First Extraordinary General Meeting	October 27, 2017
64	Monthly Return of Equity Issuer on Movements in Securities for the month ended October 31, 2017	November 6, 2017
65	Announcement on the Key Financial Information for October 2017	November 6, 2017
66	Monthly Return of Equity Issuer on Movements in Securities for the month ended November 30, 2017	December 6, 2017
67	Announcement on the Key Financial Information for November 2017	December 6, 2017

Section 7
Changes in
Shareholdings and
Particulars About
Shareholders



I. CHANGES IN SHAREHOLDINGS

1. CHANGES IN SHAREHOLDINGS

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

Set out below is the share capital of the Company:

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

2. Changes in restricted shares

N/A

II. SECURITIES ISSUANCE AND THE LISTING

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

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

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

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

As at the end of 2016, the Company had a gearing ratio of 70.32%. As at the end of 2017, the Company's gearing ratio was 69.64%.

3. Existing employees' shares

Not applicable.

III. SHAREHOLDERS AND DE FACTO CONTROLLERS

1. Number of shareholders and their shareholdings in the Company

Total number of ordinary shareholders at the end of the Reporting Period	146,695 (of which, 144,809 were A shareholders, 1,886 were registered H shareholders)	Total number of ordinary shareholders as at the end of the last month before the date of the disclosure of the annual report	151,901 (of which, 150,076 were A shareholders, 1,825 were registered H shareholders)	Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period	Nil	Total number of preferred shareholders whose voting rights were resumed as at the end of the last month before the date of the disclosure of the annual report	Nil
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Shareholdings of shareholders who hold more than 5% of the shares or shareholdings of the top ten shareholders

Name of shareholder	Capacity of shareholder	Percentage of shareholding (%)	Number of shares held as at the end of the reporting period	Increase or decrease during the Reporting Period	Number of shares with selling restrictions held	Number of shares without selling restrictions held	Pledge or freeze	
							Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity Domestic general	22.31	1,700,066,480	82,000	0	1,700,066,480		
Jilin Aodong Pharmaceutical Group Co., Ltd.	legal entity Domestic general	16.43	1,252,297,867	0	0	1,252,297,867		
Liaoning Cheng Da Co., Ltd.	legal entity Domestic general	16.40	1,250,154,088	0	0	1,250,154,088		
Zhongshan Public Utilities Group Co., Ltd.	legal entity Fund and wealth	9.01	686,754,216	0	0	686,754,216		
Huaxia Life Insurance Co., Ltd. – Universal life Insurance Product	management products, etc. Domestic general	2.99	228,131,005	0	0	228,131,005		
China Securities Finance Corporation Limited	legal entity Domestic general	2.96	225,581,959	38,079,063	0	225,581,959		
Puning Xinhong Industrial Investment Co., Ltd.	legal entity Domestic general	1.91	145,936,358	0	0	145,936,358	Pledged	144,000,000
Heungkong Group Limited	legal entity	1.57	119,286,246	0	0	119,286,246		
Central Huijin Asset Management Ltd.	State-owned legal entity Domestic general	1.29	98,149,700	0	0	98,149,700		
Anhui Huamao Textile Co., Ltd.	legal entity	0.42	32,110,000	-590,000	0	32,110,000		

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of shares without selling restrictions held as at the end of the Reporting Period	Type of shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,700,066,480	Listed foreign shares	1,700,066,480
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867	RMB-dominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,250,154,088	RMB-dominated ordinary shares	1,250,154,088
Zhongshan Public Utilities Group Co., Ltd.	686,754,216	RMB-dominated ordinary shares	686,754,216
Huaxia Life Insurance Co., Ltd. – Universal life Insurance Product	228,131,005	RMB-dominated ordinary shares	228,131,005
China Securities Finance Corporation Limited	225,581,959	RMB-dominated ordinary shares	225,581,959
Puning Xinhong Industrial Investment Co., Ltd.	145,936,358	RMB-dominated ordinary shares	145,936,358
Heungkong Group Limited	119,286,246	RMB-dominated ordinary shares	119,286,246
Central Huijin Asset Management Ltd.	98,149,700	RMB-dominated ordinary shares	98,149,700
Anhui Huamao Textile Co., Ltd.	32,110,000	RMB-dominated ordinary shares	32,110,000

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

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

Note 3: According to the public information disclosed on January 9, 2018 by Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities, as at December 31, 2017, Jilin Aodong held 37,718,600 H Shares of the Company and 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), a total of 63,469,400 H shares, representing 0.83% of the total share capital of the Company. Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of its wholly-owned subsidiary, Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. As at December 31, 2017, the shareholding percentages of A Shares and H Shares in the Company of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 17.26%, 16.42% and 10.34%, respectively;

Note 4: 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 December 29, 2017, the labor union committee of GF Securities Co., Ltd. held a total of 105,447,000 H Shares of the Company, representing 6.20% of the H Share capital of the Company; on July 14, 2015, Fubon Life Insurance Co., Ltd. held a total of 157,044,800 H Shares of the Company, representing 9.23% 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 5: 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 6: At the end of the Reporting Period, no A shareholders mentioned above conducted agreed repurchase type securities trading; and

Note 7: At the end of the Reporting Period, no A shareholders caused an increase or a decrease in shares as a result of participating in refinancing business.

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

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

3. Controlling Shareholders or de facto controllers of the Company

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

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

N/A

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

N/A

6. Substantial shareholders and other persons' interests and short positions in the shares and underlying shares

As of December 31, 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	63,469,400 (Note 3)	0.83	3.73	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 Zhonghui Investment Group Company Limited	A Share	Interests in controlled corporation	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 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

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)
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	157,044,800 (Note 6)	2.06	9.23	Long position
7	Fubon Financial Holding Co., Ltd.	H Share	Interests in controlled corporation	157,044,800 (Note 6)	2.06	9.23	Long position
8	Labor Union Committee of GF Securities Co., Ltd.	H Share	Beneficial owner	105,477,000 (Note 7)	1.38	6.20	Long position
9	L.R. Capital Principal Investment Limited	H Share	Beneficial owner	102,854,000 (Note 8)	1.35	6.04	Long position
10	Wong Yuen Ping	H Share	Interests in controlled corporation	102,854,000 (Note 8)	1.35	6.04	Long position

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

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

Note 3: Jilin Aodong held 37,718,600 H Shares of the Company and 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), a total of 63,469,400 H shares, representing 0.83% of the total share capital of the Company.

Note 4: Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of its wholly-owned subsidiary, Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. As such, Liaoning Cheng Da and Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司) are deemed to be interested in the Shares held by Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司).

Note 5: Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. Zhongshan Zhonghui Investment Group Company Limited held 47.98% of the issued shares of Zhongshan Public Utilities. 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: Fubon Financial Holding Co., Ltd. held 157,044,800 H Shares of the Company through its wholly-owned subsidiary, Fubon Life Insurance Co., Ltd.

Note 7: The labor union committee of GF Securities Co., Ltd. held a total of 105,447,000 H Shares of the Company, representing 6.20% of the H Share capital of the Company.

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

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

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 December 31, 2017 required to be recorded in the register pursuant to section 336 of the SFO.

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

As at December 31, 2017, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or which would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As at December 31, 2017, none of the Company, its holding company, any of subsidiaries or fellow subsidiaries was a party to any arrangements during the year to enable the Directors of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

IV. SUFFICIENT PUBLIC FLOAT

According to the information which is publicly available to the Company and to the best of the knowledge of the Directors as at the latest practicable date (March 23, 2018) prior to the publication of this annual report, the Company has always maintained the public float as required under the Hong Kong Listing Rules.

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

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

Section 8

Preference Shares



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

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



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

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

II. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reasons
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
Wu Zhaoming	Supervisor and Chairman of the Supervisory Committee	Resigned	September 18, 2017	Internal retirement
Zhang Shaohua	Supervisor and Chairman of the Supervisory Committee	Elected	September 18, 2017	Elected at a meeting of the employee representatives
Scott Xingong Chang	Chief risk officer	Resigned	December 28, 2017	Personal reasons

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.
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.

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. 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.
5. In the morning of September 18, 2017, the Company received a resignation letter from Mr. Wu Zhaoming, the chairman of the Supervisory Committee of the Company, in relation to his application for resignation from his position as the chairman and an employee representative supervisor of the ninth session of the Supervisory Committee due to his application for internal retirement. A meeting of the employee representatives was convened in the afternoon of September 18, 2017, at which Mr. Zhang Shaohua was elected as an employee representative supervisor of the ninth session of the Supervisory Committee of the Company. Mr. Zhang Shaohua was elected as the chairman of the ninth session of the Supervisory Committee at the third meeting of the ninth session of the Supervisory Committee of the Company.
6. On December 28, 2017, the Company received a resignation letter from Mr. Scott Xingong Chang in relation to his application for resignation from his position as the chief risk officer of the Company due to personal reasons. His resignation was effective. In accordance with relevant laws and regulations and in view of the actual situation of the Company, the Company decided that the duties of chief risk officer would be performed by Mr. Wu Jifu, deputy general manager and chief compliance officer of the Company, for a period of not more than six months.

Please see the relevant announcements disclosed on the websites of CNINFO (www.cninfo.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company on March 25, 2017, March 29, 2017, April 19, 2017, May 11, 2017, May 25, 2017, September 19, 2017 and December 30, 2017 respectively for details.

III. PARTICULARS OF POSITIONS

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

(I) Directors

Executive Directors

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

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

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

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

Non-executive Directors

Mr. Shang Shuzhi has been appointed as our non-executive Director since July 2001. His primary working experience includes: deputy general manager at Liaoning Province Textiles Import and Export Corporation from December 1987 to February 1991, deputy manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation in charge of operation from February 1991 to November 1991 and general manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation from December 1991 to July 1993. Mr. Shang has been the chairman of Liaoning Cheng Da Co., Ltd. (a company listed on SSE, stock code: 600739, and principally engaged in business trade, energy development, bio-pharmaceuticals and financial service, formerly known as Liaoning Cheng Da (Group) Co., Ltd. (遼寧成大(集團)股份有限公司)) since August 1993, and the chairman of Liaoning Cheng

Da Group Ltd. since January 1997. Mr. Shang graduated from the Dongbei University of Finance and Economics, Dalian, in August 1977, majoring in international trade. Mr. Shang obtained the qualification of Senior Economist from the Liaoning Provincial Department of Personnel in September 1993, the qualification of Senior International Business-Engineer from the Liaoning Provincial Department of Personnel (now known as Liaoning Provincial Department of Human Resources and Social Security) in December 1994, and a senior management executive master of business administration degree (EMBA) from the Dongbei University of Finance and Economics in Dalian in June 2005.

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

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

Independent Non-executive Directors

Mr. Yang Xiong has been appointed as our independent non-executive Director since May 2014. Mr. Yang is currently and has been a member of the managing committee and a senior partner of BDO China Shu Lun Pan Certified Public Accountant LLP and the general manager of Northern headquarters of BDO since August 2011. His primary working experience includes: vice chairman of the Guizhou Office of Certified Public Accountants from 1995 to August 1998, chief accountant of Guizhou Qianyuan Certified Public Accountants from September 1998 to November 2000, director and deputy chief accountant of Tianyi Certified Public Accountants from December 2000 to November 2002, chief accountant of Zhonghe Zhengxin Certified Public Accountants from December 2002 to October 2009, and chief accountant of Pan-China Certified Public Accountants from November 2009 to July 2011. Mr. Yang was an independent director of Rizhao Port Co., Ltd. (a company listed on SSE, stock code: 600017) from July 2008 to March 2014, an independent director of Beijing Shougang Company Limited (a company listed on SZSE, stock code: 000959) from November 2009 to January 2016, an independent director of JSTI Group Co., Ltd. (a company listed on SZSE, stock code: 300284) from August 2008 to April 2015, and an independent director of Easecompeace Technology Card Co., Ltd (a company listed on SZSE, stock code: 002017) from April 2011 to April 2017; He has also been an independent director of Rongfeng Holdings Co., Ltd (a company listed on SZSE, stock code: 000668) since September 2013, an independent director of Aerospace Industrial Development Corp. Co., Ltd. (航天工業發展股份有限公司) (a company listed on SZSE, stock code: 000547) since August 2015 and an independent director of Bank of Guiyang Co., Ltd. (a company listed on SSE, stock code: 601997) since July 2017. Mr. Yang graduated from the Wuhan Technical University of Surveying and Mapping (now merged into Wuhan University) in July 1989, majoring in electronic engineering. He obtained his qualification as a PRC certified public accountant in January 1995.

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

Mr. Chan Kalok has been appointed as our independent non-executive Director since December 2014. Mr. Chan currently is the dean of business school of The Chinese University of Hong Kong. His primary working experiences includes: professor, head of the finance faculty and acting president of business school of the Hong Kong University of Science and Technology from June 1995 to October 2014. Mr. Chan was a member of the risk management committee of the Hong Kong Exchanges and Clearing Limited from July 2005 to June 2011 and the president of Asian Finance Association from 2008 to 2010. Mr. Chan is currently a member of the Hang Seng Index Advisory Committee and a member of the Hong Kong Housing Authority. He obtained his bachelor's degree in social science (majoring in economics) from The Chinese University of Hong Kong in June 1985 and a doctorate degree from the Ohio State University in the U.S.A. in June 1990.

Mr. Li Yanxi has been appointed as our independent non-executive Director since May 2017. His primary working experience includes: an assistant at the School of Management at Dalian University of Technology from July 1992 to August 1997, a lecturer at the School of Management at Dalian University of Technology from September 1997 to August 2002 and an associate professor at the School of Management at Dalian University of Technology from September 2002 to April 2006. Mr. Li served as a professor at the School of Management (being the Faculty of Management and Economics after the organization adjustment in 2010) at Dalian University of Technology since May 2006. He was the deputy dean of the School of Management from October 2006 to September 2010 and the dean of the School of Economics of the Faculty of Management and Economics from September 2010 to January 2015. Mr. Li was an independent director of Wafangdian Bearing Company Limited (瓦房店軸承股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 200706), an independent director of CGN Nuclear Technology Development Co., Ltd. (中廣核核技術發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000881), formerly named as China Dalian International Cooperation (Group) Holdings Ltd. (中國大連國際合作(集團)股份有限公司), an independent director of Yunnan Metropolitan Real Estate Development Company Limited (雲南城投置業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600239), an independent director of Fushun Special Steel Co., Ltd. (撫順特殊鋼股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600399) and an independent director of Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600739), formerly named as Liaoning Chengda (Group) Co., Ltd. (遼寧成大(集團)股份有限公司) from June 2003 to June 2009, June 2007 to June 2013, December 2007 to December 2013, July 2009 to July 2015 and April 2010 to April 2016, respectively. Mr. Li served as an independent director of China Railway Tielong Container Logistics Co. Ltd. (中鐵鐵龍集裝箱物流股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600125) since June 2014, and an independent director of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 001979) and Harbin Hatou Investment Co., Ltd. (哈爾濱哈投投資股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600864) since June 2015. Mr. Li obtained a bachelor's degree in technology intelligence and a master's degree in management from Dalian University of Technology in July 1992 and June 1996 respectively, and obtained a doctorate degree in management from Dalian University of Technology in April 2003. He obtained his qualification as a PRC certified public accountant in December 1997.

(II) Supervisors

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

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

Ms. Zhan Lingzhi was appointed as a Supervisor since February 2010. Her primary work experience includes: deputy secretary to the Youth League general branch and secretary to the Party branch of workshop of Anqing Textile Factory (安慶紡織廠) from December 1978 to March 1984, deputy director, first deputy director and a member of the Party committee of Anqing Textile Factory from March 1984 to July 1998, director of Anhui Huamao Group Co. Ltd. and deputy general manager of Anhui Huamao Textile Co., Ltd. (a company listed on SZSE, stock code: 000850) from July 1998 to April 2004, director of Anhui Huamao Textile Group Co. Ltd. and the deputy general manager, general manager and director of Anhui Huamao Textile Co. Ltd. from April 2004 to March 2007, chairman and the secretary to the Party committee of Anhui Huamao Group Co. Ltd. and chairman of Anhui Huamao Co., Ltd. from March 2007 to March 2016 and supervisor of Guotai Junan Securities Co. Ltd. from September 2009 to May 2016. She has also served as the vice president of the China Federation of Entrepreneurs of Textile Industry since July 2008. Ms. Zhan obtained a college diploma in textile engineering from China Textile University (now known as Donghua University) in Shanghai in December 1991.

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

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

(II) Senior management

The brief biographies of Mr. Lin Zhihai, Mr. Qin Li and Ms. Sun Xiaoyan are set out in "(I). Directors" under "III. Particulars of Positions" in this section.

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

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

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

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

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

POSITION HELD IN THE SHAREHOLDING COMPANIES

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

POSITION HELD IN OTHER COMPANIES

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Sun Shuming	China Securities Inter-agency Quotation Systems Co., Ltd. (中證機構間報價系統股份有限公司)	Vice chairman	March 2015 to present	No
Shang Shuzhi	Liaoning Cheng Da Group Ltd.	Chairman	January 1997 to present	No
Liu Xuetao	Jining Zhongshan Public Utilities Water Co., Ltd.	Director	July 2009 to present	No
	Zhongshan - Hong Kong Passenger Shipping CO-OP Co., Ltd	Chairman	January 2017 to present	No
	CNOOC Guangdong Natural Gas Co., Ltd.	Vice chairman	March 2017 to present	No
	Zhongshan Municipal Dafeng Water Supply Co. Ltd.	Chairman	October 2011 to December 2017	No
	Zhongshan Sino French Water Supply Co. Ltd.	Chairman	October 2011 to December 2017	No
	Zhongshan Sewage Treatment Co. Ltd.	Executive director	March 2012 to August 2017	No
	Zhongshan Public Utilities Water Co., Ltd.	Executive director	March 2012 to August 2017	No
Qin Li	E Fund	Director	May 2012 to present	No
	Guangdong Equity Exchange	Chairman	September 2013 to April 2017	No
Sun Xiaoyan	ECT	Chairman of the supervisory committee	December 2014 to present	No

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Yang Xiong	BDO China Shu Lun Pan Certified Public Accountant LLP	Senior partner	August 2011 to present	Yes
	Easecompeace Technology Card Co., Ltd	Independent director	April 2011 to April 2017	Yes
Tang Xin	Rongfeng Holdings Co., Ltd	Independent director	September 2013 to present	Yes
	Aerospace Industrial Development Corp. (航天工業發展股份有限公司)	Independent director	August 2015 to present	Yes
	Bank of Guiyang Co., Ltd.	Independent director	July 2017 to present	Yes
	Law School of Tsinghua University	Professor	January 2015 to present	Yes
	Harvest Fund Management Co., Ltd	Independent director	August 2010 to present	Yes
	Oriza Holdings Co., Ltd.	Independent director	November 2015 to present	Yes
	Beijing Rural Commercial Bank Co., Ltd	Supervisor	November 2015 to present	Yes
Chan Kalok	China Life Insurance Co., Ltd.	Independent director	March 2016 to present	Yes
	Business School of The Chinese University of Hong Kong	Dean	November 2014 to present	Yes
Li Yanxi	Dalian University of Technology	Professor	July 1992 to present	Yes
	China Railway Tielong Container Logistics Co. Ltd.	Independent director	June 2014 to present	Yes
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Independent director	June 2015 to present	Yes
	Harbin Hatou Investment Co., Ltd.	Independent director	June 2015 to present	Yes

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Tan Yue	Management School of Jinan University	Professor	January 2003 to present	Yes
	Shenzhen Desay Battery Technology Co., Ltd.	Independent director	April 2015 to present	Yes
	Suofeiya Home Collection Co., Ltd.	Independent director	January 2015 to present	Yes
	Bluedon Information Security Technology Co., Ltd.	Independent director	July 2015 to June 2017	Yes
	Golden Eagle Funds Management Co., Ltd.	Independent director	April 2016 to January 2017	Yes
	Guangzhou Metro Corporation	External director	October 2016 to present	Yes
Gu Naikang	Management School of Sun Yat-sen University	Professor	April 2004 to present	Yes
	Guangxi Guitang (Group) Co., Ltd.	Independent director	January 2013 to present	Yes
	Guangzhou Pearl River Industrial Development Co., Ltd.	Independent director	May 2014 to present	Yes
	Shenzhen Zhuo Design Co., Ltd.	Independent director	January 2012 to present	Yes
	Guangdong Provincial Expressway Development Co., Ltd.	Independent director	July 2016 to present	Yes
	Ming Yang Smart Energy Group Limited	Independent director	June 2017 to present	Yes
Yang Long	Guangdong GF Internet Microfinance Limited	Chairman	July 2015 to present	No
	China Securities Credit Investment Co., Ltd.	Director	May 2015 to present	No

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

N/A

V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

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

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

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

The Measures on Performance Assessment and Remuneration Management for GF Securities Business Managers requires that: "payment of more than 40% of annual performance-based remuneration for business managers of the Company shall be deferred for a period of at least three years. The deferred payment of remuneration shall be divided equally. The specific proportion of deferred payment and the period of deferred payment shall be reviewed and determined by the Board." The Board of the Company will formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. According to these requirements, the remuneration composition of our Executive Directors, employee representative Supervisors and senior management includes the remuneration provided and paid in 2017 and the deferred remuneration for 2016 and before. During the Reporting Period, the deferred remuneration before tax for 2016 and before of the above individuals was: Sun Shuming: RMB33,353,900; Lin Zhihai: RMB34,504,500; Qin Li: RMB25,016,600; Sun Xiaoyan: RMB24,524,900; Ouyang Xi: RMB21,579,300; Luo Binhua: RMB21,077,700; Yang Long: RMB19,765,900; Wu Jifu: RMB21,392,100; Zhang Wei: RMB20,078,400; Zhang Shaohua: RMB7,172,000; Cheng Huaiyuan: RMB2,738,800; Wu Zhaoming: RMB13,307,500; Scott Xingong Chang: RMB4,092,900. The deferred remuneration before tax for 2016 and before of Non-executive Directors, Independent Non-executive Directors and shareholder representative Supervisors was: nil.

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

- (1) The appraisal of the directors of the Company has three parts, namely, self-evaluation by directors, evaluation by the Remuneration and Nomination Committee of the Board and review and confirmation by the Board. When the Remuneration and Nomination Committee of the Board reviews the performance of each director, the director concerned should abstain from voting.

Both the human resources management system of the Company and the relevant requirements under the Performance Appraisal and Salary Management Regulations for Operation Management are applicable in the appraisal procedures of executive directors of the Company.

- (2) The appraisal of the supervisors of the Company has three parts, namely, self-evaluation by supervisors, peer review by supervisors and review and confirmation by the Supervisory Committee Board. When the Supervisory Committee reviews the performance of each supervisor, the supervisor concerned should abstain from voting.

The human resources management system of the Company and the relevant requirements are applicable to the appraisal and remuneration of employee representative supervisor. Also, employee representative supervisors have to make an annual duty report to all employee representatives and are subject to the review of the employee representatives in a democratic manner. The Performance Appraisal and Salary Management Regulations for Chairman of Supervisory Committee is applicable to the Chairman of Supervisory Committee of the Company.

- (3) The appraisal procedures for the operation management of the Company is implemented pursuant to human resources management system of the Company and the relevant requirements under the Performance Appraisal and Salary Management Regulations for Operation Management. Specific plan of appraisal is that the Board of Directors will give corresponding performance salary according to the business performance of the Company. Performance-based salary of the operation management will be distributed according to the annual appraisal results. The distribution plan shall be independently commented by the Independent Directors and will be submitted to the Remuneration and Nomination Committee for their written comments.

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

Unit: RMB ten thousand

Name	Position	Sex	Age	Status	The total remuneration	Remuneration
					before tax received from the Company	received from related parties of the Company
Sun Shuming	Executive Director, Chairman	Male	55	Current	516.94	No
Shang Shuzhi	Non-executive Director	Male	65	Current	18.00	Yes
Li Xiulin	Non-executive Director	Male	65	Current	18.00	Yes
Liu Xuetao	Non-executive Director	Male	52	Current	10.50	Yes
Lin Zhihai	Executive Director, general manager	Male	54	Current	605.72	No
Qin Li	Executive Director, standing deputy general manager	Male	49	Current	339.14	No
Sun Xiaoyan	Executive Director, deputy general manager, chief financial officer	Female	45	Current	325.94	No
Yang Xiong	Independent Non-executive Director	Male	51	Current	27.00	Yes
Tang Xin	Independent Non-executive Director	Male	46	Current	27.00	Yes
Chan Kalok	Independent Non-executive Director	Male	56	Current	27.00	No
Li Yanxi	Independent Non-executive Director	Male	48	Current	15.75	Yes
Zhang Shaohua	Chairman of Supervisory Committee, employee representative Supervisor	Male	52	Current	483.95	No
Zhan Lingzhi	Supervisor	Female	62	Current	15.00	No
Tan Yue	Supervisor	Male	58	Current	15.00	Yes
Gu Naikang	Supervisor	Male	52	Current	15.00	Yes
Cheng Huaiyuan	Supervisor	Male	51	Current	186.50	No
Ouyang Xi	Deputy general manager	Male	50	Current	335.09	No
Luo Binhua	Deputy general manager, Secretary to the Board, joint company secretary	Male	53	Current	332.22	No
Yang Long	Deputy general manager	Male	53	Current	374.38	No
Wu Jifu	Deputy general manager, chief compliance officer	Male	52	Current	323.23	No
Zhang Wei	Deputy general manager	Male	42	Current	376.73	No
Chen Aixue	Non-executive Director	Male	61	Resigned	6.00	Yes
Liu Jiwei	Independent Non-executive Director	Male	56	Resigned	13.50	Yes
Wu Zhaoming	Chairman of Supervisory Committee, employee representative Supervisor	Male	50	Resigned	304.95	No
Scott Xingong Chang	Chief risk officer	Male	48	Resigned	326.26	No
Total	—	—	—	—	5,038.80	—

- Note 1: The Company does not pay non-cash compensation.
- Note 2: The total remuneration before tax received from the Company was the remuneration provided and paid in 2017.
- Note 3: For the total remuneration of key senior management in office in the period when the Company made a provision during the Reporting Period, please refer to the relevant information in the note in the audit report.

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

N/A

V. INFORMATION OF THE STAFF OF THE COMPANY

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

Number of current staff of the parent company	10,316
Number of current staff of the major subsidiaries	1,703
Total number of current staff	12,019
Total number of paid employees for the current period	12,019

Professional structure

	Number of Professionals	Percentage
Professions		
Primary business	10,395	86.49%
Risk management	87	0.72%
Legal and compliance	94	0.78%
Information Technology	440	3.66%
Others	1,003	8.35%
Total	12,019	100.00%

Education level

Education level	Number of Employees	Percentage
Doctoral degree	133	1.11%
Master's degree	2,710	22.55%
Bachelor's degree	7,105	59.11%
Associate degree and below	2,071	17.23%
Total	12,019	100.00%

Age

Age range	Number of Employees	Percentage
30 and below	4,982	41.45%
31 to 40	4,666	38.82%
41 to 50	1,996	16.61%
51 and above	375	3.12%
Total	12,019	100.00%

Note 1: The above number of employees includes 212 employees for early retirement;

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

(II) Remuneration policies for employees

The Company stringently abided by and strictly enforced the Labor Law, Labor Contract Law and other external laws and regulations, and established sound human resources management systems and processes, including the Management Regulation on the Salary for GF Securities Employees, the Administrative Measures on the Labor Contract for GF Securities Employees, the Administrative Measures on the Benefits Leave for GF Securities Employee which effectively protected the rights and interests for employees in labor protection, working conditions, salary payment, social insurance, working hours management, rest and vacation and the interests of female employees.

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

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

(III) Training plans

The Company has placed a strong emphasis on staff training and endeavoured to build a team of talents. The Company has established a standardized and stratified staff training system in its corporate training centre and adopted diversified measures for enhancing staff's personal development, such as on-the-job training and internal job rotation, with an aim to provide solid support for the sustainable and rapid development of the Company, satisfy employees' development needs in respect of management and professional knowledge during their respective career stage and achieve a "win-win" situation both for its business development and staff's career development.

In 2017, the Company carried out its works in respect of staff's training and development by centring on a general principle of "one focus, two foundations and three mainlines". "One focus" means to, in tandem with a new round of five-year strategic planning works, lay a solid foundation for the formulation and implementation of strategies by carrying out offshore training programs on strategic themes and multiple trainings themed on strategies and leveraging on the experiences of leading financial institutions to broaden staff's mind. "Two foundations" means, on one hand, to optimize the mobile application platform "Aixue (愛學)", establish a mode integrating online learning and offline learning and to create a socialized learning atmosphere within the Company, and on the other hand, to carry out multiple stratified and focused training programs for internal trainers to comprehensively enhance the professional quality of internal trainers and speed up the extraction and spreading of organization wisdom. "Three mainlines" means to build up a team of backup talents for the operation and management of the Company by carrying out systematic training programs on leadership development for five groups of employees, i.e., fresh employees, core talents, backup talents, newly-recruited managers and on-the-job managers; to improve the professional competency of key employees, including those engaged in investment consultation and investment banking, and form a long term mechanism for the development of professional skills through the systematic construction of professional courses for various business lines; and to develop a categorized and stratified enterprise culture courses system and provide various groups of employees with "covered" enterprise culture trainings to help employees understand and comprehend our enterprise culture.

(IV) Contracted staff

N/A

VI. CONSTITUTION OF ALL SPECIAL COMMITTEES UNDER THE BOARD

As at 31 December 2017, the ninth session of the Board of the Company established four special committees. The committees and their members were as follows:

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

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

Audit Committee: Yang Xiong (chairman), Chan Kalok, Li Yanxi;

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

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

As at the end of Reporting Period, the Company had 252 security brokerage branches which had entrusted brokers to engage in businesses including client solicitation. There were 1,872 brokers in total, among which, 1,740 brokers have gained the security broker qualification, 132 brokers were under applications for the qualification.

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

Section 10
Corporate
Governance



I. BASIC SITUATION OF THE CORPORATE GOVERNANCE

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

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

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

During the Reporting Period, the Company convened a total of 28 meetings, including two general meetings of shareholders, seven meetings of the Board of Directors, six meetings of the Supervisory Committee, two annual report work meetings of Independent Non-Executive Directors, five meetings of the Audit Committee, two meetings of the Remuneration and Nomination Committee, two meetings of the Strategy Committee, and two meetings of the Risk Management Committee.

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

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

1. Operational independence

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

2. Independence of personnel

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

3. Independence of the assets

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

4. Institutional independence

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

5. Financial independence

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

As of December 31, 2017, the Company has not provided any guarantees to any shareholder (including the largest shareholder) and other related parties.

III. COMPETITION WITH SUBSTANTIAL SHAREHOLDERS

None

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

(I) About Shareholders and the general meetings of Shareholders

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

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

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

(II) General meeting of shareholders during the Reporting Period

Session of meeting	Type of meeting	Participation		Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
		ratio of investors						
Annual general meeting 2016	Annual general meeting	52.76%		May 10, 2017	1. 2016 Annual Report of Board of Directors of GF Securities; 2. 2016 Annual Report of Supervisory Committee of GF Securities; 3. 2016 Annual Final Financial Report of GF Securities; 4. 2016 Annual Report of GF Securities; 5. 2016 Annual Profit Distribution Proposal of GF Securities; 6. The Resolution Regarding Engaging Deloitte Touche Tohmatsu as Auditors in 2017; 7. The Resolution Regarding the Authorization of Proprietary Investment Quota for 2017; 8. The Resolution Regarding the 2017 Expected Daily Related Party/Connected Transactions; 9. The Resolution Regarding the Election of Directors for the Ninth Session of the Board of the Company; 10. The Resolution Regarding the Election of Supervisors for the Ninth Session of the Supervisory Committee of the Company; 11. The Resolution Regarding Amendment to the Articles of Association of the Company.	All resolutions were approved	May 11, 2017	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
The 2017 first extraordinary general meeting	Extraordinary general meeting	48.34%		October 27, 2017	1. The Resolution Regarding Amendments to the Articles of Association of the Company; 2. The Resolution Regarding Amendments to the Rules of Procedures of the Meeting of the Supervisor Committee.	All resolutions were approved	October 28, 2017	

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

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

Not applicable

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

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

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

1. *The composition of the Board*

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

The Directors shall be elected or replaced at the general meeting and their term of office shall be three years. The Directors shall perform their official duties since the adoption of the resolution of the shareholders and upon the date of their competency being approved by the CSRC. Upon the expiry of the term, a Director shall be eligible for re-election and re-appointment. Independent Directors shall have the same term of office as the other Directors. The term of office of an independent Director is renewable upon re-election when it expires, but no independent Director shall serve for more than two sessions. Ordinary resolution for the election of Directors at a general meeting shall be passed by one half or above of the voting rights held by the Shareholders (including their proxies) attending the general meeting. During the Reporting Period, the Board of Directors of the Company has been re-elected, please see "II. Changes in the Directors, Supervisors and Senior Management" in Section 9 "Particulars about Directors, Supervisors, Senior Management and Employees" of this report for details.

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

2. *Duties of the Board of Directors*

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

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

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

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

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

- (1) Pursuant to 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》) issued by the Securities Association of China on December 30, 2016, the Company further amended its Articles of Association;
- (2) Pursuant to the Administrative Measures on Compliance of Securities Firms and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) promulgated by the CSRC on June 9, 2017, the Company further amended its Articles of Association, and also amended its Terms of Reference for the General Manager (《總經理工作細則》), the Measures on Performance Assessment and Remuneration Management for the Management (《經營管理層績效考核與薪酬管理辦法》) and the Compliance Management Policies (《合規管理制度》); and
- (3) The Company provides professional training to its Directors, Supervisors and senior managers for their performance of duties, provides them with the monthly newsletters of the Directors and Supervisors that are compiled by the Company, to improve their understanding of the securities industry and the Company's business, and convenes the meeting of the Audit Committee to exchange opinions and receive training when the Ministry of Finance of the PRC revises the accounting standards in relation to financial instruments, to facilitate its Directors, Supervisors and senior managers for the performance of their duties.

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

4. Duties of the management team

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

5. Chairman and General Manager

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

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

6. The Board meetings during the Reporting Period

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Thirty-Seventh Meeting of the Eighth Session of the Board of Directors	March 17, 2017	1. Implementation of the Comprehensive Risk Management Program of GF Securities Company Limited; 2. the Resolution on the Amendment to the Risk Management System of GF Securities Co., Ltd..	All resolutions were passed	March 21, 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
The Thirty-Eighth Meeting of the Eighth Session of the Board of Directors	March 24, 2017	1. the Board Report of GF Securities for the Year of 2016; 2. the Work Report of GF Securities Board Strategy Committee for the Year of 2016; 3. the Work Report of GF Securities Board Risk Management Committee for the Year of 2016; 4. the Work Report of GF Securities Board Audit Committee for the Year of 2016; 5. the Work Report of GF Securities Board Remuneration and Nomination Committee for the Year of 2016; 6. the Resolution on Drawing General Meeting's attention to Work Report of GF Securities Independent Directors for the Year of 2016; 7. the Resolution on Drawing General Meeting's attention to Duty Report of GF Securities Independent Directors for the Year of 2016; 8. the Resolution on Performance Assessment on Directors for the Year of 2016; 9. the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2016; 10. the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2016; 11. the Final Financial Report of GF Securities for the Year of 2016; 12. the Annual Report of GF Securities for the Year of 2016; 13. the Social Responsibility Report of GF Securities for the Year of 2016; 14. the Corporate Governance Report of GF Securities for the Year of 2016; 15. the Compliance Report of GF Securities for the Year of 2016; 16. the Report of Self-Assessment of Internal Control of GF Securities for the Year of 2016; 17. the Risk Management Report of GF Securities for the Year of 2016; 18. the Plan of Profit-sharing of GF Securities for the Year of 2016; 19. the Resolution on Engaging Deloitte Touche Tohmatsu Limited as our 2017 Annual Auditor; 20. the Resolution on the Authorization of Proprietary Investment Quota for 2017; 21. the Resolution on Expected Daily Related Party/Connected Transactions of GF Securities for the Year of 2017; 22. the Resolution on the Amendment to the Articles of Association of the Company; 23. the Resolution on the Nomination of Director Candidates of the Ninth Session of the Board; 24. the Resolution on the Authorization to Convene the Annual General Meeting of GF Securities Co., Ltd. for the Year of 2016; 25. the Resolution on Distribution of Performance Salary for the Management for the Year of 2016.	All resolutions were passed	March 25, 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

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Thirty-Ninth Meeting of the Eighth Session of the Board of Directors	April 27, 2017	1. the 2017 First Quarterly Report of GF Securities	All resolutions were passed	April 28, 2017	
The First Meeting of the Ninth Session of the Board of Directors	May 10, 2017	1. the Resolution on the Election of Members of the Ninth Session of the Special Committees of the Board of the Company; 2. the Resolution on the Election of Mr. Sun Shuming as the Chairman of the Ninth Session of the Board of the Company; 3. the Resolution on the Engagement of the General Manager, the Secretary of the Board, the Chief Compliance Officer and the Chief Risk Officer of the Company; 4. the Resolution on the Engagement of Other Senior Management of the Company; 5. the Resolution on the Elimination of the Equity Sales and Trading Department.	All resolutions were passed	May 11, 2017	
The Second Meeting of the Ninth Session of the Board of Directors	August 16, 2017	1. the Resolution on the Establishment of Headquarter of Securities Investment Business Management	All resolutions were passed	August 17, 2017	
The Third Meeting of the Ninth Session of the Board of Directors	August 25, 2017	1. the 2017 Interim Report of GF Securities; 2. the GF Securities Interim Report of Risk Management for the Year of 2017; 3. the GF Securities Interim Report of Compliance for the Year of 2017; 4. the Resolution on the Amendment to the Articles of Association of the Company; 5. the Resolution on the Amendment to the Terms of Reference for the General Manager of the Company; 6. the Resolution on the Amendment to the Measures on Performance Assessment and Remuneration Management for Business Management of the Company; 7. the Resolution on the Amendment to the Compliance Management System of the Company; 8. the Resolution on Providing Guarantees for Foreign Loans for GF Financial Markets (UK) Limited; 9. the Resolution on the Authorization to Convene the First Extraordinary General Meeting for the Year of 2017.	All resolutions were passed	August 26, 2017	
The Fourth Meeting of the Ninth Session of the Board of Directors	October 27, 2017	1. the 2017 Third Quarterly Report of GF Securities Co., Ltd.	All resolutions were passed	October 28, 2017	

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

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

On May 10, 2017, the Company held the 2015 annual general meeting and passed 2016 Profit Distribution Proposal, which provided cash dividend of RMB3.5 (tax inclusive) for every 10 shares based on the existing share capital of the Company of 7,621,087,664 Shares. It was completed before July 5, 2017.

On May 10, 2017, the Company convened the 2016 annual general meeting and passed the Resolution on Engaging Deloitte Touche Tohmatsu Limited as our 2017 Annual Auditor. According to the resolution, the Company engaged Deloitte Touche Tohmatsu Limited as our auditor for the year of 2017.

On May 10, 2017 and September 11, 2017, the Company convened the 2016 annual general meeting and the 2017 first extraordinary general meeting respectively, and passed the Resolution Regarding Amendments to the Articles of Association of the Company. After general meeting, the Company submitted an application to Guangdong Bureau of the CSRC for approval of change in major provisions of its Articles of Association in accordance with the relevant laws and regulations and received the Reply on the Approval of Change in Major Provisions of the Articles of Association of GF Securities Co., Ltd. on May 2017 and December 2017 respectively, and the amended Articles of Association took effect.

(II) The Supervisory Committee meetings during the Reporting Period

1. *Supervisors and Supervisory Committee*

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

2. The Supervisory Committee meetings during the Reporting Period

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Fifteenth Meeting of the Eighth Session of the Supervisory Committee	March 24, 2017	1. the Report of Self-Assessment of Internal Control of GF Securities for the Year of 2016; 2. the Annual Report of GF Securities for the Year of 2016; 3. the Resolution on Audit Opinion of 2016 Annual Report of GF Securities; 4. the Supervisory Committee Report of GF Securities for the Year of 2016; 5. the Resolution on Performance Assessment on Supervisors for the Year of 2016; 6. the Special Description of Performance Assessment and Remuneration of GF Securities Supervisors for the Year of 2016; 7. the Social Responsibility Report of GF Securities for the Year of 2016; 8. the Resolution regarding the Nomination of Supervisors Candidates for the Ninth Session of the Supervisory Committee; 9. the Resolution on Performance Salary for Chief Supervisor for the Year of 2016.	All resolutions were passed	March 25, 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
The Sixteenth Meeting of the Eighth Session of the Supervisory Committee	April 27, 2017	1. the 2017 First Quarterly Report of GF Securities	The resolution was passed	April 28, 2017	
The First Meeting of the Ninth Session of the Supervisory Committee	May 10, 2017	1.the Resolution on the Election of Mr. Wu Zhaoming as the Chief Supervisor of the Ninth Session of the Supervisory Committee.	The resolution was passed	May 11, 2017	
The Second Meeting of the Ninth Session of the Supervisory Committee	August 25, 2017	1. the 2017 Interim Report of GF Securities; 2. the Resolution on the Amendment to the Rules of Procedure of the Supervisory Committee of GF Securities.	All resolutions were passed	August 26, 2017	
The Third Meeting of the Ninth Session of the Supervisory Committee	September 18, 2017	1.the Resolution on the Election of Mr. Zhang Shaohua as the Chairman of the Ninth Session of the Supervisory Committee.	The resolution was passed	September 19, 2017	
The Fourth Meeting of the Ninth Session of the Supervisory Committee	October 27, 2017	1. the 2017 Third Quarterly Report of GF Securities Co., Ltd..	The resolution was passed	October 28, 2017	

VI. PERFORMANCE OF DUTIES BY DIRECTORS DURING THE REPORTING PERIOD

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

Name of Director	Position	Attendance required during the Reporting Period	Attendance of Board meetings					Two consecutive absences in person	Voting results	Number of general meeting of shareholders attended
			Attendance by on-site meeting	Attendance by written resolutions	Attendance by proxy	Times of absence				
Sun Shuming	Executive Director, Chairman	7	5	2	0	0	No	Affirmative to all	2/2	
Shang Shuzhi	Non-Executive Director	7	3	3	1	0	No	Affirmative to all	2/2	
Li Xiulin	Non-Executive Director	7	3	4	0	0	No	Affirmative to all	2/2	
Liu Xuetao	Non-Executive Director	3	1	2	0	0	No	Affirmative to all	2/2	
Lin Zhihai	Executive Director, General Manager	7	4	3	0	0	No	Affirmative to all	2/2	
Qin Li	Executive Director, Standing Deputy General Manager	7	5	2	0	0	No	Affirmative to all	2/2	
Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	7	5	2	0	0	No	Affirmative to all	2/2	
Yang Xiong	Independent Non-Executive Director	7	3	3	1	0	No	Affirmative to all	2/2	
Tang Xin	Independent Non-Executive Director	7	3	3	1	0	No	Affirmative to all	2/2	
Chan Kalok	Independent Non-Executive Director	7	2	3	2	0	No	Affirmative to all	1/2	
Li Yanxi	Independent Non-Executive Director	3	1	2	0	0	No	Affirmative to all	1/1	
Chen Aixue	Non-Executive Director	3	0	2	1	0	No	Affirmative to all	0/1	
Liu Jiwei	Independent Non-Executive Director	3	1	1	1	0	No	Affirmative to all	0/1	
Attendance of Independent Directors at general meetings of shareholders									6	

Note 1: During the term of office of Mr. Chen Aixue and Mr. Liu Jiwei in 2017, the Company held 1 general meeting of shareholders and 3 board meetings;

Note 2: After Ms. Liu Xuetao and Mr. Li Yanxi obtained their qualification as a director of a securities company in 2017, the Company held 1 general meeting of shareholders and 3 board meetings.

During the Reporting Period, Mr. Chan Kalok, the Independent Non-Executive Director of the Company, was unable to attend the Third and Fourth Meetings of the Ninth Session of the Board of Directors due to his work and authorized Mr. Li Yanxi and Mr. Tang Xin, the Independent Non-Executive Directors of the Company, to attend the meetings on his behalf respectively. Mr. Chan Kalok explained to the Company why he was unable to attend the meetings prior to the issuance of his power of attorney, and carefully studied the material of the board meetings and made specific voting instructions on the power of attorney, stating that the agents were not entitled to vote following their own will.

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

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

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

In 2017, Independent Non-Executive Directors of the Company were actively involved in each of the Board meetings. During the period of their appointment, the Independent Non-Executive Directors had sufficient time and energy to carry out their duties; before each meeting the Independent Non-Executive Directors carefully reviewed the relevant materials, and fully expressed professional and independent opinions; when making independent judgments, they were not affected by the major shareholders of the Company and any other entities and individuals which are our stakeholders.

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

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

(2) Periodic reports

While auditing annual reports, the Independent Non-Executive Directors strictly abided by the Annual Report Regulations of GF Securities Independent Directors and ensure that there is sufficient time and energy to fulfill their duties, and make timely communications with registered accountant of the annual audit before and after the audit. Three of the four Independent Non-Executive Directors are members of the Audit Committee and they, with the dual role, took part in the annual audit and communicated with registered accountant of the annual audit, and expressed their views. In accordance with the relevant requirements of the foregoing provisions, on December 19, 2017, the Independent Non-Executive Directors heard the reporting of the 2017 Annual Financial Express (unaudited) prepared by the Corporate Finance Division of the Company, made communications with the certified public accountant of annual audit, and consented to the annual audit work plan and reminded, and urged audit institutions to carry out audit procedures in place during the audit process, and corporate finance and other related departments to actively cooperate with the audit.

On March 15, 2018, Deloitte, as the registered accountant of the annual audit of the Company, issued a draft audit report with standard unqualified opinions on the 2017 annual financial report of the Company, held meeting with the Independent Non-Executive Directors to solicit advice, and made communication on problems discovered in the course of the audit. After full communication with the registered accountant of the annual audit, Independent Non-Executive Directors are of the view that: Deloitte carried out appropriate audit procedures in the annual audit in strict accordance with requirements of the Auditing Standards for CPAs of China and the International Standards on Auditing, and standard unqualified opinions on the financial report were based on adequate, appropriate and effective audit evidence. The preliminary audit results fairly reflect the financial status of GF Securities as of December 31, 2017 and the 2017 annual operating results and cash flow.

(3) Other duty performance

On March 24, 2017, the Independent Non-Executive Directors issued independent opinions on the nomination of director candidates of the Ninth Session of the Board, expected ordinary related party/connected transactions of 2017, use of the Company's funds by the controlling shareholders or other associated parties, external guarantees, the Report of Self-Assessment of Internal Control for the year of 2016, distribution of performance-based remunerations for the business management for the year of 2016, and on the use of idle share proceeds for short-term liquidity, and issued views of prior approval in respect of the renewed appointment of the accounting firm.

On May 10, 2017, the Independent Non-Executive Directors of the Company issued independent opinions on matters that are nominated by the Chairman, Sun Shuming, and the General Manager, Lin Zhihai.

On August 25, 2017, the Independent Non-Executive Directors made a special explanation and issued independent opinions on the use of the Company's funds by the controlling shareholders or other associated parties and external guarantees of the Company, etc.

4. Directors' training

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

The details of Directors' training in 2017 are as follows:

Name	Position	Training content
Sun Shuming	Executive Director, Chairman	<ol style="list-style-type: none"> 1. On June 2, 2017, he attended the "Customer-centric" strategy seminar course of GF Securities; 2. On June 28, 2017, he attended the anti-money laundering special training of GF Securities for 2017; 3. On August 29, 2017, he attended the training course for chairman of listed companies and companies to be listed in Guangdong jurisdiction for 2017 organized by the Listed Companies Association of Guangdong; 4. On November 29, 2017, he attended the 2017 annual institutional regulatory work conference and the institutional training course organized by the Guangdong Bureau of the CSRC.
Lin Zhihai	Executive Director, General Manager	<ol style="list-style-type: none"> 1. On February 16, 2017, he attended the comprehensive risk management self-discipline rules training of securities companies organized by the Securities Association of China; 2. On June 2, 2017, he attended the "Customer-centric" strategy seminar course of GF Securities; 3. On July 19, 2017, he attended the anti-money laundering special training of GF Securities for 2017; 4. On October 17, 2017, he attended the strategic topic outbound training to training course of GF Securities for 2017; 5. On November 29, 2017, he attended the 2017 annual institutional regulatory work conference and the institutional training course organized by the Guangdong Bureau of the CSRC; 6. On December 1, he attended the comprehensive risk management training course of securities companies organized by the Securities Association of China.
Qin Li	Executive Director, Standing Deputy General Manager	<ol style="list-style-type: none"> 1. On June 2, 2017, he attended the "Customer-centric" strategy seminar course of GF Securities; 2. On June 26, 2017, he attended the anti-money laundering special training of GF Securities in 2017; 3. On September 28, 2017, he attended the second phase of series of training courses for sponsor representatives of securities companies in 2017 (issuance topic) organized by the Securities Association of China. 4. On October 17, 2017, he attended the strategic topic outbound training to training course of GF Securities for 2017; 5. On October 27, 2017, he attended the information security awareness training for all staff of GF Securities for 2017; 6. On November 29, 2017, he attended the 2017 annual institutional regulatory work conference and the institutional training course organized by the Guangdong Bureau of the CSRC.
Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	<ol style="list-style-type: none"> 1. On June 2, 2017, she attended the "Customer-centric" strategy seminar course of GF Securities; 2. On July 19, 2017, she attended the anti-money laundering special training of GF Securities for 2017; 3. On October 17, 2017, she attended the strategic topic outbound training to training course of GF Securities for 2017; 4. On November 29, 2017, she attended the 2017 annual institutional regulatory work conference and the institutional training course organized by the Guangdong Bureau of the CSRC; 5. On December 19, 2017, she attended the auditing training course for securities company of 2017 organized by the Securities Association of China.

Name	Position	Training content
Shang Shuzhi	Non-Executive Director	1. On May 25, 2017, he attended the training for directors and supervisors of listed companies in Dalian region organized by the Dalian Listed Companies Association.
Li Xiulin	Non-Executive Director	1. On May 25, 2017, he attended the training course for directors and supervisors of listed companies in Jilin region 2017 organized by Jilin Securities Regulatory Commission.
Liu Xuetao	Non-Executive Director	1. On May 25, 2017, she attended the training and exchange on securities matters of listed companies organized by Guangdong Listed Companies Association; 2. On September 2, 2017, she attended the training of macro finance and Dawan district economic interpretation.
Yang Xiong	Independent Non-Executive Director	1. On November 3, 2017, he attended the new accounting standards training course organized by National Accounting Institute; 2. On November 30, 2017, he attended the tax consultation training course organized by Chinese Institute of Certified Public Accountants; 3. On December 19, 2017, he attended the new financial instruments accounting standards training course provided by Deloitte, the auditor of the Company.
Tang Xin	Independent Non-Executive Director	1. On 1 December, 2017, he attended the training for directors, supervisors and senior management of listed companies organized by the Guangdong Listed Companies Association; 2. On December 19, 2017, he attended the new financial instruments accounting standards training course provided by Deloitte, the auditor of the Company.
Chan Kalok	Independent Non-Executive Director	1. On 1 December, 2017, he attended the training for directors, supervisors and senior management of listed companies organized by the Guangdong Listed Companies Association.
Li Yanxi	Independent Non-Executive Director	1. In August 2017, he attended the Internet education training for certified accountant (non-practising) organized by National Accounting Institute; 2. On December 19, 2017, he attended the new financial instruments accounting standards training course provided by Deloitte, the auditor of the Company.

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

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

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

1. The Strategy Committee

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

In 2017, the major achievements of the Strategy Committee included:

- completing the re-election of the Ninth Session of the Strategy Committee of the Board of Directors;
- making research and planning for formulating the mid to long-term development strategies of the Company.

On March 24, 2017, the Strategy Committee of the Board of Directors listened to the "GF Securities' Review of the Implementation of the Last Five-year Strategy and the New Five-year Strategic Plan Formulation Proposal". In 2011, the Company formulated a five-year strategic plan. With the support of the Shareholders and under the guidance of the Board of Directors and the Strategy Committee, the Company seized the great opportunity for the development of the industry and promoted and implemented the original strategic plan in an all-round way through the joint efforts of all the staff so as to enhance the overall capital strength, profitability and overall competitiveness of the Company.

With Chinese economy entering a new era, in order to adapt to the tremendous changes in the internal and external situations under the main theme of serving the real economy, preventing and controlling financial risks and deepening financial reforms, the Company will continue to maintain and enhance its core competitiveness in the future and enhance the overall market status of the Company. Based on the original strategic plan, the Company has formulated the Five-year Strategic Plan for 2017-2021. On October 27, 2017, the Strategic Committee of the Board of Directors reviewed and approved the "Five-year Strategic Plan Report of GF Securities Co., Ltd. (2017-2021)".

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

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2017 First Meeting of the Eighth Session of the Board Strategic Committee	March 24, 2017	1.the Work Report of GF Securities Board Strategic Committee for the Year of 2016	The resolution was passed
2017 First Meeting of the Ninth Session of the Board Strategic Committee	October 27, 2017	1.the Five-year Strategic Plan Report of GF Securities Company Limited (2017-2021)	The resolution was passed

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

Name of member	Position	Attendance/shall be present at meeting
Sun Shuming	Executive Director and Chairman of Strategic Committee	2/2
Shang Shuzhi	Non-Executive Director	2/2
Li Xiulin	Non-Executive Director	2/2
Liu Xuetao	Non-Executive Director	1/1
Lin Zhihai	Executive Director	2/2
Chen Aixue	Non-Executive Director	1/1

Note: During the term of office of Mr. Chen Aixue and Ms. Liu Xuetao in 2017, the Company held 1 meeting of the Board Strategic Committee, respectively.

2. The Risk Management Committee

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

In 2017, the major achievements of the Risk Management Committee included:

- completing the re-election of the Ninth Session of the Risk Management Committee of the Board of Directors;
- reviewing the interim and the annual risk management reports, compliance reports and audit work report of the Company;
- reviewing the Company's regular internal control self-assessment report; and
- reviewing and determining the scale and risk limits for the Company's substantial business segments.

In 2017, with the guidance of the risk management committee, the Company, as one of the 9 pilot securities companies under the "consolidated management of the risk control indicators for securities companies" designated by the CSRC, started the work on consolidated management of systems, personnel, regimes and processes in an all-round way, established a sound consolidated management system and realized a full coverage of risk management. Strengthening consolidated management is an inevitable requirement for the Company's internationalization and integrated operation and development. Being in line with regulatory guidance and consolidated management are of great significance to the Company.

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

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2017 First Meeting of the Eighth Session of the Board Risk Management Committee	March 24, 2017	1. the Work Report of GF Securities Board Risk Management Committee for the Year of 2016; 2. the GF Securities Report of Risk Management for the Year of 2016; 3. the GF Securities Report of Compliance for the Year of 2016; 4. the Report of Self- Assessment of Internal Control of GF Securities for the Year of 2016; 5. the Audit Work Report of GF Securities for the Year of 2016; 6. the Resolution of 2017 Annual Proprietary Business Funding Available.	All resolutions were passed
2017 First Meeting of the Ninth Session of the Board Risk Management Committee	August 25, 2017	1. the GF Securities Interim Report of Compliance for the Year of 2017; 2. The GF Securities Interim Report of Risk Management for the Year of 2017.	All resolutions were passed

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

Name of member	Position	Attendance/shall be present at meeting
Sun Shuming	Executive Director and Chairman of the Risk Management Committee	2/2
Tang Xin	Independent Non-Executive Director	1/1
Lin Zhihai	Executive Director	2/2
Qin Li	Executive Director	2/2
Sun Xiaoyan	Executive Director	1/1

3. The Audit Committee

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

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

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

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

In 2017, the major achievements of the Audit Committee included:

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

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

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2017 First Meeting of the Eighth Session of the Board Audit Committee	March 24, 2017	the Work Report of GF Securities Board Audit Committee for the Year of 2016, Opinions on the 2016 Annual Financial Report (financial report and notes), the Resolution on Engaging Deloitte Touche Tohmatsu Limited as our 2017 Annual Auditor, the Resolution on Expected Daily Related Party/ Connected Transactions of GF Securities for the Year of 2017, the Report of Self-Assessment of Internal Control of GF Securities for the Year of 2016, the Audit Work Report of GF Securities for the Year of 2016	All resolutions were passed
2017 Second Meeting of the Eighth Session of the Board Audit Committee	April 27, 2017	the 2017 First Quarterly Report of GF Securities	The resolution was passed
2017 First Meeting of the Ninth Session of the Board Audit Committee	May 10, 2017	the Resolution on Election of Mr. Yang Xiong as Chairman of the Committee	The resolution was passed
2017 Second Meeting of the Ninth Session of the Board Audit Committee	August 25, 2017	2017 Interim Report of GF Securities, the Interim Audit Work Report of GF Securities of 2017	All resolutions were passed
2017 Third Meeting of the Ninth Session of the Board Audit Committee	October 27, 2017	the 2017 Third Quarterly Report of GF Securities	The resolution was passed

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

Name of member	Position	Attendance/shall be present at meeting
Yang Xiong	Independent Non-Executive Director and Chairman of Audit Committee	5/5
Chan Kalok	Independent Non-Executive Director	5/5
Li Yanxi	Independent Non-Executive Director	2/2
Liu Jiwei	Independent Non-Executive Director	2/2

Note 1: During the term of office of Mr. Liu Jiwei in 2017, the Company held 2 meetings of the Board Audit Committee;

Note 2: After Mr. Li Yanxi obtained his qualification as a director of a securities company in 2017, the Company held 2 meeting of the Board Audit Committee.

- (3) Overview of the Company's audit

The Company's 2017 annual audit was done by Deloitte who mainly divided it into two phases, namely preliminary phase and year-end phase. For the preliminary phase, Deloitte fully carried out audit of internal control according to the relevant requirements, and tested the internal control at company level and process level (including business processes of headquarters and business department) to evaluate the effectiveness of the internal control design and whether the control is effectively implemented during the audit period. Deloitte also learned about the Company's control environment, main operation situation, business innovation and system update situation and malpractices and risk of fraud through interviews; comprehended and analyzed and performed pretesting on major matters such as consolidation of structured entities, valuation of fair value of financial assets and impairment of various financial assets, and major items such as financial instrument, operating income and return on investment during the audit of financial statements; tested and evaluated major information systems used by the Company, and communicated with the management team and governance team on preliminary discovery. For the year-end audit phase, Deloitte followed up on the finding of the preliminary phase and performed detailed auditing procedures for all major items, and communicated with the management team and governance team on year-end discovery.

To prepare for the 2017 annual audit and issue relevant audit reports on a timely basis. The Audit Committee of the ninth session of the Board of Directors of the Company arranged the financial department to communicate with Deloitte on major matters such as audit plans, audit processes, financial instrument valuation and the consolidation scope, for which it also carried out supervision and follow-up. On December 19, 2017, the Audit Committee held a communication meeting on the audit plan with Deloitte. In addition, the Company's finance department also communicated with Deloitte on matters such as preliminary discovery, impairment provision of financing business, financial instrument valuation, impairment, consolidation scope and key audit matters.

On March 15, 2018, Deloitte preliminarily issued a standard unqualified audit report and internal control audit report to the Company for the year of 2017.

The Audit Committee assessed the independence and objectivity of Deloitte and the effectiveness of the auditing procedure to ensure that the financial reports Deloitte issued can provide objective and honest opinions. Before assessing the 2017 annual financial statements of the Company, the Audit Committee received a written confirmation from Deloitte in terms of the independence and objectivity of Deloitte as an auditor. Deloitte has taken necessary protective measures in accordance with the relevant requirements of professional ethics in order to prevent possible threats to independence.

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

On March 23, 2018, the Audit Committee reviewed the Self-Assessment Report of GF Securities on Internal Control for the Year of 2017, and concluded that the internal control system was sound and its implementation was effective. For the assessment of the Company's internal control by the Company's Board of Directors and related information, please refer to Sections 11 to 15 in this chapter.

4. The Remuneration and Nomination Committee

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

In 2017, the major achievements of the Remuneration and Nomination Committee included:

- completing the re-election of the Ninth Session of the Board of Directors and the Strategy Committee of the Board of Directors.

In respect of this re-election of the Board of Directors, in order to achieve diversification and reasonable structure of the Board, the Remuneration and Nomination Committee makes suggestions or recommendations on the structure, size and composition of the Board of Directors (including the expertise, know-how and experience) at least annually to the Board based on the business activities, asset size and shareholding structure of the Company, and makes recommendations on any proposed changes to the Board of Directors in line with the Company's policies. The Company confirms that the composition of the Board is in compliance with the requirements in respect of diversification of the Board under the Hong Kong Listing Rules and the policy of diversification drawn up by the Company.

As to the appointment of Independent Non-Executive Directors, Independent Non-Executive Directors shall satisfy the requirement of independence of Independent Directors as set out in the Hong Kong Listing Rules from time to time. The Company extensively searches for eligible candidates for Directors inside the Company or in the human resources market through a variety of channels; conditions considered for candidates include (but not limited to) gender, age, educational background or professional experience, skills, expertise and service period as well as the capabilities of assuming the responsibilities of the Company's affairs and so on. The Remuneration and Nomination Committee and the Board of Directors shall review and determine the candidate by adopting the resolution, then submit a written proposal to the general meeting of Shareholders.

- assessing the performance of Directors and senior management, and making their annual performance assessment;
- considering and making opinions on the assessment of Directors and senior management and the remuneration management system; and
- amending the Measures on Performance Assessment and Remuneration Management for GF Securities Business Management.

(1) During the Reporting Period, the Remuneration and Nomination Committee held two meetings:

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2017 First Meeting of the Eighth Session of the Board Remuneration and Nomination Committee	March 24, 2017	the Work Report of GF Securities Board Remuneration and Nomination Committee for the Year of 2016, the Resolution of Performance Assessment on Directors for the Year of 2016, the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2016, the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2016, the Resolution on the Nomination of Director Candidates of the Ninth Session of the Board and the Resolution of Distribution of Performance Salary for Management for the Year of 2016	All resolutions were passed
2017 First Meeting of the Ninth Session of the Board Remuneration and Nomination Committee	May 10, 2017	the Resolution on Election of Mr. Tang Xin as Chairman of the Committee, the Resolution on the Approval of Mr. Sun Shuming as the Chairman of the Ninth Session of the Board of the Company, the Resolution on the Approval of Matters Nominated by the Chairman, Sun Shuming, and the Resolution on the Approval of Matters Nominated by the General Manager, Lin Zhihai	All resolutions were passed

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

Name of member	Position	Attendance/shall be present at meeting
Tang Xin	Independent Non-Executive Director and Chairman of Remuneration and Nomination Committee	2/2
Yang Xiong	Independent Non-Executive Director	2/2
Lin Zhihai	Executive Director	2/2
Qin Li	Executive Director	2/2
Liu Jiwei	Independent Non-Executive Director and Chairman of Remuneration and Nomination Committee	1/1

Note 1: During the term of office of Mr. Liu Jiwei in 2017, the Company held 1 meeting of the Board Remuneration and Nomination Committee;

Note 2: After Mr. Li Yanxi obtained his qualification as a director of a securities company in 2017, the Company did not hold any meeting of the Board Remuneration and Nomination Committee.

VIII. WORK OF THE SUPERVISORY COMMITTEE

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

In 2017, according to the requirements of laws and regulations such as the Company Law, the Securities Law and the Rules for Governance of Securities Companies, focusing on the Company's priorities, the Supervisory Committee of the Company strictly abided by the relevant requirements of the Articles of Association of the Company and the Rules of Procedure for Supervisory Committee to lawfully perform supervision duties.

Name of member	Position	Number of Supervisors shall participate in Supervisory Committee meeting during the Reporting Period	Number of Supervisors attended Supervisory Committee meeting in person	Number of Supervisors attended Supervisory Committee meeting by proxy	Number of absence	Voting results
Zhang Shaohua	Employee Supervisor, Chief Supervisor	2	2	0	0	Affirmative to all
Zhan Lingzhi	Supervisor	6	6	0	0	Affirmative to all
Cheng Huaiyuan	Employee Supervisor	6	6	0	0	Affirmative to all
Tan Yue	Supervisor	6	5	1	0	Affirmative to all
Gu Naikang	Supervisor	6	6	0	0	Affirmative to all
Wu Zhaoming	Former Employee Supervisor, Former Chief Supervisor	4	4	0	0	Affirmative to all

Note 1: During the term of office of Mr. Zhang Shaohua in 2017, the Company held 2 Supervisory Committee meetings;

Note 2: During the term of office of Mr. Wu Zhaoming in 2017, the Company held 4 Supervisory Committee meetings;

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

During the Reporting Period, to adapt the regulatory requirement of “law-based regulation, strict monitoring and comprehensive overseeing” against the capital market, by focusing on the regulatory requirements of Mainland China and Hong Kong, the Supervisory Committee further enhanced supervision on corporate governance, conducted follow-up inspections on implementation of resolutions and compliance of systems of the Shareholders’ general meeting, Board of Directors and Supervisory Committee of the Company, and also strengthened supervision on the legality and compliance of duty performance of Directors, Supervisors and senior management of the Company and organized the preparation of special materials for training and warning.

During the Reporting Period, in accordance with the Company’s key work arrangements, the Supervisory Committee continued to deepen the inspection and supervision on the finance, compliance and risk management of the Company, organized to conduct annual comprehensive assessment on the effectiveness of compliance management of the Company, timely listened to the implementation of new regulations on compliance and overall risk management of the Company, and the possible difficulties, and organized and coordinated the solutions in a targeted manner through such forms as the office meeting by the Chairman of the Supervisory Committee. At the same time, the Supervisory Committee instructed the office of the Supervisory Committee to strengthen communication and collaboration with internal supervision agencies for compliance, risk control, auditing and discipline inspection of the Company, and strived to build a joint supervision mechanism of information sharing and resource coordination to promote supervision efficiency and effectiveness.

During the Reporting Period, the Supervisory Committee effectively promoted the communication between the Company and its employees, supervised the protection of the legitimate rights and interests of employees, and guided the employees to actively carry out various tasks around the Company’s strategic objectives and key tasks. At the same time, the Supervisory Committee formulated and issued the “ Working Rules of Employee Representative Supervisor of GF Securities”(《廣發證券職工代表監事工作細則》), and took the initiative to strengthen self-restraint of performance of employee Supervisors; smoothly completed the re-election of the Supervisory Committee, and three external experts (not staff of shareholder companies) held the position of Supervisor in the Ninth Session of the Supervisory Committee, thus the independence of the Supervisory Committee of the Company was further strengthened; regularly organized the preparation of such materials as the Communications of Directors and Supervisors, timely sent relevant reports on compliance and risk management of the industry and the Company to the Supervisors, to protect the Supervisor’s right to information and enhance the ability of the Supervisory Committee to perform its duties.

3. Opinions issued by the Supervisory Committee on matters relating to the Company in 2017

During the Reporting Period, the Supervisory Committee of the Company carried out supervision work in accordance with laws and regulations, on the basis of careful supervision and inspection, it issued opinions on the Company's operation by law, duty performance of its Directors and senior management, financial position and effectiveness of the compliance management and risk management of the Company according to related requirements. The Supervisory Committee believes that: the Company was able to realize standardized operation, and no significant breach of laws and regulations by the Company in all aspects or material risk occurrence was found by the Supervisory Committee; the Directors and senior management worked diligently, and the Supervisory Committee did not find that the Company's Directors and senior management personnel, in performing their duties, had violated laws, regulations or the Articles of Association or impaired the legitimate rights and interests of the Company, its Shareholders, employees, creditors and other stakeholders; the Company's financial reports truthfully, accurately and completely reflected the Company's financial position and operating results; the Board of Directors and the business management of the Company undertook seriously its obligations under the relevant resolutions of the general meetings of the Company and did not do any act prejudicial to the interests of the Shareholders; the self-assessment report of internal control of the Company has completely, truthfully and accurately reflected the true picture of the Company's internal control; the Supervisory Committee did not find any insider trading, nor any damage to Shareholders' interests nor any loss of assets of the Company. For details of the opinions issued by the Supervisory Committee on matters relating to the Company in 2017, please see the 2017 Supervisory Committee's Report of the Company.

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

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

IX. COMPLIANCE MANAGEMENT SYSTEM CONSTRUCTION AND AUDIT OF AUDITING DEPARTMENT

1. Compliance management system construction

The Company has established the compliance management organization system for “board of directors (risk management committee) - compliance director - compliance and legal affairs department – various business lines”. The Board of Directors of the Company assumes ultimate responsibility for the effective compliance management and internal control. The Board of Directors reviews and comments on the overall objectives, basic policies, settings of the compliance department and responsibilities thereof, and compliance reports of compliance management. The senior management of the Company assumes major responsibilities of compliance operation. As the person responsible for compliance works of the Company, the chief compliance officer reviews, supervises and inspects the compliance of the operation management and practices of the Company and its staff. The Company has established the compliance and legal affairs department to assist the compliance director in its work, and has established full-time or part-time compliance management personnel in various departments, compliance officers in various subsidiaries, compliance and risk management specialists in various branches, and full-time or part-time compliance management personnel at all business departments to ensure full coverage of compliance management. In 2017, the Company took the opportunity of implementing the new regulations on compliance management to further enhance and improve the organizational structure of the compliance management system, among which:

1. At the level of head office departments: In 2017, the Company focused on the implementation of new compliance management requirements, proper management, anti-money laundering and risk isolation belt to enhance the building of compliance management personnel at the head office and to further improve the compliance coordination capabilities of the business department at the head office, deepen supervision and guidance, establish a regular communication, authorized examination and self-examination mechanism for the compliance management personnel at the business department of the Company, improve the appraisal and assessment system, reinforce business process control and enhance the internal control capabilities of the business departments of the Company.
2. At branch level: the Company established compliance and risk management specialists vertically managed by the compliance department of head office in 20 branches which are responsible for coordinating the compliance management within their jurisdictions and established compliance posts in 264 business departments to help the compliance and risk management specialists of branches carry out compliance management of business departments. The Company has realized a dynamic and procedural management on the work of the compliance and risk management specialists, has achieved systematic management on compliance posts in business departments and will further explore corresponding mechanism to fully take advantage of the first line compliance management.
3. At the level of subsidiaries: In 2017, the Company further reinforced the compliance management of its subsidiaries, issued the work plan for compliance management of its subsidiaries and newly formulated and implemented Measures for the Compliance Management of Subsidiaries under GF Securities (Trial) (《廣發證券子公司合規管理辦法(試行)》) in compliance with the new compliance management requirements and rectification and cleaning requirements stated in the two new requirements of its subsidiaries. Meanwhile, the Company focused on the construction of Chinese walls to incorporate relevant subsidiaries into the range of Chinese walls management under the framework of the Group so as to facilitate the coverage of compliance management through establishing the general proposal for risk isolation under the framework of the Group.

2. Main work of compliance management during the Reporting Period

- (1) On improvement of compliance management system: In 2017, the Company took the chance of the implementation of new compliance management requirements to further enhance and improve the organizational structure of the compliance management system, made amendments to the articles of association and the supporting miles of the three meetings, revised and improved corresponding miles of compliance management such as Compliance Management Rule of GF Securities (《廣發證券合規管理制度》) and the Compliance Assessment Measures, promoted the establishment of compliance management personnel configuration in each business line which matches with its own business development strategy while expanding the compliance management personnel in the compliance department of the Company and improved the management assessment system for compliance management specialists in its subsidiaries and branches.
- (2) On compliance management system and workflow construction: During the Reporting Period, the Company updated (including newly promulgated, revised and abolished) 230 rules and regulations in total, including a variety of business lines such as retail, investment bank, research and development, investment, security finance, OTC trading, asset custody and financial products management and various aspects such as listed company management, transaction settlement, compliance risk control, information management, human resource and financial fund management, covering all procedures before, in and after business operation.
- (3) On construction of compliance management information system: In 2017, the Company upgraded the compliance management system, optimized modules such as the barrier walls, rules and regulations and litigation management, developed monitor system of abnormal customer transaction, monitor module for abnormal customer transaction on-line operation as well as developed blacklist monitor system and monitor and analysis system for suspicious transaction.
- (4) On management of the Chinese wall: In order to improve the risk management capability of the Company and strengthen the control over the Chinese wall between the parent company and subsidiaries, the Company revised and improved the Management Requirements for the Implementation of the Chinese wall in GF Securities (廣發證券信息隔離牆實施管理規定) in 2017, which specified the management process of the Chinese wall, the duties of various department and handling process of the interest conflicts and further optimized the management system of the Chinese wall of the Company. Meanwhile, subsidiaries such as GF Asset Management, GF Qianhe, GF Xinde and GF Futures has established or revised their management system for Chinese walls and interest conflicts.

- (5) On compliance consulting and compliance censorship: The compliance department of the Company constantly strengthened quality control of compliance review and consultation to meet the demand for the Company's business compliance and timely implementation and established weekly review meeting mechanism based on the sound operation of a special consultation mechanism on daily business review and major problems, tracked regulation and the industry dynamics and worked hard to continuously improve the accuracy and professionalism of the advice on compliance. Meanwhile, the compliance department of the Company supervised the relevant departments to rectify and improve compliance risks identified in monitoring and inspection as well as business review, to timely identify risk vulnerabilities, and to constantly solidify the compliance basis.
- (6) On compliance examination and compliance monitoring: the Company paid high attention to compliance risk prevention and control. It actively carried out various internal and external inspection covering major business lines and continuously followed the implementation of rectification of the issues found. Meanwhile, the Company further enhanced the compliance management of branches and acquired the risk condition of the branches by monthly report mechanism and made meta-analysis regularly to constantly intensify the compliance risk control function of the first defensive line.
- (7) On handling complaints: the Company handled and submitted a total of more than 170 customer complaints with the overall handling rate of more than 90% in 2017. The Company effectively implemented customer-oriented service concept, actively cooperated with the dispute mediation institutions in the industry, superintended and coordinated relevant departments to handle various customer dispute mediation for properly settling customer disputes.
- (8) On anti-money laundering: The Company organized a series of anti-money laundering work which focused on the regulatory policies of the People's Bank of China in 2017. First, according to the requirements of "the No. 3 Decree" issued by the PBoC, the Company organized various business lines, the information technology department and its branches to successfully complete related work implementation such as the construction of suspicious transaction reporting system and the blacklist system, the establishment of internal control system, personnel training required in "the No. 3 Decree"; second, the Company organized its branches, head office and subsidiaries to carry out anti-money-laundering training, and carried out site review training in the aspect of internal control system and mechanism construction in some branches; third, the Company organized all branches in the jurisdiction to carry out special anti-money laundering self-inspection work; and the Company cooperated with the People's Bank of China Guangzhou Branch to carry out publicity activities on anti-money laundering.

- (9) On compliance appraisal and employee behavior management: the Company strengthened its compliance management, and promoted the compliance culture in order to safeguard the effective implementation of the laws and regulations, regulatory policies, industry standards and its internal system. In accordance with the new requirements in Administrative Measures on Compliance of Securities Firms and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) and the Guidelines on Implementation of Compliance Management of Securities Companies (《證券公司合規管理實施指引》) as well as the Compliance Assessment Measures, 2017 compliance appraisal was carried out by the compliance director to deduct points for the entities which were liable for mismanagement in risk alert and violation occasions.

On employee behavior management, the Company continuously strengthened the management of employee practice and further clarified the red line of employee practice, reiterated key equipment management requirement and increased accountability penalties in 2017, thereby achieving remarkable effects on management of employee practice behavior.

- (10) On compliance training and compliance culture propaganda: The Company carried out real-time compliance training centering around the regulatory policies such as proper management, the management of anti-money laundering, customer identification and compliance management to fully strengthen the compliance awareness of the employees and to promote compliance culture of sound management in 2017. The training targets included all departments at the headquarters, some branches and some subsidiaries. It carried out special compliance training for compliance management in various departments to improve the performance ability of compliance management personnel. In addition, the Company introduced the “Compliance Management - 2017 Special Issue on Implementation of the Major Regulatory System”(《合規管理-2017年度落實重大監管制度專刊》) to the whole system, which covered the policy interpretation, case analysis and system implementation of the regulatory policy on laws and regulations on the three aspects such as proper management of investors, customer transaction behavior management and anti-money laundering work.

3. Audit of auditing department

During the Reporting Period, the auditing department followed tightly with the pace of business development of the Company and continued to launch internal audits with the orientation of risk and launched various targeted audit projects, which fully covered the business department of the head office, branch offices and wholly-owned subsidiaries. The Company had evaluated completeness and effectiveness of internal control of the audited unit through implementing a series of auditing items. It revealed existing risks, improved risk control ability of all business lines, branch offices and subsidiaries, and enhanced the internal control and standardized management of the Company at all levels.

During the Reporting Period, the Company has established an internal control system adapting to business nature, scale and complexity of the Company so as to effectively ensure validity and compliance of operation management, asset safety, authenticity and completeness of financial reports and the relevant information and thus enhancing operation efficiency and effects.

X. APPRAISAL AND MOTIVATION OF SENIOR MANAGEMENT PERSONNEL

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

XI. INTERNAL CONTROL CONSTRUCTION

The Company has clearly defined the responsibilities and rights of the Board of Directors, the Supervisory Committee, the auditing department and other internal agencies in terms of the supervision and evaluation of internal control. The Board of Directors is responsible for assessing and deciding the nature and extent of the risks that the Company is willing to accept when it reaches its strategic objectives, and for ensuring that the Company establishes and maintains an appropriate and effective risk management and internal control system, including reviewing its effectiveness. The systems are designed to manage rather than eliminate the risks of failing to meet business objectives, and to make reasonable but not absolute assurances that there will be no material misconduct; the Audit Committee of the Board of Directors is mainly responsible for supervision and examination on the effectiveness of internal control and its implementation and internal and external audit of the Company; the Supervisory Committee will independently exercise supervision rights and be responsible for all shareholders. The Supervisory Committee will supervise and inquire into conduct of financial staff of the Company, Directors and members of the senior management on performing duties, and also protect the legitimate interests of the Company and shareholders; auditing department, risk management department, compliance and legal business department, various business and management departments will work and cooperate with each other to have regular and irregular supervision and examination on establishing and implementing internal control; the auditing department shall be accountable to the Board of Directors, and audits and examines the business, management departments and branch offices, and urges for rectification according to external requirements and operation management needs of the Company.

The Company highly emphasizes construction of internal control system and relevant mechanisms. The Company will comprehensively consider internal environment, risk evaluation, controlling activities, information and communication and internal supervision according to the relevant stipulations under the Company Law, the Securities Laws, the Regulations on Supervision and Administration of Securities Firms, Guidelines on Internal Control of Securities Firms, Guidelines on the Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Basic Standards for Enterprise Internal Control and its supporting guidelines, and keep improving its internal control system and further establish and complete one set of internal control system which matches with the business nature, scale and complexity of the Company according to the actual condition of the Company. In order to better respond to the new trend of “legal supervision”, “strict supervision” and “full supervision”, the Company further improved the regulation system according to the changes in the external regulations, has established a standardized mechanism and process by standardizing regulation requirements such as proper management of investors, compliance management and risk management in the form of system based on the standard.

With the combination of changes in the internal and external environments and the business working conditions, the Company selectively has internal control arrangement and evaluation on some important joints, timely discovers the defects in the internal control and further improves the mechanism requirements and refines process and measures to make the internal control measures of the Company more effective.

In risk management, the Company has followed the basic process including risk identification, assessment, measurement, monitoring, reporting, response and disposal, and has constantly improved risk information feedback mechanism to ensure that all kinds of hidden risks are properly dealt with in a timely manner. In risk identification, the Company has applied a combination of qualitative analysis, quantitative models, due diligence and other tools and methods to conduct a full identification and analysis on a variety of potential risk factors in business operation, products developed, services provided and projects invested to determine the risks and the nature thereof the Company encounters, and to assess the trend of change, and has built comprehensive risk management measures. On the basis of risk identification, the Company has selected the appropriate qualitative evaluation methods and quantitative models according to the business risk types and characteristics to effectively measure and assess risks. According to measurement and assessment of business risks, the Company has established a reasonable and effective risk response and mitigation mechanism based on risks with different types, all kinds of probability of occurrence and various degrees of loss, and has laid down appropriate risk control measures to manage additional risks resulting from mitigation tools or methods so as to minimize the impact the risk events have caused/may cause on the Company.

In view of the significant risks arising from the operation and management activities, the Company has strictly implemented the relevant business access, risk decision-making process and risk limit, and closely monitored the potential significant risks. Based on a full assessment and analysis on the adverse effects, the Company has actively taken the appropriate risk mitigation measures, made preparation for emergency response and developed emergency disposal plan after assessing based on the principles of the timely, effective, rapid and legal disclosure, and has organized relevant departments to quickly and effectively complete emergency response and recovery plans to ensure the Company's sustainable operation in compliance with regulatory requirements.

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

It is the responsibility of the Board of Directors to establish, complete and effectively implement internal control according to the stipulations in the internal control standard system of the Company, evaluate its effectiveness and reveal assessment report of internal control. The Board monitored, reviewed and evaluated the establishment, the implementation and the effectiveness of various risk management and internal control systems of the Company through the consideration of the Work Report of Risk Management Committee of the Company for the Year, the Work Report of Audit Committee for the Year, Annual Compliance Report, Internal Control and Evaluation Report for the Year and the Report of Risk Management for the Year. The Supervisory Committee will supervise the Board of Directors on its establishment and implementation of internal control. Operation management level is responsible for the daily functioning of internal control. The objectives of the internal control are to reasonably ensure validity and compliance of the operation management, assets safety, authenticity and completeness of financial reports and the relevant information and thus to enhance operation efficiency and effects so as to promote realization of the development strategy. Due to the inherent limitations of the internal control, it can only provide reasonable assurance for the realization of the above targets. The Company has established supervision and examination mechanism on internal control. Once defect in internal control is recognized, the Company will immediately adopt rectification measures. Besides, changes in the situation will cause the internal control to become inappropriate or its degree on compliance with the controlling policy and procedures will be lowered, there will be certain risks to the effectiveness of the internal control in the future as inferred by the result of the evaluation of the internal control.

The Company's audit department regularly evaluates the internal control of the Company, including risk management, especially for the previous year. The review mainly includes operation of the risk management system, the existing problems and the related suggestions. The Supervisory Committee has assessed the effectiveness of the Company's risk management and issued an evaluation report on effectiveness. The review mainly includes the effectiveness of risk management measures, implementation of policies and systems, and disposal of risk events. In addition, the risk management department optimizes and improves the relevant risk management measures and means after regularly or irregularly reviewing the process, measures and systems of the relevant business risk management inside the Company to constantly enhance the Company's level of risk management.

The Board of Directors has commented on the internal control of the Company according to requirements of the Basic Standards of Enterprise Internal Control. It is of the view that the internal control continued to be effective on December 31, 2017, no major defect or important defect was identified in internal control of financial reports and non-financial reports.

In 2018, the Company will continue improving its internal control system, standardizing implementation of its internal control system, reinforcing supervision and examination of internal control according to the provisions and requirements of the Basic Standards of Enterprise Internal Control and the Corporate Governance Code in the view of changes in the external operation environment and actual demands of the Company's development so that the Company can have a healthy and sustainable development.

XIII. BASIS FOR ESTABLISHING INTERNAL CONTROL FOR FINANCIAL REPORTS

The Company emphasizes the establishment and improvement of internal control system concerning financial reports and has established relevant regulations and systems in business calculation, cost expenditure, financial management and accounting information system management according to the requirements in accounting laws, accounting principles and relevant financial systems. According to the requirements in the Basic Standards of Enterprise Internal Control and Practice Guidelines for Enterprise Internal Control, the Company sets scientific financial accounting organization structure, equips with qualified financial accountants, uses standard and rigorous financial accounting management system, and chooses appropriate accounting policies and reasonable accounting evaluation to ensure that the financial reports compiled by the Company conform to the requirements in the accounting principles and can genuinely, accurately and entirely reflect the financial status, operation results and cash flow of the Company.

During the Reporting Period, relevant internal control systems relating to the financial reports of the Company were complete; the smooth operation could guarantee the quality of financial reports and ensure high reliability of financial information. Since the shares of the Company were listed, all regular reports have been timely disclosed and there is no major defect or important defect in the internal control of financial reports.

XIV. ACCOUNT STANDARDIZATION

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

As of December 31, 2017 there were 6,482 unqualified accounts, 1,457,219 dormant accounts, 33,622 risk handling accounts, 17,642 pure capital accounts, and 640 judicial freezing accounts in the Company.

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

XV. EVALUATION OF INTERNAL CONTROL

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

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

2. Self-assessment report on internal control

Date of disclosure of the full text of Internal Control and Evaluation Report March 24, 2018

Disclosure index of full text of Internal Control and Evaluation Report For detailed information, please visit the website of CNINFO for the March 24, 2018 report (www.cninfo.com.cn)

The percentage of total assets of units included in the evaluation scope to the total assets in the Company's consolidated financial statements 99.71%

The percentage of total operating income of units included in the evaluation scope to the operating income in the Company's consolidated financial statements 99.70%

Defect recognition criteria

Category	Financial Report	Non-financial Report
Qualitative criteria	<p>The existing significant defects or symptoms of significant defects in internal control in the financial report of the Company, which include: malpractices are conducted by the Directors, Supervisors and senior managers; to modify the financial statements that have been published; in the current financial statements certified public accountants find material misstatements that are not discovered in the process of internal control; non-standard unqualified opinions for financial report are issued by registered accountants; monitoring of internal control by the Company's Audit Committee and internal auditors is vitiating.</p> <p>Defects in internal control, alone or in conjunction with other defects, in the financial report fail to be prevented or detected and corrected, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p> <p>The defects of which do not constitute substantial defects or defects of internal control from substantial defects, are considered as general defects.</p>	<p>It is likely that event or sign of significant defects in internal control might exist in the non-financial report of the Company, which include: "three important and one substantial" matters fail to pass through the collective decision procedure; severe draining of management personnel and technicians in key positions, which affects normal course of business; systematic failure in internal control of important business; internal control defects are subject to serious legal risks; internal control defects significantly affect the Company's reputation; internal control defects are subject to serious administrative punishment; except for the losses due to policies, the Company suffers losses for years and the continuation of business is being challenged, does not meet requirements as a listed company, and may face the risk of delisting or merger in the secondary market; failure of substantial merger or reorganization, or newly expanded affiliate with substantial impact is unable to sustain.</p> <p>Defects in internal control, alone or in conjunction with other defects, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p> <p>General defects are those excluding substantial defects and important defects as mentioned above.</p>

Quantitative criteria

- | | |
|--|--|
| <p>1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit.</p> <p>2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit.</p> <p>3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.</p> | <p>1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% of annual net profit (inclusive).</p> <p>2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit.</p> <p>3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.</p> |
|--|--|

The number of substantial defects in financial reports (unit: piece)	0
The number of substantial defects in non-financial reports (unit: piece)	0
The number of important defects in financial reports (unit: piece)	0
The number of important defects in non-financial reports (unit: piece)	0

XVI. INTERNAL CONTROL AUDIT REPORT

Review of the internal control audit report

In the Company's opinion, GF Securities has maintained effective internal control over financial reports in accordance with the Basic Standards for Enterprise Internal Control and related requirements in all material respects.

Disclosure of internal control audit report Disclosed

Disclosure date of full text of internal control audit report March 24, 2018

Disclosure index of full text of internal control audit report For details, please see the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (www.hkexnews.hk) on March 24, 2018

Opinion of the internal control audit report Standard and unqualified opinion

Whether there is any substantial defect in the non-financial report No

Has the accounting firm issued non-standard opinions with regard to the internal control audit report?

Yes No

Is the internal control audit report issued by the accounting firm consistent with the self-assessment report of the Board of Directors?

Yes No

XVII. OTHER ISSUES ON CORPORATE GOVERNANCE

(I) Responsibility to be borne by Directors for the financial statement

The responsibility statement of the Directors on financial statements below shall be read in conjunction with that of the certified public accountants contained in the audit report of this report, while both statements shall be comprehended separately.

The Company's Directors shall compile genuine and fair combined financial statements according to the disclosure requirements under the PRC GAAP, International Financial Reporting Standards issued by the International Accounting Standards Committee and the Hong Kong Companies Ordinance. The Company's Directors will also be responsible for the necessary internal monitoring of the combined financial statements so that there will not be any material misstatements as a result of fraud or errors. The Company is not subject to any event or circumstance of material uncertainty, as a result of which significant doubt may be cast upon the ability of the on-going operation of the Company.

For obligations of reporting of the Company's external auditor, Deloitte Touche Tohmatsu Limited, please refer to the independent auditor report.

(II) Appointment and remuneration of the auditor

Upon approval of the general meeting of Shareholders in 2016, the Company continued to appoint Deloitte Touche Tohmatsu Limited as external auditor in 2017, which is responsible for providing relevant auditing services and reviewing and approving the financial statements in accordance with the China Accounting Principles and the International Financial Reporting Standards. The Company retains Deloitte Touche Tohmatsu Limited as the internal control auditing agency. Please see details of its employment and remuneration in “VI. Appointment and Removal of Accountants” in Section 6 “Significant Events” in this report.

(III) Securities trading by Directors, Supervisors and relevant employees

The Company has formulated the Management Rule on Shares Held by Directors, Supervisors and Senior Management and Relevant Changes to intensify management of declaration, disclosure and supervision of the holding and sale of the Company’s shares by Directors, Supervisors and senior management personnel. Meanwhile, the Company adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for all Directors, Supervisors and relevant employees (as defined in the Corporate Governance Code) at the meeting of the Board on March 19, 2015. After specific enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly followed the standards in the Model Code for Securities Transactions by Directors of Listed Companies during the Reporting Period.

(IV) Company Secretary

The 8th meeting of the 8th session of the Board of Directors had approved the Proposal on Appointing the Joint Company Secretary and appointed both Mr. Luo Binhua, the secretary to the Board of Directors, and Mr. Wan Ka Hung as the joint company secretaries. Mr. Luo Binhua and Mr. Wan Ka Hung will be the main contact persons of the Company with Hong Kong Stock Exchange.

During the Reporting Period, in order to better perform their duties and according to the requirements of the Hong Kong Listing Rules, Mr. Luo Binhua, secretary to the Board of Directors, had accepted professional training for over 89 hours, including the 2017 advanced seminar on corporate regulation for the companies listed outside of China by the Hong Kong Institute of Chartered Secretaries, the 31st subsequent training class for secretary of Board of Directors in listed companies in the main board of Shenzhen Stock Exchange and the subsequent professional training organized by the Securities Association of China; Mr. Wan Ka Hung, joint company secretary, had received professional training for more than 15 hours including: The Dynamics of Shareholder Engagement and Shareholder Activism in Hong Kong Conference, the “Quarterly Review of AGM 2017” seminar and the “Shareholder Disputes involving Listed Companies” seminar organized by Hong Kong Investor Relations Association (HKIRA) in November 2017, professional seminar organized by the Association of Hong Kong Accountants titled “Translating Environmental, Social and Governance (ESG) into sustainable business value” and a professional training course organized by Hong Kong Securities and Investment Institute.

(V) Investor relations

1. *Amendments to the Company's rules during the Reporting Period*

In May 2017, according to the requirements of the Management Criteria for Private Equity Fund Subsidiaries of a Securities Firm (《證券公司私募投資基金子公司管理規範》) and the Management Criteria for Alternate Investment Subsidiaries of a Securities Firm (《證券公司另類投資子公司管理規範》) issued by the Securities Association of China on December 30, 2016, the Company made amendments to the Articles of Association. In September 2017, according to the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies(《證券公司和證券投資基金管理公司合規管理辦法》) issued by the CSRC on June 9, 2017, the Company made amendments again to the Articles of Association as well as the Terms of Reference of the General Manager(《總經理工作細則》), the Performance Appraisal and Remuneration Management Regulations for the Operating Management (《經營管理層績效考核與薪酬管理辦法》) and the Compliance Management Regulation. The latest Articles of Association of the Company has been effective since December 28, 2017 on which it was approved by the Guangdong Bureau of CSRC. Details of the relevant rules which are required to be disclosed can be found on the Company's website. Apart from that, there is no material change in the Articles of Association of the Company during the Reporting Period.

2. *Investor relation activities during the Reporting Period*

In 2017, the Company organized various types of interactions for investors and analysts, based on the regulatory requirements and its business development needs. The Company had enhanced its communications with investors through various tools such as dedicated hotlines, the Company's website, teleconference, onsite reception, strategy meetings, online interaction, stock commentator luncheon, analyst events and results announcements. The Company's management team and investor relation team held 49 meetings, cumulatively approximately more than 100 sessions, with domestic and overseas institutional investors and analysts, and met over 300 institutional investors, organised 4 domestic and international results presentations and replied to 41 questions from investors through the interactive platform of the SZSE.

In March 2017, after its annual results were announced, the Company hosted the stock commentator luncheon and held analyst events and results presentation at site, to further introduce its results and operations to investors. The Company invited analysts for in-depth communication and invited over 100 investors, which deepened the investors' understanding of the Company's operations and performance. In order to strengthen the communications with the market, the Company timely and effectively delivered its operating conditions and performance through telephone communication with analysts and investors after the release of quarterly and interim results. The Company attaches great importance to the communications with small and medium-sized investors, and actively responds to questions raised by investors on the interactive platform of the SZSE. By setting up two hotlines for investors, the Company has maintained smooth and efficient communications with investors.

In 2018, the Company will continue to optimize the construction of the website for the Company's investors relations, the functions of investor hotlines, mailbox and website, so that investors can understand the Company's development in a convenient, fast, prompt and all-round way. The Company will also further enrich investor relation activities, and provide better services to investors and analysts.

Please refer to "XII. Reception of Activities such as Research, Communication and Interview" in Section 5 "Discussion and Analysis of Operations" of this report for details on the Company's reception of investors.

(VI) Establishment and implementation of the Company's inside information system

The Company has formulated the Administrative Measures for Insiders of Inside Information (《内幕信息知情人管理辦法》) and the Management Procedures for Registration of Insiders of Inside Information (《内幕信息知情人登記管理規程》) to further regulate the management of inside information and strengthen the confidentiality of inside information. Pursuant to the measures, the office of the Board of Directors, which is directly led by the secretary of the Board of Directors, is the department for management of the Company's inside information and for specific implementation of information disclosure. The Company has signed confidentiality agreements with each of the secretary of the Board of Directors, the securities affairs representative and the office of the Board of Directors which require them to undertake continuous fulfilment of their obligations of confidentiality during and after their terms of office until the relevant information is disclosed. Before the Company regularly announces periodic reports, insiders of inside information such as substantial shareholders and intermediary services agencies of the Company shall actively cooperate with the Company to complete registration of insiders of inside information. Periodic reports and the registration forms for insiders of inside information in the periodic reports shall be submitted simultaneously to the SZSE.

During the daily business operation of the Company, the Chairman of the Board of Directors and the general manager are the primary persons responsible for maintaining confidentiality of the Company's inside information; while the deputy general manager and other senior management staff are the primary persons responsible for maintaining confidentiality of business and inside information of departments; and the primary persons in charge of each branch and controlled subsidiary are the primary person responsible for maintaining confidentiality of inside information of their own units. Business staff who may access to inside information in their course of business also have obligation of confidentiality. The office of the Board of Directors is responsible for the truthful and completeness of the recording of the list of insiders of inside information during all segments such as the preparation, transmission, examination and disclosure of inside information before their disclosure, and for keeping relevant records for the contents and time of inside information which are known by insiders for inspection of the Company and enquiry by regulatory bodies and, based on specific matters, regularly reports insiders of inside information through the Internet Monitoring Information Platform of the Guangdong Bureau of the CSRC.

The Company has formulated the Administrative Measures for Users of External Information (《外部信

息使用人管理辦法》) pursuant to which relevant departments, controlled and non-controlled subsidiaries of the Company shall, before external reporting of information according to laws and regulations and other requirements, make sure such information be reviewed and approved through relevant internal procedures and also reviewed and approved by the secretary of the Board of Directors. Information to be reported externally by the Company involving significant matters shall be considered as inside information. Managing personnel of relevant departments and controlled subsidiaries of the Company shall serve to the relevant personnel of the receiving party a reminder of confidentiality. The office of the Board of Directors has established a system for registration of external use of information which is filed and recorded item by item in chronological order by special staff. The contents for registration mainly include the departments and managers for information transmission, the information title, the serviced unit, the time of delivery, the way of delivery, whether going through approval (if any), and whether a reminder of confidentiality is provided. Meanwhile, external units and relevant staff shall be recorded and filed as insiders of inside information for inspection.

Furthermore, pursuant to the Provisions relating to Strengthening Regulation of Listed Securities Companies (revised in 2010) (《關於加強上市證券公司監管的規定(2010年修訂)》) issued by the CSRC, the Company publicly disclosed major financial information of its monthly operation in the form of provisional announcements every month to increase the frequency of public disclosure and shorten the time during which relevant information is in non-public domain.

Section 11

Corporate Bonds



I. BASIC INFORMATION OF BONDS OF THE COMPANY

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 3rd extraordinary general meeting of shareholders in 2012 and the 1st extraordinary general meeting of shareholders in 2013, the Company was approved to publicly issue corporate bonds of not more than RMB12 billion (inclusive) with a term of not more than 10 years (inclusive).

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

On May 31, 2013, the Company has obtained the “Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds (Zheng Jian Xu Ke [2013] No. 725)” (《關於核准廣發證券股份有限公司公開發行公司債券的批覆》(證監許可[2013]725號)文件) from the CSRC and was approved to publicly issue corporate bonds with a nominal value of not more than RMB12 billion to the public. On June 19, 2013, the Company completed the issuance of corporate bonds. There were three types of bonds during this period. The details of the bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB'0,000)	Coupon	Debt Service
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13GF01	112181	June 17, 2013	June 17, 2018	150,000	4.50%	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type II)	13GF02	112182	June 17, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13GF03	112183	June 17, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Suitability arrangement of investors	Target investors are social public investors who hold security accounts with the initial letters of A, B, D or F opened in the registered companies (excluding purchasers prohibited by laws and regulations) and institutional investors opening eligible securities accounts in the registered companies (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On June 19, 2017 (interest payment date will be postponed if it is a holiday), the Company paid the interest for the above corporate bonds from June 17, 2016 to June 16, 2017. Wherein, the interest for “13GF01”, “13GF02” and “13GF03” are RMB4.50 (with tax)/piece, RMB4.75 (with tax)/piece and RMB5.10 (with tax)/piece respectively.						

Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if any).

"13GF01" includes special articles for redemption and redenomination interest rate.

Redemption: after the issuer has issued the announcement for whether increase the nominal interest rate of 3+2- year type of bonds of the term or increase the range, investors have the right to choose to sell back their all or part 3+2-year type of bonds of the term to the issuer at par on the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term.

Redenomination interest rate: the issuer has the right to decide if to increase the nominal interest rate of 2 years after increasing bonds of the term as at the 3rd year during the duration for such 3+2-year type of bonds of the term. The issuer will publish on the information disclosure media designated by the CSRC for the announcement that if to increase the nominal interest rate of 3+2- year type of bonds of the term or increase the range on the 30th trading day prior to the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term. If the issuer has not executed its right to increase the interest rate, the original nominal interest rate for that for the duration of 3+2-year type of bonds of the term will remain the same.

On June 19, 2016, the Company chose not to increase the nominal interest rate of 13GF01 (i.e. the redenomination interest rate of 13GF01 for the 2 years after the annual payment date remain unchanged at 4.50%). Pursuant to the requirement of Prospectus of GF Securities Co., Ltd. to Publicly Issue 2013 Corporate Bonds 《廣發證券股份有限公司公開發行公司債券募集說明書》, the Company released an Announcement Regarding Non-redemption Interest Rate of 13GF01 and Implementation Measures on Redemption by Investors (《關於13廣發01票面利率不調整和投資者回售實施辦法的公告》). Following the announcement, none of the bondholders has chosen to sell back, all or part of, the 13GF01 at par to the issuer.

During the Reporting Period, there is no special articles for redemption and redenomination interest rate.

On November 18, 2016, the Company obtained the "Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors" (Zheng Jian Xu Ke [2016] No. 2741) (the "Reply") (《關於核准廣發證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2016] 2741號文件)) from the CSRC and was approved to publicly issue corporate bonds with a total nominal value of not more than RMB19 billion to qualified investors. On May 11 and July 26, 2017, the Company completed the issuance of the 2017 first and second tranches of corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Date of Issuance	Maturity Date	Balance	Coupon	Debt Service
					of Bond (RMB'0,000)		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the First Tranche)	17 GF 01	112520	May 09, 2017	May 11, 2020	600,000	4.60%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the Second Tranche)	17 GF 02	112556	July 24, 2017	July 26, 2020	600,000	4.50%	

Trading places for the listing or transfer of corporate bonds	SZSE
Arrangement to ensure the appropriateness of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).
Interest payment of corporate bonds during the Reporting Period	No interest payment was made during the Reporting Period.
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms

II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

Corporate bond trustee in 2013:

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

Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizangnanlu, Huangpu District, Shanghai
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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
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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
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Reason of change, procedures to be conducted and impacts on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed.	During the Reporting Period, there were no changes in the bond trustee and credit rating agency.
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III. USE OF PROCEEDS FROM BOND OFFERING

Use of proceeds from and procedures to be fulfilled in bond offering	The proceeds from corporate bond offering, with the offering expenses deducted, were all used to replenish the Company's working capital in 2013;
Year-end balance (RMB'0,000)	2,400,000
Operation of special account for the funds raised	The proceeds from corporate bond offering, with the offering expenses deducted, were all used to replenish the Company's liquidity in 2017. When the aforesaid corporate bond was issued, the Company designated a special account for the collection of funds raised according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company's working capital according to the plan set forth in the prospectus.
Consistency of the use of proceeds with the commitments, the planned use and other agreements in the prospectus	The use of proceeds is consistent with the commitments, the planned use and other agreements in the prospectus.

IV. CORPORATE BOND RATING

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

When the 2017 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the "CCXR Credit Rating Notice" (Xin Ping Wei Han Zi [2017] No. G218-1) (《中誠信證評信用等級通知書》(信評委函字[2017] G218-1號)), the "CCXR Credit Rating Notice" (Xin Ping Wei Han Zi [2017] No. G338-F1) (《中誠信證評信用等級通知書》(信評委函字[2017] G338-F1號)), the "Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2017 (the First Tranche)" (《廣發證券2017年面向合格投資者公開發行公司債券(第一期)信用評級報告》) and the "Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2017 (the Second Tranche)" (《廣發證券2017年面向合格投資者公開發行公司債券(第二期)信用評級報告》) issued by CCXR, the 2017 corporate bonds were rated AAA at the time of issuance. This rating indicates the extremely high credit quality and low credit risks of such bonds.

During the effective period of the credit rating of the aforementioned corporate bonds and the duration of such bonds, CCXR continuously monitored factors such as changes in the Company's external business environment, operations, financial conditions and the debt service coverage, and continuously analysed the credit risks of such bonds. On April 20, 2017, CCXR updated and maintained the AAA rating of the 2013 corporate bonds. During the Reporting Period, 2017 corporate bonds did not involve any following-up rating events.

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

The above corporate bonds bear no warranties.

The debt repayment plans of the above corporate bonds: The principal of the bonds shall be fully repaid upon maturity. The above-mentioned repayment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period. Interest on the bonds shall be paid once every year starting from the value date. Such interest payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period. Principal will be repaid upon maturity together with interest payable for the last period. The principal and interest of corporate bonds shall be paid through registration authorities and relevant institutions. The detailed matters about principal and interest payment shall be explained by the Company in the relevant announcement published through the media designated by the CSRC according to the relevant national provisions.

The safeguard measures on debt repayment of the above corporate bonds include but are not limited to: retaining a bond manager; establishing special repayment work team; establishing the Bondholder Meeting Rules; and disclosing information strictly. Furthermore, if it is predicted that the interest and principal of the bonds cannot be repaid on time when due or if the interest and principal of the bonds cannot be repaid at the end of the period, the Company shall adopt the following measures in accordance with the mandatory requirements (if applicable) under laws, regulations or regulatory documents: 1. the proportion of discretionary surplus reserve fund and the proportion of general risk reserves shall be increased during the duration of the bonds in order to reduce the solvency risk; 2. no profits shall be distributed to the shareholders; 3. significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed; 4. salary and bonus of the Directors and senior management shall be reduced or suspended; and 5. the main responsible person shall not be transferred.

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

VI. CONVENING OF MEETINGS OF BONDHOLDERS DURING THE REPORTING PERIOD

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

VII. PERFORMANCE OF BOND TRUSTEE DURING THE REPORTING PERIOD

As the trustees, China Merchants Securities Co., Ltd. and Guosen Securities Co., Ltd., strictly performed the relevant obligations as the trustees during the Reporting Period according to relevant laws, rules and regulations such as the Management Measures on Corporate Bond Issuance and Trading, and the Code of Conduct for Corporate Bond Trustee; while performing the relevant responsibilities of a trustee, China Merchants Securities Co., Ltd. and Guosen Securities Co., Ltd. had no conflict of interests with the Company.

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

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

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

During the Reporting Period, the Company has paid interests for a total of five short-term corporate bonds, in accordance with the No Objection Letter to GF Securities Co., Ltd. for the Short-Term Corporate Bond of Securities Firms in 2016 Meeting Transfer Conditions of the SZSE (Shen Zheng Han [2016] No. 762) (《關於廣發證券股份有限公司2016年證券公司短期公司債券符合深交所轉讓條件的無異議函》(深證函[2016] 762號)) and the No Objection Letter to GF Securities Co., Ltd. for the Short-Term Corporate Bond of Securities Firms in 2017 Meeting Transfer Conditions of the SZSE (Shen Zheng Han [2017] No. 63) (《關於廣發證券股份有限公司2017年證券公司短期公司債券符合深交所轉讓條件的無異議函》(深證函[2017] 63號)):

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (days)	Coupon	Interest payment
GF 1602	500,000	April 15, 2016	365	3.10%	Principal and interest paid on April 17, 2017 (postponed to the next working day due to holiday)
GF 1603	500,000	May 13, 2016	270	3.28%	Principal and interest paid on February 7, 2017
GF 1604	500,000	May 23, 2016	365	3.27%	Principal and interest paid on May 23, 2017
GF 1702	450,000	April 25, 2017	240	4.70%	Principal and interest paid on December 21, 2017
GF 1703	400,000	May 23, 2017	183	5.00%	Principal and interest paid on November 22, 2017

As of the end of the Reporting Period, ten tranches of the Company's short-term corporate bonds had not matured. The total balance was RMB17.6 billion. Key information on these short-term corporate bonds that were outstanding by the end of the Reporting Period is as below:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (days)	Coupon
GF 1701	300,000	April 17, 2017	270	4.60%
GF 1704	450,000	July 10, 2017	310	4.75%
GF 1705	290,000	July 31, 2017	240	4.70%
GF 1706	300,000	September 13, 2017	365	4.85%
GF 1707	220,000	November 7, 2017	365	5.07%
GF 1708	200,000	November 7, 2017	185	4.95%

(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 of 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, sub-ordinated bonds and asset securitization products (collectively, the "Onshore and Offshore Debt Financing Instruments") on a one-off or multiple issuances or multi-tranche issuances bases. The total balance of issued Onshore and Offshore Debt Financing Instruments of the Company shall not exceed RMB200 billion and shall meet the requirements of relevant laws and regulations on the maximum amount of issuance of Onshore and Offshore Debt Financing Instruments of the Company.

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

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
14 GF 02	300,000	July 24, 2014	3+2	5.90%	On July 24, 2017, the Company exercised its rights of redemption, with both principal and paid interest accrued from July 24, 2016 to July 23, 2017
15 GF 05	900,000	May 29, 2015	2	5.35%	On May 29, 2017, the Company repaid principal and paid 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, with both principal and paid interests from June 15, 2016 to June 14, 2017
16 GF 01	430,000	May 9, 2016	1+2	3.30%	On May 9, 2017, the Company exercised its rights of redemption, with both principal and paid interests from May 9, 2016 to May 8, 2017

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
16 GF 02	500,000	June 13, 2016	2+1	3.50%	On June 13, 2017, the Company paid 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 interest accrued from June 21, 2016 to June 20, 2017
16 GF 04	500,000	July 19, 2016	2+2	3.35%	On July 19, 2017, the Company paid interest accrued from July 19, 2016 to July 18, 2017
16 GF 05	500,000	August 17, 2016	2	3.03%	On August 17, 2017, the Company paid interest accrued from August 16, 2016 to August 15, 2017
16 GF 06	400,000	August 29, 2016	3	3.30%	On August 29, 2017, the Company paid interest accrued from August 29, 2016 to August 28, 2017
16 GF 07	400,000	September 14, 2016	3	3.50%	On September 14, 2017, the Company paid interest accrued from September 14, 2016 to September 13, 2017

As of the end of the Reporting Period, eight of the Company's subordinated bonds, in a total balance of RMB33.5 billion were outstanding. Key information on these bonds as of the end of the Reporting Period is as below:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon
16 GF 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%
17 GF C1	350,000	October 20, 2017	3	5.09%
17 GF C2	200,000	October 30, 2017	2	5.10%

(III) Interest payment for private corporate bonds

During the Reporting Period, the Company paid interest for one of the private corporate bonds:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
16 GF 08	300,000	November 18, 2016	3	3.45%	On November 20, 2017, the Company paid interest accrued from November 18, 2016 to November 17, 2017 (interest payment date will be postponed in holidays)

As of the end of the Reporting Period, four of the Company's private corporate bonds, in a total balance of RMB12.5 billion was outstanding, with key information as below:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon
16 GF 08	300,000	November 18, 2016	3	3.45%
17 GF 03	350,000	August 15, 2017	3	4.84%
17 GF 04	300,000	August 28, 2017	3	4.95%
17 GF 05	300,000	September 25, 2017	2	5.00%

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

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

The Company did not borrow from banks during the Reporting Period, and there was no outstanding bank loan at the end of the Reporting Period. The Company is a member of the interbank market. It paid back the credit inter-bank interest and principal on a timely basis during the Reporting Period, and the outstanding fund borrowed from banks was RMB1,300,000,000 as of the end of Reporting Period.

X. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT OF THE CORPORATE BOND DURING THE REPORTING PERIOD

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

XI. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD

As of August 31, 2017, the balance of the Company's borrowings amounted to RMB176.927 billion. With a cumulative amount of RMB18.324 billion, new borrowings accounted for 22.52% (above 20%) of the net assets at the end of last year. The Company made public disclosure in accordance with the Management Measures on Corporate Bond Issuance and Trading. China Merchants Securities, the Trustee of the Company's 2013 Corporate Bonds, and Guosen Securities, the Trustee of the Company's 2017 Corporate Bonds, issued the Report on the Temporary Trusteeship of Corporate Bonds, respectively.

Except for the above-mentioned events, there were no major issues as listed in Article 45 of the Management Measures on Corporate Bond Issuance and Trading during the Reporting Period.

XII. GUARANTOR FOR THE CORPORATE BOND

None

Section 12
Documents
Available for
Inspection



- (1) Texts of the annual report with the signature of the legal representative of the Company.
- (2) Text of the financial statements (H Share).
- (3) The original text of the auditor's report issued by Deloitte Touche Tohmatsu.
- (4) The original copies of all corporate documents and announcements publicly disclosed on newspapers designated by the CSRC during the Reporting Period.
- (5) Other relevant materials.

APPENDIX
INDEPENDENT
AUDITOR'S
REPORT,
CONSOLIDATED
FINANCIAL
STATEMENTS
AND NOTES





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To the Shareholders of GF Securities Co., Ltd.*(incorporated in the People's Republic of China with limited liability)***OPINION**

We have audited the consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 235 to 386, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Determination of consolidation scope

We identified the determination of consolidation scope as a key audit matter as the Group holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as investment manager.

As disclosed in note 4, for collective asset management schemes and investment funds where the Group involves as investment manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

The Group applied significant judgement in determining whether such investments fall within the consolidation scope under IFRS 10 "Consolidated Financial Statements". The effect of consolidation or not of these structured entities will have significant impact on the consolidated financial statements of the Group.

Details of unconsolidated structured entities as at 31 December 2017 are disclosed in note 25.

How our audit addressed the key audit matter

Our procedures in relation to management's determination of consolidation scope included:

- Assessing and evaluating the design and operating effectiveness of key controls of management in determining the consolidation scope as set out in IFRS 10 of interests in structured entities;
- Examining, on a sample basis, the related sales and purchase agreements and other related service agreements of investments in structured entities newly acquired or with changes in investment holdings or terms during the year to assess whether or not the consolidation criteria are met;
- Challenging and assessing management judgement in applying IFRS 10 to each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.

Impairment of available-for-sale equity instruments

We identified the impairment of available-for-sale equity instruments, which include equity securities, funds and others in equity instruments, as a key audit matter as the Group applied significant judgement in determining the impairment of available-for-sale equity instruments of RMB25,032.40 million, of which RMB21,810.36 million were measured at fair value and RMB3,222.04 million were recognised at cost less impairment.

For available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment. As disclosed in note 4, for available-for-sale equity securities, funds and others in equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. An impairment allowance of RMB115.61 million, comprised of RMB5.07 million and RMB110.54 million for non-current equity instruments and current equity instruments respectively, was recognised as at 31 December 2017 and included in the total impairment allowance for available-for-sale as disclosed in note 26.

Unlisted available-for-sale equity investments of RMB3,222.04 million, representing equity investments in unlisted companies made by the Group, are measured at cost less impairment. When assessing impairment of these available-for-sale equity investments, the Group applied significant judgement in assessing objective evidence for impairment and determining the recoverable amount as disclosed in note 4. An impairment allowance of RMB286.82 million was recognised in respect of such financial assets as at 31 December 2017 as disclosed in note 26.

Our procedures in relation to the impairment assessment of available-for-sale financial assets included:

- Assessing and evaluating the design and operating effectiveness of key controls of management in the identification of available-for-sale financial assets with indicators of impairment;

Available-for-sale financial assets measured at fair value

- Assessing the judgement applied by management in determining whether the available-for-sale financial assets are impaired and checking, on a sample basis, the data used by management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data;

- Checking management's calculations of the impairment allowance for available-for-sale financial assets measured at fair value.

Available-for-sale financial assets measured at cost less impairment

- Assessing, on a sample basis, the appropriateness of the estimation of the recoverable amount generated from discounted cash flows made by the management by checking to latest financial information of those equity investments and comparable industry information.

Impairment of advances to customers

We identified the estimation of impairment of advances to customers, which primarily comprise loans to margin clients, as a key audit matter due to the significance of advances to customers and the significant judgement applied by the management in assessing the value of collateral and the recoverable amount for individual impairment and assumptions applied by the management in the collective impairment model to determine collective assessment of impairment.

As disclosed in note 4, the Group assesses the value of advances to customers firstly on an individual basis principally by reviewing the collateral received and the creditworthiness of the customers then on a collective basis in determining the impairment.

As at 31 December 2017, the Group held loans to margin clients of RMB61,130.07 million, less impairment allowance of RMB68.80 million as disclosed in note 28.

Our procedures in relation to the management's impairment assessment of advances to customers included:

- Assessing and evaluating the design and operating effectiveness of the key controls of the management over the identification of impairment indicators and measurement of impairment allowances;
- Checking, on a sample basis, the accuracy of the calculation of the shortfall of loans to margin clients after deduction of the recoverable amounts of securities collateral;
- For individual impairment, checking, on a sample basis, the existence and accuracy of the recoverable amount of the securities collateral, to supporting documents and with reference to closing market prices;
- For collective assessment, evaluating the appropriateness and reasonableness of the collective impairment model and assumptions used by the management and checking management's calculations of the collective impairment allowance.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- o Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- o Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- o Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- o Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- o Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is M. Y. Tong.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

23 March 2018

	NOTES	2017 RMB'000	2016 RMB'000
Revenue			
Commission and fee income	6	11,564,482	13,390,788
Interest income	7	8,017,630	7,830,720
Net investment gains	8	8,733,919	6,510,790
Total revenue		28,316,031	27,732,298
Other income and gains or losses	9	298,303	(244,375)
Total revenue and other income		28,614,334	27,487,923
Depreciation and amortisation	10	(312,454)	(293,417)
Staff costs	11	(6,836,367)	(6,586,871)
Commission and fee expenses	12	(336,255)	(375,942)
Interest expenses	13	(7,064,048)	(6,542,655)
Other operating expenses	14	(2,483,884)	(2,963,403)
Impairment losses	15	(398,265)	(423,439)
Total expenses		(17,431,273)	(17,185,727)
Share of results of associates and joint ventures		460,965	402,864
Profit before income tax		11,644,026	10,705,060
Income tax expense	16	(2,560,655)	(2,295,738)
Profit for the year		9,083,371	8,409,322
Attributable to:			
Owners of the Company		8,595,399	8,030,107
Non-controlling interests		487,972	379,215
		9,083,371	8,409,322
Earnings per share (Expressed in RMB Yuan per share)			
– Basic	17	1.13	1.05

	2017 RMB'000	2016 RMB'000
Profit for the year	9,083,371	8,409,322
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Net fair value changes during the year	2,734,862	(789,194)
Reclassification adjustment to profit or loss on disposal	(1,752,679)	(1,175,077)
Reclassification adjustment to profit or loss on impairment	190,423	247,619
Income tax impact	(350,099)	390,206
Subtotal	822,507	(1,326,446)
Share of fair value gains (losses) on available-for-sale financial assets of associates and joint ventures	89,932	(61,455)
Exchange differences arising on translation	(377,108)	357,840
Share of exchange differences arising on translation of associates	(5,674)	1,548
Other comprehensive income (expense) for the year, net of income tax	529,657	(1,028,513)
Total comprehensive income for the year	9,613,028	7,380,809
Attributable to:		
Owners of the Company	8,990,611	7,107,785
Non-controlling interests	622,417	273,024
	9,613,028	7,380,809

	NOTES	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current assets			
Property and equipment	18	2,128,222	1,761,438
Prepaid lease payments	19	298,459	308,087
Investment properties	20	21,803	23,539
Goodwill	21	2,168	2,321
Other intangible assets	22	284,999	258,276
Investments in associates	23	3,444,727	3,089,121
Investments in joint ventures	24	931,962	681,500
Available-for-sale financial assets	26	18,139,298	19,676,173
Loan and receivable investments	27	55,728	559,492
Advances to customers	28	354,494	814,957
Other accounts receivable, other receivables and prepayments	30	44,307	232,766
Financial leasing receivables	31	2,818,433	1,713,908
Financial assets held under resale agreements	33	8,846,105	3,879,213
Financial assets at fair value through profit or loss	34	1,279,652	—
Pledged/restricted bank deposits	38	—	80,000
Deferred tax assets	40	428,496	783,339
Total non-current assets		<u>39,078,853</u>	<u>33,864,130</u>
Current assets			
Prepaid lease payments	19	9,628	9,628
Available-for-sale financial assets	26	74,455,101	72,404,483
Loan and receivable investments	27	2,423,409	1,831,243
Advances to customers	28	61,395,697	58,186,338
Accounts receivable	29	3,492,553	2,212,377
Other accounts receivable, other receivables and prepayments	30	3,300,455	2,870,705
Financial leasing receivables	31	1,276,258	666,357
Amounts due from associates	32	17,124	5,784
Financial assets held under resale agreements	33	24,821,297	18,081,989
Financial assets at fair value through profit or loss	34	61,919,063	61,732,121
Derivative financial assets	35	5,450,742	692,456
Deposits with exchanges and non-bank financial institutions	36	4,700,753	5,132,685
Clearing settlement funds	37	17,652,948	21,742,626
Pledged/restricted bank deposits	38	164,550	70,948
Bank balances	38	56,746,208	80,297,484
Total current assets		<u>317,825,786</u>	<u>325,937,224</u>
Total assets		<u><u>356,904,639</u></u>	<u><u>359,801,354</u></u>

	NOTES	2017/12/31 RMB'000	2016/12/31 RMB'000
Current liabilities			
Borrowings	41	7,349,536	4,863,874
Short-term financing payables	42	25,101,447	16,329,741
Financial liabilities at fair value through profit or loss	43	1,994,574	4,143,970
Due to banks and other financial institutions	44	4,953,656	10,606,395
Accounts payable to brokerage clients	45	65,026,117	85,726,525
Accounts payable to underwriting clients		54,000	—
Accrued staff costs	46	4,452,909	7,142,049
Other accounts payable, other payables and accruals	47	5,142,642	7,446,713
Account due to joint venture		122,396	—
Account due to associate		1,703	—
Provisions	48	33,360	33,360
Current tax liabilities		806,079	739,840
Other liabilities	49	11,638,550	12,887,728
Derivative financial liabilities	35	5,439,113	692,012
Financial assets sold under repurchase agreements	50	55,475,158	50,549,266
Bonds payable	55	10,524,843	15,250,564
Long-term loans	56	747,375	160,566
Total current liabilities		198,863,458	216,572,603
Net current assets		118,962,328	109,364,621
Total assets less current liabilities		158,041,181	143,228,751

	NOTES	2017/12/31 RMB'000	2016/12/31 RMB'000
Capital and reserves			
Share capital	51	7,621,088	7,621,088
Capital reserve		31,864,816	31,864,053
Investment revaluation reserve	52	2,200,562	1,430,709
Translation reserve		43,978	418,619
General reserves	53	17,355,904	15,207,816
Retained profits	54	25,767,855	21,987,925
Equity attributable to owners of the Company		84,854,203	78,530,210
Non-controlling interests		3,771,379	2,823,126
Total equity		88,625,582	81,353,336
Non-current liabilities			
Financial liabilities at fair value through profit or loss	43	456,168	472,404
Financial assets sold under repurchase agreements	50	41,250	—
Accrued staff costs	46	2,597,404	—
Other accounts payable, other payables and accruals	47	80,050	81,605
Deferred tax liabilities	40	88,441	131,280
Bonds payable	55	62,147,878	58,274,033
Long-term loans	56	3,778,117	2,568,684
Other liabilities	49	226,291	347,409
Total non-current liabilities		69,415,599	61,875,415
Total equity and non-current liabilities		158,041,181	143,228,751

The consolidated financial statements on pages 235 to 386 were approved and authorised for issue by the board of directors on 23 March 2018 and are signed on its behalf by:

Sun Shuming
DIRECTOR

Lin Zhihai
DIRECTOR

		Equity attributable to owners of the Company						Non-controlling interests		Total equity
Notes	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal			
	RMB'000 (Note 51)	RMB'000	RMB'000 (Note 52)	RMB'000	RMB'000 (Note 53)	RMB'000	RMB'000	RMB'000	RMB'000	
	At 1 January 2016	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 year	—	—	—	—	—	8,030,107	8,030,107	379,215	8,409,322
	Other comprehensive (expense) income for the year	—	—	(1,277,798)	355,476	—	—	(922,322)	(106,191)	(1,028,513)
	Total comprehensive (expense) income for the year	—	—	(1,277,798)	355,476	—	8,030,107	7,107,785	273,024	7,380,809
	Capital injection from non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	339,879	339,879
	Appropriation to general reserves	—	—	—	—	2,178,593	(2,178,593)	—	—	—
	Dividends recognised as distribution	57	—	—	—	—	(6,096,870)	(6,096,870)	(91,332)	(6,188,202)
	Other	—	21	—	—	—	—	21	—	21
	At 31 December 2016	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
	At 1 January 2017	7,621,088	31,864,053	1,430,709	418,619	15,207,816	21,987,925	78,530,210	2,823,126	81,353,336
	Profit for the year	—	—	—	—	—	8,595,399	8,595,399	487,972	9,083,371
	Other comprehensive income (expense) for the year	—	—	769,853	(374,641)	—	—	395,212	134,445	529,657
	Total comprehensive income (expense) for the year	—	—	769,853	(374,641)	—	8,595,399	8,990,611	622,417	9,613,028
	Capital injection from non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	455,900	455,900
	Capital reduction by non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	(37,432)	(37,432)
	Appropriation to general reserves	—	—	—	—	2,148,088	(2,148,088)	—	—	—
	Dividends recognised as distribution	57	—	—	—	—	(2,667,381)	(2,667,381)	(74,011)	(2,741,392)
	Other	—	763	—	—	—	—	763	(18,621)	(17,858)
	At 31 December 2017	7,621,088	31,864,816	2,200,562	43,978	17,355,904	25,767,855	84,854,203	3,771,379	88,625,582

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before income tax	11,644,026	10,705,060
Adjustments for:		
Interest expenses	7,064,048	6,542,655
Share of results of associates and joint ventures	(460,965)	(402,864)
Depreciation and amortisation	312,454	293,417
Impairment losses	398,265	423,439
Gain on disposal of property and equipment and other intangible assets	(2,213)	(2,310)
Gain on disposal of an associate and joint ventures	(220,785)	—
Foreign exchange (gains) losses, net	(2,366)	25,777
Net realised gains from disposal of available-for-sale financial assets	(2,124,208)	(1,216,911)
Dividend income and interest income from available-for-sale financial assets	(3,268,410)	(2,575,867)
Losses (gains) on other investments	84	(297)
Interest income and net realised gains from loan and receivable investments	(180,991)	(96,060)
Unrealised fair value changes in financial assets		
at fair value through profit or loss	34,015	112,049
Unrealised fair value changes in financial liabilities		
at fair value through profit or loss	80,662	(68,218)
Unrealised fair value changes in derivatives	(170,942)	(35,452)
Operating cash flows before movements in working capital	13,102,674	13,704,418
(Increase) decrease in advances to customers	(2,727,079)	10,213,297
Increase in other current assets	(7,325,761)	(1,820,711)
(Increase) decrease in interest receivables	(250,458)	436,060
Increase in financial assets held under resale agreements	(11,733,612)	(8,264,996)
(Increase) decrease in financial assets at fair value through profit or loss	(1,500,609)	21,666,713
(Decrease) increase in financial liabilities at fair value through profit or loss	(2,246,294)	4,684,592
Decrease in deposits with exchanges and non-bank financial institutions	431,932	145,111
(Increase) decrease in pledged/restricted bank deposits	(13,602)	171,060
Decrease in clearing settlement funds-clients	3,558,006	10,578,580
Decrease in cash held on behalf of customers	18,894,856	21,389,206
Decrease in accounts payable to brokerage clients	(20,700,408)	(32,410,560)
Decrease in accrued staff costs	(91,736)	(670,416)
Increase in other accounts payable, other payables and accruals and other liabilities	371,206	2,701,714
Increase (decrease) in financial assets sold under repurchase agreements	4,967,142	(34,846,495)
(Decrease) increase in due to banks and other financial institutions	(5,652,739)	8,856,395
Decrease in provisions	—	(27,221)
Cash (used in) from operations	(10,916,482)	16,506,747
Income taxes paid	(2,532,272)	(2,812,204)
Interest paid	(2,968,074)	(2,579,720)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(16,416,828)	11,114,823

	NOTES	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Dividends and interest received from investments		3,721,920	2,924,140
Purchases of property and equipment and other intangible assets		(538,474)	(389,460)
Proceeds from disposal of property and equipment and other intangible assets		3,135	4,520
Capital injection to associates		(395,858)	(303,156)
Capital injection to joint ventures		(26,020)	(214,871)
Proceeds from disposal of associates		286,567	1,224
Proceeds from disposal of joint venture		77,808	—
Acquisition of subsidiaries		—	16,176
Cash inflows arising from the consolidation of collective asset management schemes and funds		132,402	—
Cash outflows arising from the deconsolidation of collective asset management schemes and funds		(45,841)	(33,483)
Purchases or proceeds on disposal of available-for-sale financial assets, net		1,986,432	4,005,758
Purchases of loan and receivable investments		(1,824,586)	(2,085,778)
Proceeds from disposal of loan and receivable investments		1,632,370	268,253
Payment on other investment activities		—	(164,666)
Proceeds from other investment activities		—	30,000
NET CASH FROM INVESTING ACTIVITIES		5,009,855	4,058,657
FINANCING ACTIVITIES			
Dividends paid to shareholders	69	(2,742,948)	(6,188,202)
Repayment of borrowings interest	69	(147,867)	(133,818)
Repayment of short-term financing payables and bonds interest	69	(4,027,868)	(4,720,061)
Repayment of long-term loans interest	69	(137,347)	(181,142)
Capital injection from non-controlling shareholders		455,900	339,879
Capital reduction by non-controlling shareholders		(33,516)	—
Proceeds from short-term financing payables and bonds issued	69	71,816,519	61,611,358
Repayment of short-term financing payables and bonds issued	69	(63,796,998)	(72,352,127)
Proceeds from borrowings	69	3,055,907	3,967,864
Repayment of borrowings	69	(180,000)	—
Proceeds from long-term loans	69	2,383,000	2,260,082
Repayment of long-term loans	69	(446,118)	(3,000,000)
Proceeds from sale of scrap shares		43	21
Transaction cost paid on issuance of H shares		—	(366,257)
Proceeds from other financing activities		125,124	31,219
Repayment from other financial activities		(15,824)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		6,308,007	(18,731,184)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,098,966)	(3,557,704)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		16,917,502	20,382,120
Effect of foreign exchange rate changes		(89,126)	93,086
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	39	11,729,410	16,917,502

1. GENERAL INFORMATION OF THE GROUP

With the approval of the People's Bank of China, Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank) established a securities department on 9 April 1991. With the approval of the Guangdong Administration for Industry and Commerce, GF Securities Co., Ltd. (the "Company") was duly established as the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部) on 21 May 1993. On 25 January 1994, the Company 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 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 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 became 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"), a company then listed on the Shenzhen Stock Exchange 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 consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") that are mandatorily effective for the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendments to IFRS 2	As part of the Annual Improvements to IFRSs 2012-2014 Cycle

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

Amendments to IAS 7 “Disclosure initiative”

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 69. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 69, the application of these amendments has had no impact on the Group’s consolidated financial statements.

The Group has not early applied the following new and revised to IFRSs which are relevant to the Group that have been issued but are not yet effective.

IFRS 9	Financial instruments ¹
IFRS 15	Revenue from contracts with customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle ¹
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to IFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 “Financial instruments: recognition and measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following impacts on initial application of IFRS 9:

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

IFRS 9 Financial instruments – *continued*

Classification and measurement

- Investments classified as loans and receivables carried at amortised costs as disclosed in note 27: All of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding (“contractual cash flow characteristics test”). Accordingly, they will continue to be subsequently measured at amortised costs upon the application of IFRS 9;
- Debt instruments classified as available-for-sale financial assets carried at fair value as disclosed in note 26: some of these financial assets satisfy the contractual cash flow characteristics tests, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt instruments in the open market. Accordingly, these financial assets will continue to be subsequently measured at FVTOCI upon the applications of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the debt instruments are derecognised. However, some of these financial assets which satisfy the contractual cash are in fact held within a business model whose object is to collect contractual cash flows that are solely payments of principal and interest on the flow characteristics test, although classified previously as available for sales, are in fact held within a business model whose object is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will be subsequently measured at amortised costs upon the application of IFRS9. In addition, some of these financial assets fail the contractual cash flow characteristics test and therefore will be measured subsequently at fair value with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under IFRS 9. On initial application of IFRS 9, investment revaluation reserve relating to (i) those financial assets subsequently measured at amortised costs will be adjusted against the fair value of the financial assets; and (ii) those financial assets subsequently measured at fair value through profit or loss will be transferred to retained profits as at 1 January 2018.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

- Equity instruments, funds and other investments classified as available-for-sale financial assets carried at fair value as disclosed in note 26: Equity instruments and certain other investments are qualified for designation as measured at FVTOCI under IFRS 9 and the Group elects this option for part of these items. For these financial assets, the fair value gains or losses accumulated in the investment revaluation reserve as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment under IAS 39. This will affect amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income. The Group will not elect the option for designation at FVTOCI for the remaining available-for-sale equity financial assets carried at fair value. Therefore, the remaining equity financial assets, together with funds and other investments not qualified for the designation at FVTOCI, will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investment revaluation reserve relating to these remaining financial assets will be transferred to retained profits as at 1 January 2018.
- Equity instruments classified as available-for-sale financial assets carried at costs less impairment as disclosed in note 26: These financial assets are qualified for designation as measured at FVTOCI under IFRS 9 but the Group will not elect this option for designation at FVTOCI for the majority of the financial assets carried at cost less impairment. Therefore, such items will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, fair values gains, representing the differences between the cost less impairment and fair value, will be adjusted to retained profits as at 1 January 2018.

All other financial assets and liabilities will continue to be measured on the same basis as are currently measured under IAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, upon the adoption of the new classification and measurement basis and expected credit loss model mentioned above in respect of financial assets will slightly decrease the total equity attributable to owners of the Company as at 1 January 2018 by less than 0.2% of the amount as at 31 December 2017.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarification to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group provides various types of financial services. Revenue comprises primarily commission on securities and futures dealing and broking, interest income arising from margin financing and securities lending, deposits and financial assets under resale agreements, asset management and fund management fees and underwriting and financial advisory fees. Interest income, a significant component of the Group's revenue, is not under the scope of IFRS15. The Group has assessed the impact of IFRS 15 on the remaining revenue and does not expect that the application of the standard will have a significant impact on recognition or measurement of income from majority of these services. However, the application of IFRS 15 may result in more disclosures in the consolidated financial statements.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As set out in note 60, total operating lease commitment of the Group in respect of rental payment as at 31 December 2017 amounted to RMB600.80 million, however, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation – *continued*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Group served as the manager of asset management schemes and funds. These asset management schemes and funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 "Consolidated financial statements", they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such asset management schemes and funds for cash. These are presented as "Third-party interests in consolidated asset management schemes and funds" within other liabilities in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates and joint ventures – *continued*

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates and joint ventures – *continued*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

- (i) Commission income for broking business is measured as income on a trade date basis, and service fees arising from broking business are recognised when services are rendered;
- (ii) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (iii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

- (iv) Consultancy and financial advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered;
- (v) Asset and fund management fee income is recognised when management services are provided; and
- (vi) Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as describe below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property and equipment – *continued*

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When building are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	nil	30 - 35 years
Electronic and communication equipment	nil	5 years
Motor vehicles	nil	4 - 6 years
Office equipment	nil	5 - 11 years
Improvements	nil	5 years

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading seats that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

The estimated useful lives of each class of intangible assets with finite useful lives are as follows:

Classes	Useful lives
Computer software	5 years
Others	5 years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. In addition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

Short-term social welfare

Short-term social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Defined contribution plans

Payments to defined contribution plans which include the mandatory social pension insurance plan and unemployment insurance plan managed by the mainland government, Mandatory Provident Fund Scheme to the employees in Hong Kong and the annuity scheme for qualified employees, are recognised as expense when employees have rendered service entitling them to the contributions.

Early retirement benefits

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognised when the employees voluntarily retired before the normal retirement date, as approved by the management. The early retirement benefits represented the liability at the end of the reporting period with the changes recognised in profit or loss.

Other long-term benefits

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before income tax” as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is reported under in the net investment gains line item. Fair value is determined in the manner described in note 67.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including advances to customers, accounts receivable, other receivables, amount due from associates, loan and receivable investments, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, pledged/restricted bank deposits, bank balances are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the effect of discounting would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets as at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of reporting period (see the accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it is probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – continued

For certain categories of financial assets, such as advances to customers, accounts receivable, and financial assets held under resale agreements, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to customers, accounts receivable, other receivables and financial asset held under resale agreements, where the carrying amount is reduced through the use of an allowance account. When an advance to customers, an account receivable, another receivables and a financial asset held under resale agreements is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – continued

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – continued

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading or it is financial liabilities designated at FVTPL.

A financial liability is classified as financial liabilities held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the other gains and losses line item. Fair value is determined in the manner described in note 67.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – continued

Financial liabilities at amortised cost

Financial liabilities including borrowings, short-term financing payables, due to banks and other financial institutions, accounts payable to brokerage clients, accounts payable to underwriting clients, other payables, account due to joint venture, bonds payable, long-term loans and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be measured as “financial assets at fair value through profit or loss” or “available-for-sale financial assets” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are measured as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Securities lending

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interests arisen from such agreements are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be measured as “financial assets at fair value through profit or loss” or “available-for-sale financial assets”.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 of the consolidated financial statements, the directors of the Company are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as investment manager, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Critical judgement in applying accounting policies – continued

Impairment of available-for-sale financial assets

The determination of whether available-for-sale financial assets are impaired requires significant judgement. For listed available-for-sale equity securities, funds and others in equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset on initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economies or the law, as well as industry and sector performance and the financial information regarding the investee that provide evidence that the cost of the equity securities may not be recoverable. For available-for-sale debt securities, wealth management and asset management schemes invested in debt securities and loans, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. For unlisted available-for-sale equity instruments, the Group makes the judgement as to whether there is an objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of available-for-sale financial assets are set out in note 26.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations would require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments. Details of the fair value valuation are set out in note 67 of the consolidated financial statements.

For available-for-sale equity investments which are subject to legally enforceable restriction that prevents the holders from disposing them within the specified period, the fair value of these listed shares is determined with reference to the quoted market prices with an adjustment of discount to reflect the effect of the restriction. The estimation of fair value of these shares includes assumptions that are not based on observable data. Changes in assumptions could affect the fair value of the available-for-sale equity investments. Details are set out in note 67 of the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – continued

Impairment of loan and receivable investments and advances to customers

The Group reviews its loan and receivable investments and advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group assesses the recoverable amounts of loan and receivable investments and advances to customers firstly on an individual basis principally by reviewing the collateral received and the creditworthiness of the customers then on a collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The policy for collective impairment allowances for loan and receivable investments and advances to customers of the Group is based on the evaluation of probability of default, loss given default and exposure at default of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these loans and advances, including the current creditworthiness, and the past collection history of each loan. Details are set out in note 27 and note 28 of the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

– *continued*

Key sources of estimation uncertainty – *continued*

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 40.

5. SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter refer to as the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group’s basis of organisation, whereby the businesses are organised and managed separately as individual strategic business unit that offers different services and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

5. SEGMENT REPORTING – *continued*

Specifically, the Group's operating segments are as follows:

- (a) Investment Banking, which primarily includes underwriting commissions and sponsorship and advisory fees from equity and debt underwriting and financial advisory services;
- (b) Wealth Management, which primarily includes fees and commissions earned from providing brokerage and investment advisory services to retail clients, as well as interest income earned from margin financing and securities lending activities, reverse repurchase transactions, financial leasing and fund management of settlement on behalf of clients, and fees earned from selling financial products developed by the Group and other financial institutions;
- (c) Trading and Institution, which primarily includes investment gains and interest income earned from investment trading and market-making in equity, fixed income, derivative securities and other financial products, as well as investment gains from alternative investments, and fees and commissions earned from providing investment research and prime brokerage services to institutional clients;
- (d) Investment Management, which primarily includes management and advisory fees earned from providing asset management, mutual fund management and private fund management services to clients;
- (e) Others, which primarily includes income from head office operations.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expenses as well as the share of result of associates and joint ventures. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities. Inter-segment balances mainly resulted from branches' operating funds injected by head office which are eliminated on consolidation. The segment results exclude income tax expense and share of results of associates and joint ventures, while the segment assets and liabilities include prepaid taxes, current tax liabilities as well as interests in associates and joint ventures, respectively.

5. SEGMENT REPORTING – continued

The operating and reportable segment information provided to the CODM for the years ended 31 December 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
For the year ended								
31 December 2017								
Segment revenue and Results								
Segment revenue	2,755,506	11,207,916	7,024,289	6,691,134	637,186	28,316,031	—	28,316,031
Segment other income and gains/(other losses)	10,716	97,950	(6,661)	102,044	94,254	298,303	—	298,303
Segment revenue and other income	2,766,222	11,305,866	7,017,628	6,793,178	731,440	28,614,334	—	28,614,334
Segment expenses	(1,153,127)	(6,429,825)	(4,769,674)	(3,107,223)	(1,971,424)	(17,431,273)	—	(17,431,273)
Segment results	1,613,095	4,876,041	2,247,954	3,685,955	(1,239,984)	11,183,061	—	11,183,061
Share of results of associates and joint ventures	—	(1,036)	(39)	444,093	17,947	460,965	—	460,965
Profit/(loss) before income tax	1,613,095	4,875,005	2,247,915	4,130,048	(1,222,037)	11,644,026	—	11,644,026
As at 31 December 2017								
Segment assets and liabilities								
Segment assets	1,812,568	80,725,545	99,934,519	45,663,173	129,751,338	357,887,143	(1,411,000)	356,476,143
Deferred tax assets								428,496
Group's total assets								356,904,639
Segment liabilities	419,155	68,609,149	44,881,472	23,211,794	131,069,046	268,190,616	—	268,190,616
Deferred tax liabilities								88,441
Group's total liabilities								268,279,057
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	2,204	123,066	14,546	37,993	134,645	312,454	—	312,454
Impairment losses	3,406	45,450	128,055	221,283	71	398,265	—	398,265
Capital expenditure	2,099	135,720	21,366	39,149	499,219	697,553	—	697,553

5. SEGMENT REPORTING – *continued*

	Investment banking RMB'000	Wealth management RMB'000	Trading and Institution RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
For the year ended								
31 December 2016								
Segment revenue and results								
Segment revenue	2,751,132	11,747,048	6,066,981	6,409,969	757,168	27,732,298	—	27,732,298
Segment other income and gains/(other losses)	22,224	87,895	7,498	(359,208)	(2,784)	(244,375)	—	(244,375)
Segment revenue and other income	2,773,356	11,834,943	6,074,479	6,050,761	754,384	27,487,923	—	27,487,923
Segment expenses	(1,129,291)	(5,931,980)	(4,635,794)	(3,027,780)	(2,460,882)	(17,185,727)	—	(17,185,727)
Segment results	1,644,065	5,902,963	1,438,685	3,022,981	(1,706,498)	10,302,196	—	10,302,196
Share of results of associates and joint ventures	—	(605)	—	387,027	16,442	402,864	—	402,864
Profit/(loss) before income tax	1,644,065	5,902,358	1,438,685	3,410,008	(1,690,056)	10,705,060	—	10,705,060
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								359,801,354
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								278,448,018
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	368	125,634	10,835	37,388	119,192	293,417	—	293,417
Impairment losses	26	23,178	21,385	347,659	31,191	423,439	—	423,439
Capital expenditure	3,781	126,596	21,081	33,670	324,694	509,822	—	509,822

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue are substantially derived from its operations in the PRC. The Group's inter-segment revenue are not material and are not included in the report to the CODM.

No single customer contributes over 10% of the Group's revenue for the years ended 31 December 2017 and 2016.

6. COMMISSION AND FEE INCOME

	2017 RMB'000	2016 RMB'000
Securities brokerages business commission and fee income	4,252,901	5,338,243
Asset management and fund management fee income	3,982,627	4,159,583
Underwriting and sponsoring fees	2,170,361	2,169,565
Consultancy and financial advisory fee income	703,269	1,261,323
Futures brokerages business commission and fee income	336,928	341,544
Others	118,396	120,530
	<u>11,564,482</u>	<u>13,390,788</u>

7. INTEREST INCOME

The following is the analysis excluding interest income from investments reported under net investment gains in note 8:

	2017 RMB'000	2016 RMB'000
Margin financing and securities lending	4,326,602	4,357,854
Deposits with exchanges and non-bank financial institutions and bank balances	2,142,407	2,566,290
Financial assets held under resale agreements	1,248,120	668,061
Financial leasing	222,076	120,330
Others	78,425	118,185
	<u>8,017,630</u>	<u>7,830,720</u>

8. NET INVESTMENT GAINS

	2017 RMB'000	2016 RMB'000
Net realised gains from disposal of available-for-sale financial assets	2,124,208	1,216,911
Dividend income and interest income from available-for-sale financial assets	3,268,410	2,575,867
Net realised gains (losses) from disposal of financial instruments at fair value through profit or loss	420,879	(371,104)
Dividend income and interest income from financial instruments at fair value through profit or loss	2,857,570	2,777,056
Interest income and net realised gains from disposal of loan and receivable investments	180,991	96,060
Net realised (losses) gains from derivatives financial instruments	(119,755)	52,202
Unrealised fair value change of financial instruments at fair value through profit or loss		
- Financial assets at fair value through profit or loss	(34,015)	(112,049)
- Financial liabilities at fair value through profit or loss	(80,662)	68,218
Unrealised fair value change of derivative financial instruments	116,377	207,331
Others	(84)	298
	<u>8,733,919</u>	<u>6,510,790</u>

9. OTHER INCOME AND GAINS OR LOSSES

	2017 RMB'000	2016 RMB'000
Government grants	377,214	188,541
Gain (loss) on disposal of an associate	217,288	(1)
Commission from tax withholding and remitting	63,652	51,703
Third-party interest in consolidated asset management schemes and funds	(449,383)	(541,185)
Others	89,532	56,567
	<u>298,303</u>	<u>(244,375)</u>

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

10. DEPRECIATION AND AMORTISATION

	2017 RMB'000	2016 RMB'000
Depreciation of property and equipment	214,474	215,966
Depreciation of investment properties	1,736	1,736
Amortisation of prepaid lease payments	9,628	9,628
Amortisation of other intangible assets	86,616	66,087
	<u>312,454</u>	<u>293,417</u>

11. STAFF COSTS

	2017 RMB'000	2016 RMB'000
Salaries, bonus, allowances and other long-term benefits	5,725,508	5,228,634
Short-term social welfare	268,906	242,903
Defined contribution plans	462,890	723,463
Others	379,063	391,871
	<u>6,836,367</u>	<u>6,586,871</u>

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans.

In addition to the above social welfare plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on certain percentage of employees' salaries and recognised in profit or loss as expense. These annuity schemes are defined contribution plans.

The Group also operates the Mandatory Provident Fund Scheme, also defined contribution plans, for all qualified employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The contributions to the defined contribution plans are expensed as incurred. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

12. COMMISSION AND FEE EXPENSES

	2017	2016
	RMB'000	RMB'000
Securities and futures dealing and broking expenses	254,273	298,554
Underwriting and sponsoring fee expenses	49,866	33,692
Other service expenses	32,116	43,696
	336,255	375,942

13. INTEREST EXPENSES

	2017	2016
	RMB'000	RMB'000
Financial assets sold under repurchase agreements	1,907,098	1,708,699
Corporate bonds	1,852,241	1,094,364
Subordinated bonds	1,554,327	2,157,640
Due to banks and other financial institutions	509,368	393,313
Structured notes	436,161	434,312
Accounts payable to brokerage clients	227,467	292,576
Borrowings	181,071	64,450
Gold leasing	142,792	128,328
Long-term loans	121,302	180,150
Others	132,221	88,823
	7,064,048	6,542,655

14. OTHER OPERATING EXPENSES

	2017 RMB'000	2016 RMB'000
Other taxes and surcharges	125,781	475,224
Distribution expenses for fund and asset management business	590,438	594,396
General and administrative expenses	665,705	672,274
Operating lease rentals in respect of rented premises	398,031	357,988
Advertisement and business development expenses	109,388	140,316
Post and telecommunications expenses	188,355	191,335
Securities and futures investor protection funds	109,485	232,974
Auditors' remuneration (Note)	7,868	7,628
Sundry expenses	288,833	291,268
	<u>2,483,884</u>	<u>2,963,403</u>

Note: Auditors' remuneration for the year ended 31 December 2017 refers to the remuneration to Deloitte Touche Tohmatsu Certified Public Accountants including its network of member firms, for the audit service providing to the Group.

15. IMPAIRMENT LOSSES**Recognition (reversal) of impairment losses**

	2017 RMB'000	2016 RMB'000
Other intangible assets (note 22)	50	50
Available-for-sale financial assets (note 26)	323,780	356,781
Loan and receivable investments (note 27)	25,558	26,383
Advances to customers (note 28)	(21,817)	(24,049)
Accounts receivable (note 29)	27,440	(2,090)
Other accounts receivable, and other receivables (note 30)	6,255	4,692
Financial leasing receivables (note 31)	9,587	11,961
Financial asset held under resale agreements (note 33)	27,412	49,711
	<u>398,265</u>	<u>423,439</u>

16. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax:		
PRC Enterprise Income Tax	2,529,739	2,515,829
Hong Kong Profits Tax	68,771	53,478
Subtotal	<u>2,598,510</u>	<u>2,569,307</u>
Deferred income tax (note 40)	<u>(37,855)</u>	<u>(273,569)</u>
	<u><u>2,560,655</u></u>	<u><u>2,295,738</u></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 subsidiaries in the PRC is 25%.

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

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2017 RMB'000	2016 RMB'000
Profit before income tax	<u>11,644,026</u>	<u>10,705,060</u>
Tax at the statutory tax rate of 25%	2,911,007	2,676,265
Tax effect of share of profit of associates and joint ventures	(113,227)	(100,716)
Tax effect of expenses not deductible for tax purpose	81,637	101,262
Tax effect of income not taxable for tax purpose	(318,209)	(381,739)
Tax effect of tax losses not recognised	56,561	43,694
Utilisation of tax losses previously not recognised	(6,652)	(2,534)
Effect of different tax rates of subsidiaries	(43,327)	(40,919)
Others	<u>(7,135)</u>	<u>425</u>
Income tax expense for the year	<u><u>2,560,655</u></u>	<u><u>2,295,738</u></u>

17. EARNINGS PER SHARE

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

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	<u>8,595,399</u>	<u>8,030,107</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		
Basic earnings per share (RMB)	<u>1.13</u>	<u>1.05</u>

Note: There were no potential dilutive ordinary shares outstanding for the year ended 31 December 2017(2016: nil), thus no diluted earnings per share is presented.

18. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 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	802,741	802,670	120,582	166,844	569,341	726,999	3,189,177
Additions	204	161,612	17,554	15,033	44,651	345,744	584,798
Disposals/written-off	—	(56,287)	(15,398)	(13,732)	(1,746)	—	(87,163)
Effect of foreign currency exchange differences	—	(2,462)	(180)	(500)	(1,516)	—	(4,658)
As at 31 December 2017	802,945	905,533	122,558	167,645	610,730	1,072,743	3,682,154
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	312,116	495,338	75,202	112,336	432,747	—	1,427,739
Charge for the year	28,586	104,067	13,008	18,503	50,310	—	214,474
Eliminated on disposals/written-off	—	(56,167)	(15,039)	(13,554)	(223)	—	(84,983)
Effect of foreign currency exchange differences	—	(1,603)	(147)	(293)	(1,255)	—	(3,298)
As at 31 December 2017	340,702	541,635	73,024	116,992	481,579	—	1,553,932
CARRYING VALUES							
As at 31 December 2017	462,243	363,898	49,534	50,653	129,151	1,072,743	2,128,222
As at 31 December 2016	490,625	307,332	45,380	54,508	136,594	726,999	1,761,438

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.

The Group is still in the process of applying for the title certificates for its leasehold land and buildings with a carrying value of RMB16.46 million as at 31 December 2017 (31 December 2016: RMB17.97 million). The directors of the Company consider that this will not have significant impact on the consolidated financial statements for the year ended 31 December 2017.

19. PREPAID LEASE PAYMENTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Analysed for reporting purposes as:		
Current assets	9,628	9,628
Non-current assets	298,459	308,087
	<u>308,087</u>	<u>317,715</u>

20. INVESTMENT PROPERTIES

	2017/12/31 RMB'000	2016/12/31 RMB'000
COST		
At the beginning of the year and end of the year	<u>52,087</u>	52,087
ACCUMULATED DEPRECIATION		
At the beginning of the year	28,548	26,812
Provided for the year	1,736	1,736
At the end of the year	<u>30,284</u>	28,548
CARRYING VALUES		
At the end of the year	<u>21,803</u>	<u>23,539</u>

21. GOODWILL

	2017/12/31 RMB'000	2016/12/31 RMB'000
COST		
Unit A - securities brokerage branches	76,574	76,574
Unit B - GF Financial Markets (UK) Limited	2,040	2,040
At the beginning and the end of the year	<u>78,614</u>	<u>78,614</u>
ACCUMULATED IMPAIRMENT LOSSES		
Unit A - securities brokerage branches	76,574	76,574
Unit B - GF Financial Markets (UK) Limited	—	—
At the beginning and the end of the year	<u>76,574</u>	<u>76,574</u>
CARRYING VALUES		
Unit A - securities brokerage branches	—	—
Unit B - GF Financial Markets (UK) Limited	2,040	2,040
Unit B - effect of foreign currency exchange differences	128	281
At the end of the year	<u>2,168</u>	<u>2,321</u>

Unit A is the securities brokerage CGU acquired, the acquisition cost exceeds the fair value of net identifiable assets. The commercial registration of these securities brokerage branches in prior year were changed. As the CGU no longer generated future cash flows, Unit A was fully impaired in prior year.

Unit B is the CGU of GF Financial Markets (UK) Limited by GF Futures (Hong Kong) Co., Limited, a wholly owned subsidiary of the Company. As at 31 December 2017, management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

22. OTHER INTANGIBLE ASSETS

	Trading seats RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
COST				
As at 1 January 2016	76,473	389,524	3,048	469,045
Additions	—	112,204	—	112,204
Disposals/written-off	—	(2,808)	(1,680)	(4,488)
Effect of foreign currency exchange differences	50	5	—	55
As at 31 December 2016	76,523	498,925	1,368	576,816
Additions	—	113,479	—	113,479
Disposals/written-off	—	(2,288)	—	(2,288)
Effect of foreign currency exchange differences	(52)	(6)	—	(58)
As at 31 December 2017	76,471	610,110	1,368	687,949
ACCUMULATED AMORTISATION AND IMPAIRMENT				
As at 1 January 2016	73,915	179,007	2,180	255,102
Charge for the year	—	65,819	268	66,087
Eliminated on disposals/written-off	—	(1,022)	(1,680)	(2,702)
Effect of foreign currency exchange differences	—	3	—	3
Impairment loss recognised in the year	50	—	—	50
As at 31 December 2016	73,965	243,807	768	318,540
Charge for the year	—	86,616	—	86,616
Eliminated on disposals/written-off	—	(2,252)	—	(2,252)
Effect of foreign currency exchange differences	—	(4)	—	(4)
Impairment loss recognised in the year	50	—	—	50
As at 31 December 2017	74,015	328,167	768	402,950
CARRYING VALUES				
As at 31 December 2017	2,456	281,943	600	284,999
As at 31 December 2016	2,558	255,118	600	258,276

23. INVESTMENTS IN ASSOCIATES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Cost of unlisted investments in associates	1,581,505	1,430,094
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>1,823,014</u>	<u>1,624,339</u>
	3,404,519	3,054,433
Unlisted investment in an associate at fair value through profit or loss (Note)	<u>40,208</u>	34,688
	<u>3,444,727</u>	<u>3,089,121</u>

Note: The Group elects to measure its investment in GEJEJIA Corporation of RMB40.21 million (31 December 2016: RMB34.69 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 31 December 2017. Note 67 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 year are as follow:

Name of associate	Place and date of incorporation/ establishment	Equity interest held by the Group as at 31 December		Principal activities
		2017	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 businesses

Summarised financial information of the material associate

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

23. INVESTMENTS IN ASSOCIATES – *continued***E Fund**

	2017/12/31 RMB'000	2016/12/31 RMB'000
Total assets	21,243,269	10,581,230
Total liabilities	14,088,596	3,922,775
Net assets	<u>7,154,673</u>	<u>6,658,455</u>
	2017 RMB'000	2016 RMB'000
Total revenue	4,409,659	4,036,768
Profit for the year	1,401,833	1,340,099
Other comprehensive income/(expense)	97,102	(292,485)
Total comprehensive income	<u>1,498,935</u>	<u>1,047,614</u>
Dividends received from the associate during the year	<u>210,000</u>	<u>75,000</u>

The reconciliation of the above summarised financial information to the carrying amounts of the interests in E Fund recognised in the consolidated financial statements:

	2017/12/31 RMB'000	2016/12/31 RMB'000
Net assets attributable to equity holders of the associate	7,138,525	6,593,993
Proportion of the Group's ownership interest	25%	25%
Proportion of equity interest held by the Group	1,784,631	1,648,498
Other adjustments	(1,981)	1,150
Carrying amount of the Group's interest	<u>1,782,650</u>	<u>1,649,648</u>

Aggregate information of associates that are not individually material

	2017 RMB'000	2016 RMB'000
The Group's share of profit	96,521	38,673
The Group's share of other comprehensive (expense)/income	(5,075)	6,167
The Group's share of total comprehensive income	<u>91,446</u>	<u>44,840</u>
Aggregate carrying amount of the Group's interests in these associates	<u>1,662,077</u>	<u>1,439,473</u>

24. INVESTMENTS IN JOINT VENTURES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Cost of unlisted investments in joint ventures	834,052	661,186
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>97,910</u>	<u>20,314</u>
	<u>931,962</u>	<u>681,500</u>

Aggregate information of joint ventures that are not individually material

	2017 RMB'000	2016 RMB'000
The Group's share of profit	16,899	26,647
The Group's share of other comprehensive income	<u>65,593</u>	<u>9,374</u>
The Group's share of total comprehensive income	<u>82,492</u>	<u>36,021</u>

25. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including asset management schemes and funds), therefore had power over them during the year. Except for the structured entities the Group has consolidated as detailed in note 68, in the opinion of the directors of the Company, the variable returns the Group is exposed to over these asset management schemes and funds are not significant. The Group therefore did not consolidate these structured entities.

The total net asset of unconsolidated structured entities in which the Group acted as investment manager and held financial interests is RMB367,160.69 million as at 31 December 2017 (31 December 2016: RMB512,804.39 million).

During the year, the amount of management fee income from the unconsolidated structured entities managed by the Group in which the Group had no interests was RMB3,030.68 million (2016: RMB2,650.78 million).

The table below shows the carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests as at 31 December 2017 and 2016.

25. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES – *continued*

As at 31 December 2017

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	4,832,827	4,832,827
Available-for-sale financial assets	7,907,476	7,907,476
Total	12,740,303	12,740,303

As at 31 December 2016

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	10,416,168	10,416,168
Available-for-sale financial assets	8,715,414	8,715,414
Total	19,131,582	19,131,582

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposures to loss in relation to the Group's interests in asset management schemes and wealth management products approximate to their respective carrying amounts as disclosed in notes 26 and 34.

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current		
Measured at fair value:		
Equity securities	668,839	533,306
Funds	70,679	1,015
Asset management schemes launched by securities companies ⁽ⁱ⁾	2,737,813	2,844,584
Others ⁽ⁱⁱ⁾	11,439,925	13,232,007
Measured at cost less impairment:		
Equity securities ⁽ⁱⁱⁱ⁾	3,222,042	3,065,261
Total	18,139,298	19,676,173
Analysed as:		
Listed outside Hong Kong ^(iv)	668,839	533,306
Unlisted	17,470,459	19,142,867
Total	18,139,298	19,676,173

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

As at 31 December 2017, the impairment allowance for non-current available-for-sale financial assets is RMB373.90 million (31 December 2016: RMB296.75 million), among which amounted to RMB286.82 million (31 December 2016: RMB286.10 million) is allowance for available-for-sale financial assets measured at cost less impairment.

	2017/12/31 RMB'000	2016/12/31 RMB'000
Current		
Measured at fair value:		
Debt securities	61,228,670	58,676,282
Equity securities	4,241,025	5,425,014
Funds	4,912,957	3,503,693
Asset management schemes launched by securities companies ⁽ⁱ⁾	3,546,718	3,816,102
Wealth management products launched by banks	48,800	668,300
Others	476,931	315,092
Total	74,455,101	72,404,483
Analysed as:		
Listed in Hong Kong	43,769	20,609
Listed outside Hong Kong ^(iv)	32,024,283	25,776,854
Unlisted	42,387,049	46,607,020
	74,455,101	72,404,483

As at 31 December 2017, the impairment allowance for current available-for-sale financial assets is RMB112.11 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 RMB1,216.42 million as at 31 December 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 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 RMB11,439.92 million as at 31 December 2017 (31 December 2016: the principal is RMB13,863.79 million while the fair value is RMB13,011.02 million).
- (iii) The unlisted equity securities held by the Group are issued by private companies in, among others, the manufacturing industry, energy technology, and medical or electronic communication sectors. As the 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 securities are measured at cost less impairment at the end of the year.
- (iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

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

Fair value of the Group's available-for-sale investments are determined in the manner described in note 67.

As at 31 December 2017, the listed equity securities of the Group included approximately RMB1,770.87 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 securities that prevents the Group to dispose of within the specified period.

As at 31 December 2017, the Group entered into securities lending arrangements 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 RMB3.24 million (31 December 2016: RMB28.58 million) to clients. These securities continued to be recognised as financial assets of the Group.

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

27. LOAN AND RECEIVABLE INVESTMENTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current		
Asset management schemes	—	161,833
Secured loan receivables ⁽ⁱ⁾	<u>55,728</u>	<u>397,659</u>
	55,728	559,492
Less: impairment on loan and receivable investment	<u>—</u>	<u>—</u>
	55,728	559,492
Current		
Asset management schemes ⁽ⁱⁱ⁾	311,833	—
Secured loan receivables ⁽ⁱ⁾	<u>2,161,730</u>	<u>1,858,489</u>
	2,473,563	1,858,489
Less: impairment on loan and receivable investment	<u>50,154</u>	<u>27,246</u>
	2,423,409	<u>1,831,243</u>

(i) As at 31 December 2017, the non-current secured loan receivables bears interest at 12% (31 December 2016: 9% to 11%) per annum and would be repaid within two years.

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

(ii) As at 31 December 2017, the current asset management schemes were launched by asset management companies bearing interest at 10% (31 December 2016: 10%) per annum and would be repaid within one year.

28. ADVANCES TO CUSTOMERS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current		
Restricted equity incentive financing	354,494	814,957
	<u>354,494</u>	<u>814,957</u>
Current		
Loans to margin clients	61,130,067	57,875,801
Restricted equity incentive financing	334,433	401,166
Less: impairment on advances to customers	68,803	90,629
	<u>61,395,697</u>	<u>58,186,338</u>

Movements of impairment allowance during the year are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	90,629	114,649
Impairment losses recognised	18	6,041
Reversal of impairment losses	(21,835)	(30,090)
Effect of foreign currency exchange differences	(9)	29
At 31 December	<u>68,803</u>	<u>90,629</u>

The credit facility limits to margin clients and restricted equity incentive financing clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients and restricted equity incentive financing clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 45 are interest bearing. The Group maintains a list of approved stocks at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the difference.

Advances to customers as at 31 December 2017 were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with undiscounted market values of approximately RMB207,193.56 million (31 December 2016: RMB196,166.93 million).

28. ADVANCES TO CUSTOMERS – continued

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of the business. As a result, no ageing analysis is disclosed.

There were 10 individually impaired debts for the year ended 31 December 2017 (2016: 4), and after force sale, the amount of uncollected principal and accrued interests is approximately RMB37.87 million (31 December 2016: RMB13.80 million) which had been reclassified as accounts receivable and fully impaired.

The concentration of credit risk is limited due to the size and uncorrelated nature of the customer base.

29. ACCOUNTS RECEIVABLE

	2017/12/31 RMB'000	2016/12/31 RMB'000
Accounts receivable from/related to:		
Current		
Commission and fee	1,208,758	797,023
Brokers	1,153,743	1,042,287
Deposit for investment funds redemption	321,200	52,000
Cash clients	177,629	167,515
Clearing house	134,460	18,928
Others	567,034	180,861
	<u>3,562,824</u>	<u>2,258,614</u>
Less: allowance for doubtful debts	70,271	46,237
	<u><u>3,492,553</u></u>	<u><u>2,212,377</u></u>

29. ACCOUNTS RECEIVABLE – *continued*

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

	2017/12/31 RMB'000	2016/12/31 RMB'000
Current		
Within 1 year	3,392,394	2,169,503
Between 1 and 2 years	69,215	15,797
Between 2 and 3 years	3,993	580
More than 3 years	26,951	26,497
	<u>3,492,553</u>	<u>2,212,377</u>

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

	2017 RMB'000	2016 RMB'000
At 1 January	46,237	48,355
Impairment losses recognised	27,477	968
Reversal of impairment losses	(37)	(3,058)
Amounts written off as uncollectible	<u>(3,406)</u>	<u>(28)</u>
At 31 December	<u>70,271</u>	<u>46,237</u>

The normal settlement terms of accounts receivable from clients, brokers and clearing house are within two days after trade date. Trading limits are set for clients. Normal settlement terms of account receivable from asset management fee are within one month, and trading seats commission are settled on a quarterly basis.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by the management and mostly are impaired as at 31 December 2017 and 2016.

30. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-Current		
Investment prepayment	—	173,066
Entrusted loan	44,529	60,000
	<u>44,529</u>	<u>233,066</u>
Less: allowance for doubtful debts	222	300
	<u>44,307</u>	<u>232,766</u>

	2017/12/31 RMB'000	2016/12/31 RMB'000
Current		
Interest receivable	2,934,832	2,516,570
Other accounts receivable	—	45,938
Other receivables	242,326	218,900
Dividends receivables	12,145	26,673
Entrusted loan	15,048	—
Others	102,620	119,993
	<u>3,306,971</u>	<u>2,928,074</u>
Less: allowance for doubtful debts	6,516	57,369
	<u>3,300,455</u>	<u>2,870,705</u>

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

	2017 RMB'000	2016 RMB'000
At 1 January	57,669	53,120
Impairment losses recognised	6,930	5,286
Reversal of impairment losses	(675)	(594)
Amounts written off as uncollectible	(57,125)	(132)
Effect of foreign currency exchange differences	(61)	(11)
	<u>6,738</u>	<u>57,669</u>
At 31 December	<u>6,738</u>	<u>57,669</u>

31. FINANCIAL LEASING RECEIVABLES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Analysis by consolidated financial statement purpose:		
Current assets	1,276,258	666,357
Non-Current assets	2,818,433	1,713,908
	<u>4,094,691</u>	<u>2,380,265</u>

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

	2017/12/31		2016/12/31	
	Minimum lease payments RMB'000	Present value RMB'000	Minimum lease payments RMB'000	Present value RMB'000
Within 1 year	1,459,339	1,282,974	781,721	669,705
1-5 years	3,115,428	2,833,265	1,827,172	1,689,327
Over 5 years	—	—	34,284	33,194
Total	<u>4,574,767</u>	<u>4,116,239</u>	2,643,177	2,392,226
Less: unrealized finance income	<u>458,528</u>	N/A	250,951	N/A
Balance of financial leasing receivables	4,116,239	4,116,239	2,392,226	2,392,226
Less: allowance for impairment	<u>21,548</u>	<u>21,548</u>	11,961	11,961
Financial leasing receivables, net	<u>4,094,691</u>	<u>4,094,691</u>	<u>2,380,265</u>	<u>2,380,265</u>

As at 31 December 2017, the effective interest rate is ranging from 5% to 9% (2016: 5% to 9%) per annum.

Movements of impairment allowance during the year are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	11,961	—
Impairment losses recognised	<u>9,587</u>	11,961
At 31 December	<u>21,548</u>	<u>11,961</u>

32. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2017, amounts due from associates are unsecured, repayable on demand, and non-interest bearing. The Group expected to recover the amounts due from associates within one year from the end of the year.

33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current		
Analysed by collateral type:		
Stock ⁽ⁱ⁾	8,879,519	3,900,655
Less: impairment on financial assets held under resale agreements	<u>33,414</u>	<u>21,442</u>
	<u>8,846,105</u>	<u>3,879,213</u>
Analysed by market:		
Stock exchanges	<u>8,846,105</u>	<u>3,879,213</u>
Current		
Analysed by collateral type:		
Stock ⁽ⁱ⁾	18,776,434	10,348,146
Bond ⁽ⁱⁱ⁾	6,115,465	7,789,005
Less: impairment on financial assets held under resale agreements	<u>70,602</u>	<u>55,162</u>
	<u>24,821,297</u>	<u>18,081,989</u>
Analysed by market:		
Stock exchanges	19,680,792	11,580,483
Interbank bond market	<u>5,140,505</u>	<u>6,501,506</u>
	<u>24,821,297</u>	<u>18,081,989</u>

33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – *continued*

Movements of impairment allowance during the year are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	76,604	26,893
Impairment losses recognised	27,412	53,895
Reversal of impairment losses	—	(4,184)
At 31 December	<u>104,016</u>	<u>76,604</u>

- (i) The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The fair value of the stock collateral is amounted to RMB73,738.10 million as at 31 December 2017 (31 December 2016: RMB43,140.58 million).
- (ii) Mainly for inter-bank pledged resale agreement and inter-bank outright resale agreement, and the fair value of collateral collected and underlying assets transferred to the Group is amounted to RMB6,331.81 million as at 31 December 2017 (31 December 2016: RMB7,893.46 million).

34. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-Current and unlisted		
Financial assets designated at fair value through profit or loss:		
Convertible debt instruments	326,959	—
Redeemable convertible preference shares	193,822	—
Equity investments ⁽ⁱ⁾	758,871	—
Total	<u>1,279,652</u>	<u>—</u>

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

	2017/12/31 RMB'000	2016/12/31 RMB'000
Current		
Financial assets held for trading:		
Debt securities	39,879,976	29,984,635
Equity investments	4,878,587	3,787,078
Funds	10,011,710	17,697,417
Other investments ⁽ⁱⁱ⁾	6,968,910	8,971,949
	<u>61,739,183</u>	<u>60,441,079</u>
Analysed as:		
Listed in Hong Kong	1,018,527	476,533
Listed outside Hong Kong ⁽ⁱⁱⁱ⁾	21,275,950	13,383,707
Unlisted ^(iv)	39,444,706	46,580,839
	<u>61,739,183</u>	<u>60,441,079</u>
Financial assets designated at fair value through profit or loss:		
Convertible debt instruments	120,000	605,825
Exchangeable debt instruments	59,880	92,864
Equity instruments	—	592,353
	<u>179,880</u>	<u>1,291,042</u>
Analysed as:		
Unlisted	179,880	1,291,042
Total	<u>61,919,063</u>	<u>61,732,121</u>

- (i) The Group has entered into an equity return swap agreement with a third party, whereby the Group will transfer the return of the equity investment of RMB464.82 million (2016: RMB453.60 million) to the counterparty on a date specified in the agreement. The Group has recognised the corresponding liability as financial liabilities held for trading as disclosed in note 43. To eliminate the measurement and recognition inconsistency, the Group has designated the assets as financial asset assets at FVTPL.
- (ii) Other investments represent investments in asset management schemes and other wealth management products launched and managed by the Group and other financial institutions. The Group's interest in these asset management schemes managed by the Group is not individually significant.
- (iii) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.
- (iv) Unlisted securities mainly comprise of unlisted funds, debt securities traded on Interbank Bond Market and asset management schemes and other wealth management products launched by financial institutions.

Fair value of the Group's financial assets at fair value through profit or loss are determined in the manner described in note 67.

As at 31 December 2017, the Group entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss (including equity securities and exchange-traded funds) with total fair values of RMB554.48 million (31 December 2016: RMB279.13 million) to clients. These securities continued to be recognized as financial assets of the Group.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			
	2017		2016	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
PRC stock index futures ⁽ⁱ⁾	—	—	—	—
Treasury bond futures ⁽ⁱⁱ⁾	7,902	—	—	—
Commodity futures ⁽ⁱⁱⁱ⁾	—	—	—	—
Interest rate swaps ⁽ⁱⁱⁱ⁾	225,513	229,225	683,348	678,494
Interest rate options ^(vii)	3,689	30,723	—	—
Over-the-counter options ⁽ⁱⁱⁱ⁾	7,227	50,736	3,085	524
HK & U.S. stock index futures ^(iv)	126	493	—	14
Structured notes ^(v)	—	2,378	—	7,974
Stock options ^(vi)	10,661	9,954	6,023	4,965
Currency forwards	780	775	—	41
Currency options ^(viii)	5,192,191	5,113,361	—	—
Others	2,653	1,468	—	—
	<u>5,450,742</u>	<u>5,439,113</u>	<u>692,456</u>	<u>692,012</u>

- (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 31 December 2017 and 31 December 2016. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the year-end dates.

Details of the Group's PRC stock index futures are set out below:

	As at 31 December			
	2017		2016	
	Notional principal amounts RMB'000	Fair value RMB'000	Notional principal amounts RMB'000	Fair value RMB'000
PRC SIF	750,287	11,321	552,139	11,954
PRC SIH	92,958	568	137,123	1,878
PRC SIC	345,970	(3,403)	2,487	(48)
Less: settlement		8,486		13,784
Net position of PRC stock index future contracts		<u>—</u>		<u>—</u>

35. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

- (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 31 December 2017 and 31 December 2016. Accordingly, the net onshore position of the treasury bond future contracts and commodity future contracts was nil at the year-end dates. Balances at the year-end dates are from treasury bond futures in Hong Kong.

Details of the Group's treasury bond futures and commodity futures are set out below:

	As at 31 December			
	2017		2016	
	Notional principal amounts RMB'000	Fair value RMB'000	Notional principal amounts RMB'000	Fair value RMB'000
Treasury bond futures	6,582,731	(7,111)	411,014	(2,868)
Commodity futures	1,832,842	(59)	91,638	(267)
Less: settlement		(15,072)		(3,135)
Net position of treasury bond future contracts and commodity future contracts		<u>7,902</u>		<u>—</u>

- (iii) Interest rate swaps and over-the-counter options:

The notional principal amount of the Group's interest rate swaps contracts was RMB80,625.50 million as at 31 December 2017 (31 December 2016: RMB90,847.00 million).

The notional principal amount of the Group's over-the-counter options was RMB14,104.34 million as at 31 December 2017 (31 December 2016: RMB1,848.39 million).

- (iv) HK stock index futures: the notional principal amount of the Group's HK stock index futures contracts was RMB56.77 million as at 31 December 2017 (31 December 2016: RMB20.16 million);

U.S. stock index futures: the notional principal amount of the Group's U.S. stock index futures contracts was RMB87.42 million as at 31 December 2017 (31 December 2016: RMB48.45 million).

- (v) The amounts represent the fair value of embedded derivatives of structured notes, details set out in notes 42 and 55.

- (vi) Stock options: represents the stock option contracts held by the Group, the notional principal amount of the Group's stock option contracts was RMB1,090.87 million as at 31 December 2017 (31 December 2016: RMB660.68 million).

- (vii) Interest rate options: the notional principal amount of the Group's interest rate options was RMB74,677.52 million as at 31 December 2017.

- (viii) Currency options: the amounts include option premium of RMB5,006.50 million paid for long position and option premium of RMB5,382.32 million received for short position.

The notional principal amount of the Group's currency options was RMB630,813.12 million as at 31 December 2017.

36. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Deposits with stock exchanges:		
Shanghai Stock Exchange	299,480	262,490
Shenzhen Stock Exchange	94,336	138,495
Hong Kong Stock Exchange	22,313	22,984
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	49,393	73,135
Shanghai Futures Exchange	1,255,636	857,123
Zhengzhou Commodity Exchange	307,447	177,808
Dalian Commodity Exchange	728,371	673,962
China Financial Futures exchange	1,178,446	1,894,998
Intercontinental Exchange, Inc.	119,465	6,938
China Securities Finance Corporation Limited	40,857	305,684
Shanghai Clearing House	97,983	121,070
Guarantee fund paid to China Financial Futures Exchange	20,114	20,113
China Beijing Equity Exchange	3,893	3,825
LME Clear Limited	138,666	86,811
Brokers	342,469	447,620
Others	1,884	39,629
	<u>4,700,753</u>	<u>5,132,685</u>

37. CLEARING SETTLEMENT FUNDS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Clearing settlement funds held with clearing houses for:		
House accounts	3,339,656	3,871,328
Clients	14,313,292	17,871,298
	<u>17,652,948</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.

38. BANK BALANCES AND PLEDGED/RESTRICTED BANK DEPOSITS

Bank balances

	2017/12/31 RMB'000	2016/12/31 RMB'000
House accounts	8,389,754	13,046,174
Cash held on behalf of customers ⁽ⁱ⁾	48,356,454	67,251,310
	<u>56,746,208</u>	<u>80,297,484</u>

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

- (i) The Group maintain bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 45).

Pledged/restricted bank deposits

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current		
Restricted bank deposits for GF Securities Tower	—	80,000
Current		
Restricted bank deposits for GF Securities Tower and purchase of equity securities, funds and asset management schemes	164,550	70,948

39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	2017/12/31	2016/12/31
	RMB'000	RMB'000
Bank balances - house	8,389,754	13,046,174
Clearing settlement funds - house	3,339,656	3,871,328
	11,729,410	16,917,502

Cash and cash equivalent includes bank deposits with original maturity of more than three months held by the Group. As at 31 December 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 RMB1,497.00 million (31 December 2016: RMB1,620.00 million).

40. 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:

	2017/12/31	2016/12/31
	RMB'000	RMB'000
Deferred tax assets	428,496	783,339
Deferred tax liabilities	(88,441)	(131,280)
	340,055	652,059

40. DEFERRED TAXATION – *continued*

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

	Financial instruments at fair value through profit or loss/ derivatives RMB'000	Accrued staff costs 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
At 1 January 2016	(144,555)	812,411	(724,049)	65,585	(21,101)	2,789	(8,920)
(Charge) credit to profit or loss (Note 16)	(46,190)	278,971	(36,599)	41,691	984	34,712	273,569
(Charge) credit 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>107,276</u>	<u>(20,117)</u>	<u>34,705</u>	<u>652,059</u>
(Charge) credit to profit or loss (Note 16)	97,982	(172,191)	30,279	59,077	984	21,724	37,855
(Charge) credit to other comprehensive income	236	—	(350,099)	—	—	4	(349,859)
At 31 December 2017	<u>(92,527)</u>	<u>919,191</u>	<u>(690,262)</u>	<u>166,353</u>	<u>(19,133)</u>	<u>56,433</u>	<u>340,055</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

As at 31 December 2017, the Group has unused tax losses of approximately RMB619.10 million (31 December 2016: RMB417.68 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. Most of these tax losses may be carried forward indefinitely.

41. BORROWINGS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Secured short-term bank loans ⁽ⁱ⁾	2,098,537	768,074
Unsecured short-term bank loans ⁽ⁱⁱ⁾	5,250,999	4,095,800
	7,349,536	4,863,874

- (i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 31 December 2017, the total market value of securities pledged amounted to RMB4,276.24 million (31 December 2016: RMB2,323.86 million) and the credit facilities utilised is RMB1,853.54 million (31 December 2016: RMB768.07 million) which bear interest rates ranging from HIBOR+1.15% to HIBOR+1.25% or cost of fund rate of lending bank+1.25% (31 December 2016: HIBOR +1.30% to HIBOR+1.50% or cost of fund rate of lending bank) per annum. The Group obtained several short-term loans amounted to RMB245.00 million (2016: nil) secured by rights and interests in financial leasing receivables. The loans bear fixed interest rates ranging from 6.00% to 6.41%.
- (ii) As at 31 December 2017, the Group's unsecured short-term bank loans bear fixed interest rates ranging from 4.79% to 5.66% (31 December 2016: 1.06% to 4.57%), or variable interest rates ranging from HIBOR+1.30% to HIBOR+2.09% or LIBOR+0.65% to LIBOR+1.60% or cost of fund rate of lending bank+1.40% (31 December 2016: HIBOR+1.25% to HIBOR+2.09%).

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HKD RMB'000	USD RMB'000
As at 31 December 2017	4,392,665	2,311,870
As at 31 December 2016	1,044,956	—

42. SHORT-TERM FINANCING PAYABLES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Unsecured and unguaranteed:		
Short-term bond payables (Note 1)	17,600,000	15,000,000
Principals of structured notes (Note 2)	7,501,447	1,329,741
	<u>25,101,447</u>	<u>16,329,741</u>

Note 1: Short-term bond payables

The details of short-term bond payables as at 31 December 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%
GF1704	4,500,000	06/07/2017	16/05/2018	4.75%
GF1705	2,900,000	27/07/2017	28/03/2018	4.70%
GF1706	3,000,000	11/09/2017	13/09/2018	4.85%
GF1707	2,200,000	03/11/2017	07/11/2018	5.07%
GF1708	2,000,000	03/11/2017	11/05/2018	4.95%

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 rate interest or variable rate linked to certain stock index. The principals and interests are repayable upon maturity within one year. The structured notes with variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of stock index. For those embedded derivatives, they are accounted for in the consolidated financial statements under note 35 after being bifurcated from their respective host contracts.

43. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-Current		
Financial liabilities held for trading		
Equity return swap	456,168	472,404
Analysed as:		
Unlisted	456,168	472,404
Current		
Financial liabilities held for trading		
Bonds	1,659,502	4,022,587
Stocks	183,235	86,557
Funds	151,837	34,826
	<u>1,994,574</u>	<u>4,143,970</u>
Analysed as:		
Listed in Hong Kong	136,774	86,557
Listed outside Hong Kong	198,298	34,826
Unlisted	1,659,502	4,022,587
	<u>1,994,574</u>	<u>4,143,970</u>

44. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Due to banks and other financial institutions	<u>4,953,656</u>	<u>10,606,395</u>

As at 31 December 2017, the effective interest rate on due to banks are ranged from 3.08% to 7.30% (31 December 2016: 2.76% to 3.00%) per annum. Included in the balance is an amount of RMB3,653.66 million (31 December 2016: RMB1,206.39 million) which was secured by the Group's securities amounting to RMB7,708.48 million as at 31 December 2017 (31 December 2016: RMB1,837.57 million).

45. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group respectively, and are interest-bearing at the prevailing market interest rate.

As at 31 December 2017, included in the Group's accounts payable to brokerage clients were approximately RMB5,554.65 million (31 December 2016: RMB7,580.29 million) of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

46. ACCRUED STAFF COSTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-Current		
Other long-term benefits	<u>2,597,404</u>	<u>—</u>
Current		
Salaries, bonus and allowances	4,384,765	6,896,872
Short-term social welfare	1,037	1,068
Defined contribution plans ⁽ⁱ⁾	2,257	3,012
Others	<u>64,850</u>	<u>241,097</u>
	<u>4,452,909</u>	<u>7,142,049</u>

- (i) The defined contribution plans refer to social pension insurance plan and unemployment insurance plan required by the government, and annuity scheme launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the group sets up annuity schemes and Mandatory Provident Fund Scheme for qualified employees in the PRC and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis. Except for the amount contributed, the Group will assume no further payment obligation. The amounts accrued have been paid in subsequent periods.

47. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current		
Deposits of financial leasing business	<u>80,050</u>	<u>81,605</u>
Current		
Interest payable	1,937,695	2,039,196
Payables for open-ended fund clearing and other clearing	947,043	3,193,428
Payable to R&F ⁽ⁱ⁾	692,518	507,889
Other taxes	382,514	261,462
Commission payable and related accrued expenses for sale of funds	341,550	430,459
Accrued expenses	174,263	118,483
Futures risk reserve	117,391	104,057
Block trade deposits	100,000	100,000
Funds risk reserve	98,319	90,671
Payable for equipment purchases	70,219	114,614
Payables for securities investor protection fund and futures investor protection fund	57,432	118,682
Project quality deposits ⁽ⁱⁱ⁾	40,000	40,000
Deposits of equity return swaps	13,821	3,128
Others ⁽ⁱⁱⁱ⁾	<u>169,877</u>	<u>324,644</u>
	<u>5,142,642</u>	<u>7,446,713</u>

- (i) The balances represent the construction expenditure of GF Securities Tower which Guangzhou R&F Properties Corporation Co., Ltd. ("R&F") paid on behalf of the Company.
- (ii) The balances represent the project quality deposits from R&F which is the construction agent of the GF Securities Tower, to ensure the construction quality of the GF Securities Tower.
- (iii) Others represent primarily other accounts payable and accrued operating expenses which are non-interest bearing and are repayable within one year.

48. PROVISIONS

	2017/12/31 RMB'000	2016/12/31 RMB'000
At beginning of the year	33,360	60,581
Utilisation of provision	—	(27,221)
At end of the year	<u>33,360</u>	<u>33,360</u>

49. OTHER LIABILITIES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-Current		
Third-party interests in consolidated asset management schemes	<u>226,291</u>	<u>347,409</u>
Current		
Third-party interests in consolidated asset management schemes and funds	<u>11,638,550</u>	<u>12,887,728</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.

50. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-Current		
Analysed by collateral type:		
Rights and interests in financial leasing receivables	41,250	—
Analysed by market:		
Over the counter	41,250	—
Current		
Analysed by collateral type:		
Bonds ⁽ⁱ⁾	51,850,051	44,465,839
Rights and interests in financial leasing receivables	58,500	310,720
Gold leasing ⁽ⁱⁱ⁾	3,415,840	5,772,707
Others	150,767	—
	<u>55,475,158</u>	<u>50,549,266</u>
Analysed by market:		
Stock exchanges	28,015,069	20,552,854
Interbank bond market	23,985,749	23,912,985
Shanghai gold exchange	3,415,840	5,772,707
Over the counter	58,500	310,720
	<u>55,475,158</u>	<u>50,549,266</u>

- (i) As at 31 December 2017, included in the balance is an amount of RMB13,249.61 million (31 December 2016: RMB10,349.73 million) which is secured by bonds borrowed from interbank bond market, which are not recognised in the consolidated financial statements as it's the banks rather than the Group that subject to all the risks and returns of the bonds, and the fair value of such bonds is RMB14,719.53 million (31 December 2016: RMB10,951.60 million).
- (ii) As at 31 December 2017, the fair value of gold transferred which is from leasing and is not recognised in the consolidated financial statements, is RMB3,336.06 million (as at 31 December 2016: RMB5,733.35 million).

Sold under repurchase agreements are transactions in which the Group sell a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group are still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retain substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in note 58.

51. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	2017/12/31	2016/12/31
Number of registered, issued and fully paid ordinary shares of RMB1 each (in thousands):		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>
Share capital (in RMB'000)		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>

52. INVESTMENT REVALUATION RESERVE

The movements of investment revaluation reserve of the Group are set out below:

	2017/12/31	2016/12/31
	RMB'000	RMB'000
At beginning of the year	1,430,709	2,708,507
Available-for-sale financial assets		
Net fair value changes during the year	2,473,083	(634,373)
Reclassification adjustment to profit or loss on disposal	(1,622,816)	(1,175,178)
Reclassification adjustment to profit or loss on impairment	166,005	235,246
Income tax impact	(336,351)	357,962
Share of fair value gain on available-for-sale financial assets of associates and joint ventures	89,932	(61,455)
At end of the year	<u>2,200,562</u>	<u>1,430,709</u>

53. GENERAL RESERVES

General reserves comprise of the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalization. If the statutory reserve is capitalized into share capital, the remaining reserve is required to be no less than 25% of the Company's registered capital before capitalization.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk; and in accordance with Interim Measures for the Supervision and Administration of Risk Reserve of the Public Offering of Securities Investment Fund, the Company, as a custodian of securities investment fund, is required to appropriate no less than 2.50% of fund custodian revenue as reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve, the reserve for general risk and the transaction risk reserve.

The movements of general reserves of the Group are set out below:

As at 31 December 2017

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	4,584,610	606,559	5,191,169
Discretionary reserve	169,428	—	169,428
Reserve for general risk	5,492,796	819,912	6,312,708
Transaction risk reserve	4,960,982	721,617	5,682,599
	<u>15,207,816</u>	<u>2,148,088</u>	<u>17,355,904</u>

53. GENERAL RESERVES – continued

As at 31 December 2016

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	3,966,788	617,822	4,584,610
Discretionary reserve	169,428	—	169,428
Reserve for general risk	4,655,538	837,258	5,492,796
Transaction risk reserve	4,237,469	723,513	4,960,982
	<u>13,029,223</u>	<u>2,178,593</u>	<u>15,207,816</u>

54. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	2017/12/31 RMB'000	2016/12/31 RMB'000
At beginning of the year	21,987,925	22,233,281
Profit for the year	8,595,399	8,030,107
Appropriation to general reserves	(2,148,088)	(2,178,593)
Dividends recognised as distribution	(2,667,381)	(6,096,870)
At end of the year	<u>25,767,855</u>	<u>21,987,925</u>

As at 31 December 2017, included in the above balance is the Company's share of its subsidiaries' statutory reserve of RMB741.63 million (31 December 2016: RMB497.63 million) which cannot be used for profit distribution.

55. BONDS PAYABLE

	2017/12/31 RMB'000	2016/12/31 RMB'000
Unsecured and unguaranteed:		
Non-current		
Corporate bonds (Note 1)	33,485,127	14,987,897
Subordinated bonds (Note 1)	28,500,000	43,286,136
Structured notes (Note 2)	162,751	—
	<u>62,147,878</u>	<u>58,274,033</u>
Current		
Corporate bonds (Note 1)	2,999,503	—
Subordinated bonds (Note 1)	5,000,000	9,000,000
Structured notes (Note 2)	2,525,340	6,250,564
	<u>10,524,843</u>	<u>15,250,564</u>

Note 1: Details of bonds as of 31 December 2017 are as follow:

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%
17GF02	6,000,000	26/07/2017	26/07/2020	4.50%
17GF03	3,500,000	15/08/2017	15/08/2020	4.84%
17GF04	3,000,000	28/08/2017	28/08/2020	4.95%
17GF05	3,000,000	25/09/2017	25/09/2019	5.00%
Subordinated bonds				
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%
17GFC1	3,500,000	20/10/2017	20/10/2020	5.09%
17GFC2	2,000,000	30/10/2017	30/10/2019	5.10%

Note 2: Structured notes

The amount represents principals received from investors and interest accrued for subscription of structured notes with original maturity over 1 year issued by the Company. The structured notes bearing fixed rate interest ranging from 4.65% to 5.35% per annum (31 December 2016: 3.25% to 6.00%). Structured notes maturing within one year as at 31 December 2017 amounted to RMB2,525.34 million (31 December 2016: RMB6,250.56 million) and are classified under current liability.

56. LONG-TERM LOANS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-Current		
Unsecured long-term loans ⁽ⁱ⁾	2,275,160	2,296,800
Secured long-term loans ⁽ⁱⁱ⁾	1,502,957	271,884
	<u>3,778,117</u>	<u>2,568,684</u>
Current		
Unsecured long-term loans ⁽ⁱ⁾	116,000	—
Secured long-term loans - due within one year ⁽ⁱⁱ⁾	631,375	160,566
	<u>747,375</u>	<u>160,566</u>

- (i) As at 31 December 2017, the syndicated loan amounting to RMB2,006.16 million (31 December 2016: RMB2,146.80 million) carries interest at variable interest rate of HIBOR + 2.09% (31 December 2016: HIBOR + 2.09%) per annum, and the interest is repayable monthly and the principal is repayable within 2 years. The remaining unsecured loans amounted to RMB385.00 million (31 December 2016: RMB150.00 million). The loans bear fixed interest rates from 4.75% to 4.85% (31 December 2016: 4.75%) per annum, with principals amounted to RMB116.00 million due within one year, principals amounted to RMB131.00 million due within two years, and the remaining due within five years.
- (ii) During the year, the Group obtained several long-term loans amounting to RMB2,134.33 million (31 December 2016: RMB432.45 million) which are secured by rights and interests in financial leasing receivables. The loans bear fixed interest rates ranging from 4.75% to 6.65% (31 December 2016: 4.28% to 4.99%) per annum, with principals amounted to RMB631.38 million due within one year, principals amounted to RMB544.79 million due within two years, and the rest due within five years.

57. DIVIDENDS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Dividend recognised as distribution	<u>2,667,381</u>	<u>6,096,870</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.

58. TRANSFER OF FINANCIAL ASSETS

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security, rights and interests in financial leasing receivables (collectively as “the transferred assets”) and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of the transferred assets. The transferred assets are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of the transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights of the cash flows of the transferred assets, it does not have the ability to use the transferred assets during the term of the arrangements.

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2017

	Financial asset at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Financial assets held under resale arrangements RMB'000	Financial leasing receivables RMB'000	Total RMB'000
Carrying amount of transferred assets	10,151,765	31,294,338	152,556	172,751	41,771,410
Carrying amount of associated liabilities	(8,655,320)	(29,943,467)	(152,424)	(99,750)	(38,850,961)
Net position	<u>1,496,445</u>	<u>1,350,871</u>	<u>132</u>	<u>73,001</u>	<u>2,920,449</u>

As at 31 December 2016

	Financial asset at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Financial assets held under resale arrangements RMB'000	Financial leasing receivables RMB'000	Total RMB'000
Carrying amount of transferred assets	3,742,867	29,608,016	1,125,514	399,514	34,875,911
Carrying amount of associated liabilities	(3,656,318)	(29,353,313)	(1,106,476)	(310,720)	(34,426,827)
Net position	<u>86,549</u>	<u>254,703</u>	<u>19,038</u>	<u>88,794</u>	<u>449,084</u>

58. TRANSFER OF FINANCIAL ASSETS – *continued*

Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss of carrying amount totalling RMB554.48 million as at 31 December 2017 (31 December 2016: RMB279.13 million), as available-for-sale financial assets of carrying amount totalling RMB3.24 million as at 31 December 2017 (31 December 2016: RMB28.58 million), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore have not derecognised these securities in the consolidated financial statements.

Securities borrowing from banks

As at 31 December 2017 and 2016, the type and fair values of securities borrowed from banks through inter-bank securities market trading platform are as follows:

Type of Securities	2017/12/31 RMB'000	2016/12/31 RMB'000
Government bonds	14,871,865	13,601,692
Financial bonds	2,113,927	2,300,383
Local government bonds	2,396,085	2,879,577
	<u>19,381,877</u>	<u>18,781,652</u>

As at 31 December 2017 and 2016, the above securities are due to return to banks before 27 February 2018 and 17 March 2017, respectively.

58. TRANSFER OF FINANCIAL ASSETS – continued**Securities borrowing from banks – continued**

In order to borrow the securities mentioned above from banks, the Group has pledged its assets to banks, the type and fair values of assets pledged to banks as at 31 December 2017 and 2016 are as follows:

	2017/12/31 RMB'000	2016/12/31 RMB'000
Type of Assets		
Financial assets at fair value through profit or loss	4,600,839	6,634,989
Available-for-sale financial assets	10,505,523	4,593,776
Financial assets held under resale agreements	193,355	258,316
	<u>15,299,717</u>	<u>11,487,081</u>

59. CAPITAL COMMITMENTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Capital expenditure in respect of acquisition of property and equipment:		
- Contracted but not provided for	<u>714,808</u>	<u>286,135</u>

60. OPERATING LEASE COMMITMENTS**The Group as lessee**

As at 31 December 2017 and 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017/12/31 RMB'000	2016/12/31 RMB'000
Within one year	244,051	238,497
In the second to fifth years inclusive	324,454	331,954
Over five years	32,296	28,629
Total	<u>600,801</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.

The Group as lessor

During the year, the Group did not have material lease commitment as lessor.

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2017

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total ⁽ⁱ⁾
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
A) EXECUTIVE DIRECTORS:					
Sun Shuming	—	2,125	69	36,329	38,523
Lin Zihai	—	3,555	91	36,915	40,561
Qin Li	—	1,846	95	26,467	28,408
Sun Xiaoyan	—	1,697	95	25,993	27,785
Subtotal	—	9,223	350	125,704	135,277

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Bonuses	Total ⁽ⁱ⁾
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
B) NON-EXECUTIVE DIRECTORS:					
Shang Shuzhi	180	—	—	—	180
Li Xiulin	180	—	—	—	180
Liu Xuetao ⁽ⁱⁱ⁾	105	—	—	—	105
Chen Aixue ^(iv)	60	—	—	—	60
Subtotal	525	—	—	—	525

The non-executive directors' emoluments shown above were for their services as directors of the Company.

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*For the year ended 31 December 2017 – *continued*

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
			to pension schemes RMB'000		
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Yang Xiong	270	—	—	—	270
Tang Xin	270	—	—	—	270
Chan Kalok	270	—	—	—	270
Li Yanxi ⁽ⁱⁱⁱ⁾	158	—	—	—	158
Liu Jiwei ^(vi)	135	—	—	—	135
Subtotal	<u>1,103</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,103</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisor fee RMB'000	Salary and allowances RMB'000	Employer's contribution	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
			to pension schemes RMB'000		
D) SUPERVISOR:					
Zhang Shaohua ^(iv)	—	1,443	69	10,500	12,012
Cheng Huaiyuan	—	737	78	3,789	4,604
Zhan Lingzhi	150	—	—	—	150
Tan Yue	150	—	—	—	150
Gu Naikang	150	—	—	—	150
Wu Zhaoming ^(vii)	—	1,440	96	14,820	16,356
Subtotal	<u>450</u>	<u>3,620</u>	<u>243</u>	<u>29,109</u>	<u>33,422</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2016

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
A) EXECUTIVE DIRECTORS:					
Sun Shuming	—	1,393	189	10,361	11,943
Lin Zihai	—	2,966	247	9,354	12,567
Qin Li	—	1,275	258	8,258	9,791
Sun Xiaoyan	—	1,257	258	7,627	9,142
Subtotal	—	6,891	952	35,600	43,443

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
B) NON-EXECUTIVE DIRECTORS:					
Shang Shuzhi	150	—	—	—	150
Li Xiulin	150	—	—	—	150
Chen Aixue	150	—	—	—	150
Subtotal	450	—	—	—	450

The non-executive directors' emoluments shown above were for their services as directors of the Company.

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*For the year ended 31 December 2016 – *continued*

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Liu Jiwei	225	—	—	—	225
Yang Xiong	225	—	—	—	225
Tang Xin	225	—	—	—	225
Chan Kalok	225	—	—	—	225
Subtotal	<u>900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>900</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisor fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total ⁽ⁱ⁾ RMB'000
D) SUPERVISOR:					
Wu Zhaoming	—	1,106	262	6,234	7,602
Cheng Huaiyuan	—	698	211	3,716	4,625
Zhan Lingzhi	126	—	—	—	126
TanYue ^(viii)	50	—	—	—	50
Gu Naikang ^(ix)	50	—	—	—	50
Subtotal	<u>226</u>	<u>1,804</u>	<u>473</u>	<u>9,950</u>	<u>12,453</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

During the years ended 31 December 2017 and 31 December 2016, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

- (i) The Company did not operate any share option scheme during the years ended 31 December 2017 and 31 December 2016.
- (ii) Liu Xuetao was appointed as non-executive director in May 2017.
- (iii) Li Yanxi was appointed as independent non-executive director in May 2017.
- (iv) Zhang Shaohua was appointed as supervisor in September 2017.
- (v) Chen Aixue resigned as non-executive director in March 2017.
- (vi) Liu Jiwei resigned as independent non-executive director in May 2017.
- (vii) Wu Zhaoming resigned as supervisor in September 2017.
- (viii) Tan Yue was appointed as supervisor in August 2016.
- (ix) Gu Naikang was appointed as supervisor in August 2016.

62. HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year include four director (2016: one director), details of whose remuneration are set in note 61 above. Details of the remuneration for the year of the remaining one (2016: four) highest paid employees who are neither directors nor supervisors of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Basic salaries and allowances	1,694	3,438
Bonuses	23,142	131,761
Employer's contribution to pension schemes	95	580
	<u>24,931</u>	<u>135,779</u>

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2017 and 31 December 2016.

There is one employee who is not director nor supervisor of the Company, among which, one (2016: one) employee's remuneration is more than HKD25.00 million and no (2016: three) employee is below HKD25.00 million.

63. RELATED PARTY TRANSACTIONS

(1) Shareholders

The Group had the following material transactions and balances with shareholders:

Investments in shareholders

	As at 31.12.2017		As at 31.12.2016	
	Number of shares '000	Carrying amount RMB'000	Number of shares '000	Carrying amount RMB'000
Available-for-sale financial assets-stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	43,312	974,531	33,317	1,032,503
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.*	86	1,447	—	—
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.*	10,000	10,000	—	—
Available-for-sale financial assets-bonds				
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	1,000	97,914	—	—
Financial assets as FVTPL-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	2,655	91	2,813
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	59	1,037	59	1,052
遼寧成大生物股份有限公司 (Note) – Liaoning Cheng Da Biotechnology Co., Ltd.*	3,641	61,284	4,022	66,081

* English translated name is for identification purpose only.

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

The Group has received cash dividends of RMB10.02 million and RMB3.69 million from Jilin Aodong Pharmaceutical Group Co., Ltd. and Liaoning Cheng Da Biotechnology Co., Ltd. respectively in this period.

63. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties

The Group had the following material transactions and balances with associates and joint ventures during the year:

Transactions with associates/joint ventures

	2017 RMB'000	2016 RMB'000
Commission and fee income		
易方達基金管理有限公司		
– E Fund	31,814	28,944
中證信用增進股份有限公司		
– China Securities Credit Investment Co., Ltd. *	1,717	700
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 Partnership L.P. *	11,212	8,793
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥)		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	2,736	2,900
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. *	3,047	6,040
廣發信德(珠海)醫療產業投資中心(有限合夥)		
– GF Xinde (Zhuhai) Medical Industrial Investment Center L.P. *	8,395	8,899
廣發信德匯金(龍岩)股權投資合夥企業(有限合夥)		
– GF Xinde Huijin (Longyan) Equity Investment Partnership L.P.	1,406	—
廣州信德創業營股權投資合夥企業(有限合夥)		
– Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.	3,532	—
珠海廣發信德高成長現代服務業股權投資企業(有限合夥)		
– Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P.	3,002	—
珠海廣發信德工場文化傳媒產業股權投資基金(有限合夥)		
– Zhuhai GF Xinde Factory Culture Media Industry Equity Investment Fund L.P.	294	—
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.	9,282	—
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	—
廣東金融高新區股權交易中心有限公司		
– Guangdong Equity Exchange Co., Ltd	325	—
Interest expense		
Global Health Science Fund I, L.P.	2,044	—

* English translated name is for identification purpose only

63. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Transactions with associates/joint ventures – continued

	2017 RMB'000	2016 RMB'000
Other operating expenses		
廣發鈞策海外投資基金管理(上海)有限公司		
– GF-Persistent Overseas Investment Fund Management (Shanghai) Co., Ltd.	2,827	—
珠海盈米財富管理有限公司		
– Zhuhai Yingmi Fortune Management Co., Ltd.	465	—
	<u>3,292</u>	<u>—</u>

Balances with associates/joint ventures

	2017/12/31 RMB'000	2016/12/31 RMB'000
Commission receivable from exchange trading units and distributing financial products		
易方達基金管理有限公司		
- E Fund Management Co., Ltd.	8,659	5,784
Receivables from asset and fund management fee income		
廣州信德創業營股權投資合夥企業(有限合夥)		
- Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.	3,744	—
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. *	3,230	1,520
廣發信德匯金(龍岩)股權投資合夥企業(有限合夥)		
- GF Xinde Huijin (Longyan) Equity Investment Partnership L.P.	1,491	—
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥)		
- Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	—	2,900
Amount due to a joint venture - notes payable and interest		
- Global Health Science Fund I, L.P.	122,396	—
Amount due to associates		
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥)		
- Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	1,450	—
- 珠海盈米財富管理有限公司		
- Zhuhai Yingmi Fortune Management Co., Ltd.	253	—
	<u>127,143</u>	<u>2,900</u>

* English translated name is for identification purpose only

63. RELATED PARTY TRANSACTIONS – *continued*

(3) Key management personnel

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

	2017 RMB'000	2016 RMB'000
Short-term benefits:		
– Salaries, allowance and bonuses	261,982	257,692
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity schemes	837	2,285
Total	<u>262,819</u>	<u>259,977</u>

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2017						
Type of financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position			Net amount
	RMB'000	RMB'000	Financial instruments	collateral received	RMB'000	
Advances to customers	5,161,035	(916,228)	4,244,807	—	(4,244,807)	—
Accounts receivable from clearing house, brokers and cash clients	2,482,117	(1,064,656)	1,417,461	(56,838)	—	1,360,623
Total	7,643,152	(1,980,884)	5,662,268	(56,838)	(4,244,807)	1,360,623

As at 31 December 2017						
Type of financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position			Net amount
	RMB'000	RMB'000	Financial instruments	collateral pledged	RMB'000	
Accounts payable to brokerage clients	4,050,168	(916,228)	3,133,940	—	—	3,133,940
Payables for open-ended fund clearing and other clearing	1,169,498	(1,064,656)	104,842	(56,838)	—	48,004
Total	5,219,666	(1,980,884)	3,238,782	(56,838)	—	3,181,944

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued***Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements – *continued***

As at 31 December 2016

Type of financial assets	As at 31 December 2016						
	Gross amounts of recognised financial assets	Gross liabilities set off in the consolidated statement of financial position	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Net amount	
	RMB'000	RMB'000	RMB'000	RMB'000	Financial instruments	collateral received	RMB'000
Advances to customers	3,179,444	(116,172)	3,063,272	—	(3,063,272)	—	—
Accounts receivable from clearing house, brokers and cash clients	1,449,341	(216,724)	1,232,617	(18,928)	—	—	1,213,689
Total	4,628,785	(332,896)	4,295,889	(18,928)	(3,063,272)		1,213,689

As at 31 December 2016

Type of financial liabilities	As at 31 December 2016						
	Gross amounts of recognised financial liabilities	Gross liabilities set off in the consolidated statement of financial position	Gross amounts of recognised financial liabilities	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Net amount	
	RMB'000	RMB'000	RMB'000	RMB'000	Financial instruments	collateral pledged	RMB'000
Accounts payable to margin clients, clearing house, brokers and cash clients	4,291,177	(332,896)	3,958,281	(18,928)	(17,216)	—	3,922,137

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

The tables below reconcile the “Net amount of financial assets and financial liabilities presented in the consolidated statement of financial position” as set out above, to the line items presented in the consolidated statement of financial position:

Advances to customers

	2017/12/31 RMB'000	2016/12/31 RMB'000
Net amount of advances to customers as stated above	4,244,807	3,063,272
Amount not in scope of offsetting disclosures	<u>57,505,384</u>	<u>55,938,023</u>
Total amount of advances to customers as stated in note 28	<u><u>61,750,191</u></u>	<u><u>59,001,295</u></u>

Accounts receivable

	2017/12/31 RMB'000	2016/12/31 RMB'000
Net amount of accounts receivable as stated above	1,417,461	1,232,617
Amount not in scope of offsetting disclosures	<u>2,075,092</u>	<u>979,760</u>
Total amount of accounts receivable as stated in note 29	<u><u>3,492,553</u></u>	<u><u>2,212,377</u></u>

Accounts payable to brokerage clients

	2017/12/31 RMB'000	2016/12/31 RMB'000
Net amount of accounts payable to brokerage clients as stated above	3,133,940	3,958,281
Amount not in scope of offsetting disclosures	<u>61,892,177</u>	<u>81,768,244</u>
Total amount of accounts payable to brokerage clients as stated in note 45	<u><u>65,026,117</u></u>	<u><u>85,726,525</u></u>

Other accounts payable, other payables and accruals

	2017/12/31 RMB'000	2016/12/31 RMB'000
Net amount of payable to open-fund clearing and other clearing stated above	104,842	—
Amount not in scope of offsetting disclosures	<u>842,202</u>	<u>3,193,428</u>
Total amount of payable to open-fund clearing and other clearing as stated in note 47	<u><u>947,044</u></u>	<u><u>3,193,428</u></u>

65. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017/12/31 RMB'000	2016/12/31 RMB'000
Financial assets		
Loans and receivables	185,533,703	198,267,864
Available-for-sale financial assets	92,594,399	92,080,656
Financial assets at fair value through profit or loss	63,198,715	61,732,121
Investment in an associate at fair value through profit or loss	40,208	34,688
Derivative financial assets	5,450,742	692,456
	<u>346,817,767</u>	<u>352,807,785</u>
Financial liabilities		
Derivative financial liabilities	5,439,113	692,012
Financial liabilities at amortised cost	251,868,117	264,713,158
Financial liabilities at fair value through profit or loss	2,450,742	4,616,374
	<u>259,757,972</u>	<u>270,021,544</u>

66. FINANCIAL RISK MANAGEMENT

Risk management policies and organisation structure

(1) Risk management policies

The objective of risk management of the Group is to strike for an appropriate balance between risks and revenue and to minimize the negative effect of the risks on the Group's operating results to the lowest level, so as to ensure that the risks borne by the Company match well with the regulatory standards, development strategies, capital capability and its risk tolerance and to maximize yields for shareholders and other equity investors. In pursuit of such objective of risk management, the basic strategies of the Group are to identify and analyze the risks with which the Group 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".

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.

66. FINANCIAL RISK MANAGEMENT – *continued*

Risk management policies and organisation structure – *continued*

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

The Group adopts a four-level risk management organisation structure system, namely “board of directors and its subordinated risk management committee, management executives and relevant professional committees (risk control committee, internal review group in respect of the investment banking business and asset allocation committee), various control and supporting departments, and business departments”. First-line risk management 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.

66. FINANCIAL RISK MANAGEMENT – *continued*

Credit risk

(1) *Credit risk exposure during the year*

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) assets formed by financing business, including advance of financing clients, financing lease receivables 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.

Credit risk management

In terms of the financing business, the credit risk exposure of margin financing and securities lending, security transaction with repurchase agreement, stock-pledged repo and financial leasing is derived from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. At the year ended 2017 and 2016, the average ratio of guarantee maintained by the Group for all the clients who have liabilities in margin financing and securities lending of the Group is 265.46% and 265.08% respectively; At the year ended 2017 and 2016, the average coverage ratio of contract performance for clients of security transactions with repurchase agreement is 207.17% and 272.73%, respectively, and the average coverage ratio of contract performance security for clients of stock-pledged repo is 248.55% and 249.36%, respectively. The guarantees provided are sufficient and the credit risk of financing business is managed at an acceptable level.

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.

66. FINANCIAL RISK MANAGEMENT – *continued*

Credit risk management – *continued*

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets except for derivative financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

	2017/12/31 RMB'000	2016/12/31 RMB'000
Advances to customers	61,750,191	59,001,295
Accounts receivable	3,492,553	2,212,377
Other accounts receivable and other receivables	3,247,283	2,992,463
Financial leasing receivables	4,094,691	2,380,265
Amounts due from associates	17,124	5,784
Loan and receivable investments	2,479,137	2,390,735
Available-for-sale financial assets ⁽ⁱ⁾	67,094,036	63,454,478
Including: monetary funds	1,371,631	—
Including: securities lent to customers	3,241	28,584
Financial assets held under resale agreements	33,667,402	21,961,202
Financial assets at fair value through profit or loss ⁽ⁱ⁾	48,073,858	40,957,811
Including: monetary funds	7,132,568	9,994,312
Including: securities lent to customers	554,476	279,129
Derivative financial assets ⁽ⁱⁱ⁾	6,757,621	692,456
Deposits with exchanges and non-bank financial institutions	4,700,753	5,132,685
Clearing settlement funds	17,652,948	21,742,626
Pledged/restricted bank deposits	164,550	150,948
Bank balances	56,746,208	80,297,484
	309,938,355	303,372,609

(i) Financial assets at fair value through profit or loss and Available-for-sale financial assets contain only debt securities, monetary funds managed by third parties, debt financing products and securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.

(ii) The maximum credit exposure of derivative financial assets include the maximum credit exposure of credit default swaps.

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

66. FINANCIAL RISK MANAGEMENT – *continued*

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.

Interest rate risk

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

The tables below summarise the Group’s interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

66. FINANCIAL RISK MANAGEMENT – *continued*Market risk – *continued*Interest rate risk – *continued*

	As at 31 December 2017						Total RMB'000
	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	
Financial assets							
Advances to customers	8,235,380	12,485,816	40,674,501	354,494	—	—	61,750,191
Available-for-sale financial assets	4,798,752	9,076,173	23,059,995	31,672,148	1,525,220	22,462,111	92,594,399
Loan and receivable investments	—	285,262	2,138,147	55,728	—	—	2,479,137
Other accounts receivable, other receivables and prepayments	—	—	14,973	44,307	—	3,188,003	3,247,283
Financial assets held under resale agreements	7,015,769	3,087,150	14,718,378	8,846,105	—	—	33,667,402
Financial assets at fair value through Profit and loss	2,796,801	11,385,668	8,706,352	23,476,237	5,407,382	11,426,275	63,198,715
Derivative financial assets	—	—	—	—	—	5,450,742	5,450,742
Deposits with exchanges and non-bank financial institutions	553,106	—	—	—	—	4,147,647	4,700,753
Clearing settlement funds	17,634,274	—	—	—	—	18,674	17,652,948
Pledged/restricted bank deposits	164,550	—	—	—	—	—	164,550
Bank balances	50,201,162	4,866,052	1,497,000	—	—	181,994	56,746,208
Accounts receivable	—	—	—	—	—	3,492,553	3,492,553
Amounts due from associates	—	—	—	—	—	17,124	17,124
Investment in an associate at fair value through profit or loss	—	—	—	—	—	40,208	40,208
Financial leasing receivables	111,000	238,618	926,640	2,818,433	—	—	4,094,691
Subtotal	91,510,794	41,424,739	91,735,986	67,267,452	6,932,602	50,425,331	349,296,904
Financial liabilities							
Borrowings	6,709,536	105,000	535,000	—	—	—	7,349,536
Short-term financing payables	6,137,407	3,742,890	15,221,150	—	—	—	25,101,447
Due to banks and other financial institutions	4,953,656	—	—	—	—	—	4,953,656
Accounts payable to brokerage clients	57,111,218	—	—	—	—	7,914,899	65,026,117
Other accounts payable, other payables and accruals	—	—	—	—	—	4,679,800	4,679,800
Other liabilities	3,066,968	6,009,149	385,467	—	—	2,403,257	11,864,841
Amount due to associate	—	—	—	—	—	1,703	1,703
Amount due to joint venture	—	—	—	—	—	122,396	122,396
Derivative financial liabilities	—	—	—	—	—	5,439,113	5,439,113
Financial assets sold under repurchase agreement	51,822,020	160,625	3,492,513	41,250	—	—	55,516,408
Bonds payable	—	—	20,516,243	43,155,483	8,991,104	9,891	72,672,721
Financial liabilities at fair value through profit and loss	—	—	—	—	—	2,450,742	2,450,742
Long-term loans	71,500	132,785	543,090	3,778,117	—	—	4,525,492
Payables to underwriting clients	54,000	—	—	—	—	—	54,000
Subtotal	129,926,305	10,150,449	40,693,463	46,974,850	8,991,104	23,021,801	259,757,972
Net interest-bearing position	(38,415,511)	31,274,290	51,042,523	20,292,602	(2,058,502)	27,403,530	89,538,932

66. FINANCIAL RISK MANAGEMENT – continued

Market risk – continued

Interest rate risk – continued

As at 31 December 2016

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
Financial assets							
Advances to customers	6,030,198	7,171,524	44,943,723	814,956	—	40,894	59,001,295
Available-for-sale financial assets	1,013,346	9,885,705	27,549,191	26,610,252	1,684,603	25,337,559	92,080,656
Loan and receivable investments	—	—	1,831,243	559,492	—	—	2,390,735
Other accounts receivable, other receivables and prepayments	—	—	—	59,700	—	2,932,763	2,992,463
Financial assets held under resale agreements	6,198,270	2,408,703	9,475,016	3,879,213	—	—	21,961,202
Financial assets at fair value through profit and loss	1,532,474	18,274,575	12,062,714	16,162,628	3,017,782	10,681,948	61,732,121
Derivative financial assets	—	—	—	—	—	692,456	692,456
Deposits with exchanges and non-bank financial institutions	852,639	—	—	—	—	4,280,046	5,132,685
Clearing settlement funds	21,742,626	—	—	—	—	—	21,742,626
Pledged/restricted bank deposits	150,948	—	—	—	—	—	150,948
Bank balances	69,614,167	7,124,657	3,480,000	—	—	78,660	80,297,484
Accounts receivable	73,765	—	—	—	—	2,138,612	2,212,377
Amounts due from associates	—	—	—	—	—	5,784	5,784
Investment in an associate at fair value through profit or loss	—	—	—	—	—	34,688	34,688
Financial leasing receivables	51,375	58,334	556,647	1,680,881	33,028	—	2,380,265
Subtotal	107,259,808	44,923,498	99,898,534	49,767,122	4,735,413	46,223,410	352,807,785
Financial liabilities							
Borrowings	4,649,684	—	214,190	—	—	—	4,863,874
Short-term financing payables	23,520	5,291,380	10,304,050	—	—	710,791	16,329,741
Due to banks and other financial institutions	2,806,395	6,500,000	1,300,000	—	—	—	10,606,395
Accounts payable to brokerage clients	76,052,392	—	—	—	—	9,674,133	85,726,525
Other accounts payable, other payables and accruals	—	—	—	—	—	7,148,373	7,148,373
Other liabilities	3,633,457	7,231,403	1,133,146	347,409	—	889,722	13,235,137
Derivative financial liabilities	—	—	—	—	—	692,012	692,012
Financial assets sold under repurchase agreement	44,379,882	884,679	5,284,705	—	—	—	50,549,266
Bonds payable	15,410	52,290	30,291,516	33,998,419	8,989,478	177,484	73,524,597
Financial liabilities at fair value through profit and loss	—	—	—	—	—	4,616,374	4,616,374
Long-term loans	1,157	22,050	137,359	2,568,684	—	—	2,729,250
Subtotal	131,561,897	19,981,802	48,664,966	36,914,512	8,989,478	23,908,889	270,021,544
Net interest-bearing position	(24,302,089)	24,941,696	51,233,568	12,852,610	(4,254,065)	22,314,521	82,786,241

66. FINANCIAL RISK MANAGEMENT – *continued*

Market risk – *continued*

Interest rate risk – *continued*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at 31 December 2017 and 31 December 2016 were outstanding for the whole year. 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.

	2017 RMB'000	2016 RMB'000
Profit before income tax for the year		
Increase by 100bps	(697,059)	(253,701)
Decrease by 100bps	<u>723,701</u>	<u>269,703</u>
Other comprehensive income before income tax		
Increase by 100bps	(545,428)	(515,554)
Decrease by 100bps	<u>544,668</u>	<u>523,130</u>

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 year, 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 manageable.

66. FINANCIAL RISK MANAGEMENT – *continued*

Price risk

Price risk is primarily about the unfavourable changes of share and fund price, financial derivative instruments prices and commodity price that cause financial loss during the Group's on-balance and off-balance business. Quantitatively, price risk the Group facing is mainly the proportionate fluctuation in the Group's profits due to the price fluctuation of the trading financial instrument and the proportionate fluctuation in the Group's equity due to the price fluctuation of 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 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.

	2017 RMB'000	2016 RMB'000
Profit before income tax for the year		
Increase by 10%	691,451	1,037,764
Decrease by 10%	<u>(729,112)</u>	<u>(1,045,600)</u>
Other comprehensive income before income tax		
Increase by 10%	1,924,007	2,227,230
Decrease by 10%	<u>(1,924,007)</u>	<u>(2,227,230)</u>

Liquidity risk

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

66. FINANCIAL RISK MANAGEMENT – *continued*

Liquidity risk – *continued*

As at 31 December 2017, cash and bank deposits held by the Group amounting to RMB56.74 billion; and financial assets such as monetary funds, government bonds and short-term financing bills amounting to RMB22.59 billion, providing a strong capability of quick liquidation to meet foreseeable financing commitments or clients' withdrawal demands on maturity. Therefore, the Group considers the exposure to liquidity risk as insignificant.

The Group implements prudent liquidity risk preference management strategy, via measures and tools like scientific management of assets and liabilities and capital management, multi-level liquidity reserves, effective liquidity emergency response and liquidity risk index monitoring warn system, to ensure that the company can obtain sufficient liquidity reserve and financing ability to operate in both normal and stress status.

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.

Undiscounted cash flows by contractual maturities

The tables below present the cash flows payable by the Group within the remaining contractual maturities as at 31 December 2017 and 31 December 2016. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the year.

66. FINANCIAL RISK MANAGEMENT – *continued*Liquidity risk – *continued*Undiscounted cash flows by contractual maturities – *continued*

As at 31 December 2017

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	—	6,829,024	545,280	—	—	7,374,304	7,349,536
Short-term financing payables	—	10,149,770	15,846,085	—	—	25,995,855	25,101,447
Due to banks and other financial institutions	3,653,656	1,301,232	—	—	—	4,954,888	4,953,656
Accounts payable to brokerage clients	65,026,117	—	—	—	—	65,026,117	65,026,117
Other financial liabilities	1,966,659	554,396	141,000	80,050	—	2,742,105	2,742,105
Financial liabilities at fair value through profit or loss	2,450,742	—	—	—	—	2,450,742	2,450,742
Other liabilities	633,415	9,563,570	1,511,415	226,291	—	11,934,691	11,864,841
Amount due to joint ventures	122,396	—	—	—	—	122,396	122,396
Amount due to associate	—	1,703	—	—	—	1,703	1,703
Financial assets sold under repurchase agreement	—	52,053,315	3,571,976	41,781	—	55,667,072	55,516,408
Bonds Payable	—	—	13,598,182	58,784,759	9,459,000	81,841,941	72,672,721
Long-term loans	—	251,566	679,753	3,964,922	—	4,896,241	4,525,492
Securities underwriting brokerage Deposits	54,000	—	—	—	—	54,000	54,000
	<u>73,906,985</u>	<u>80,704,576</u>	<u>35,893,691</u>	<u>63,097,803</u>	<u>9,459,000</u>	<u>263,062,055</u>	<u>252,381,164</u>
Derivative financial liabilities -net settlement	<u>1,002</u>	<u>87,921</u>	<u>5,173,529</u>	<u>261,539</u>	<u>1,607</u>	<u>5,525,598</u>	<u>5,439,113</u>

66. FINANCIAL RISK MANAGEMENT – *continued*

Liquidity risk – *continued*

Undiscounted cash flows by contractual maturities – *continued*

As at 31 December 2016

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	—	4,657,763	218,724	—	—	4,876,487	4,863,874
Short-term financing payables	—	5,846,750	10,933,691	—	—	16,780,441	16,329,741
Due to banks and other financial institutions	1,206,395	8,200,759	1,319,717	—	—	10,726,871	10,606,395
Accounts payable to brokerage clients	85,726,525	—	—	—	—	85,726,525	85,726,525
Other financial liabilities	4,273,638	750,684	3,250	81,605	—	5,109,177	5,109,177
Financial liabilities at fair value through profit or loss	4,616,374	—	—	—	—	4,616,374	4,616,374
Other liabilities	889,721	10,918,129	1,200,076	362,817	—	13,370,743	13,235,137
Financial assets sold under repurchase agreement	—	45,291,330	5,332,297	—	—	50,623,627	50,549,266
Bonds Payable	—	125,710	18,083,644	54,839,550	9,918,000	82,966,904	73,524,597
Long-term loans	—	43,054	203,673	2,718,488	—	2,965,215	2,729,250
	<u>96,712,653</u>	<u>75,834,179</u>	<u>37,295,072</u>	<u>58,002,460</u>	<u>9,918,000</u>	<u>277,762,364</u>	<u>267,290,336</u>
Derivative financial liabilities -net settlement	14	663,531	16,941	15,943	—	696,429	692,012

Capital management

The Group's objectives of capital management are:

To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

To support the Group's stability and growth;

To maintain a strong capital base to support the development of their business; and

To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100%;
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet and off-balance-sheet assets) shall be no less than 8%;

66. FINANCIAL RISK MANAGEMENT – *continued*

Capital management – *continued*

3. Liquidity coverage ratio (high quality liquidity assets divided by net cash outflow in 30 days) shall be no less than 100%;
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100%;
5. The ratio of net capital divided by net assets shall be no less than 20%;
6. The ratio of net capital divided by liabilities shall be no less than 8%;
7. The ratio of net assets divided by liabilities shall be no less than 10%;
8. The ratio of the value of proprietary equity securities and securities derivatives held divided by net capital shall not exceed 100% (“equity concentration ratio”); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% (“non-equity concentration ratio”).

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemented capital and other adjustments as defined in the Administrative Measures.

As at 31 December 2017 and 2016, the Company maintained the above ratios as follows:

	2017/12/31	2016/12/31
Net capital (RMB'000)	63,665,152	66,819,412
Risk coverage ratio	248.78%	256.32%
Capital leverage ratio	22.49%	21.37%
Liquidity coverage ratio	155.59%	305.17%
Net stable funding ratio	134.47%	139.14%
The ratio of net capital divided by net assets	83.79%	93.22%
The ratio of net capital divided by liabilities	38.95%	40.61%
The ratio of net assets divided by liabilities	46.48%	43.57%
Equity concentration ratio	35.07%	32.09%
Non-equity concentration ratio	155.11%	156.62%

The above ratios are calculated based on the financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.

67. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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 with the inputs including the discount rate that reflects the credit risk of counterparties or the Group.

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 31 December 2017 and 2016.

	As at 31 December 2017			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
Bonds Payable - subordinated bonds	33,500,000	32,868,488	(631,512)	Level 2
Bonds Payable - corporate bonds	36,484,630	36,138,260	(346,370)	Level 2

	As at 31 December 2016			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
Bonds Payable - subordinated bonds	52,286,136	52,163,691	(122,445)	Level 2
Bonds Payable - corporate bonds	14,987,897	15,285,208	297,311	Level 2

67. 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

Some of the financial assets and financial liabilities are measured at fair value at the end of the year. The following table gives 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 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2017 RMB'000	2016 RMB'000				
1) Financial assets at fair value through profit or loss						
Debt instruments						
- Traded on stock exchanges	18,336,589	12,059,247	Level 1	Quoted bid prices in an active market	N/A	N/A
- Unlisted	—	92,864	Level 2	Recent transaction prices	N/A	N/A
- Traded on inter-bank market	21,543,387	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	506,839	605,825	Level 3	Discounted cash flows with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of the counterparty, and the value of the option	Credit risk spread Value of option	The higher the credit risk spread, the lower the fair value. The higher the value of option the higher the fair value
Equity instruments						
- Traded on stock exchanges	2,905,158	1,659,360	Level 1	Quoted bid prices in an active market	N/A	N/A
- Traded on stock exchanges (inactive)	2,119	—	Level 2	Adjusted quoted prices for stocks suspended for trading	N/A	N/A
- Traded on national equities exchange and quotations	1,075,375	1,840,383	Level 2	Bid prices made by market dealers	N/A	N/A
- Traded on national equities exchange and quotations	895,935	287,335	Level 3	Adjusted quoted prices	N/A	N/A
- Unlisted	487,870	592,353	Level 3	Adjusted recent transaction prices	N/A	N/A
- Unlisted	464,823	—	Level 3	Market comparable approach	Discount for lack of marketability	The higher the discount, the lower the fair value

67. 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 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2017 RMB'000	2016 RMB'000				
Funds						
- Funds with quoted bid prices	9,594,114	17,504,510	Level 1	Quoted bid prices in an active market	N/A	N/A
- Other funds	417,596	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 schemes launched by financial institutions	3,217,898	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 schemes/ wealth management products	3,751,012	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	—	1,046	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	Credit risk spread	The higher the credit risk spread, the lower the fair value
	<u>63,198,715</u>	<u>61,732,121</u>				

67. 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 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2017 RMB'000	2016 RMB'000				
2) Available-for-sale financial assets						
Debt instruments						
- Traded on stock exchanges	28,270,103	20,763,945	Level 1	Quoted bid prices in an active market	N/A	N/A
- Traded on inter-bank market	32,958,567	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	2,475,079	3,818,660	Level 1	Quoted bid prices in an active market	N/A	N/A
- Traded on stock exchanges	15,223	14,780	Level 2	Adjusted quoted prices for stocks suspended for trading	N/A	N/A
- Traded on national equities exchange and quotations	386,166	565,545	Level 2	Bid prices made by market dealers	N/A	N/A
- Traded on national equities exchange and quotations	33,116	—	Level 3	Adjusted quoted prices	N/A	N/A
- Traded on national equities exchange and quotations	88,617	—	Level 3	Market comparable approach	Discount for lack of marketability	The higher the discount, the lower the fair value
- Restricted shares	1,911,663	1,559,335	Level 3	Discounted cash flows. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability	Discount for lack of marketability	The higher the discount, the lower the fair value

67. 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 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2017 RMB'000	2016 RMB'000				
Funds						
- Funds with quoted bid prices	4,887,272	3,404,205	Level 1	Quoted bid prices in an active market	N/A	N/A
- Other funds	96,364	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
Other investments						
- Collective asset management schemes launched by financial institutions	1,591,943	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 adjustments of related expenses Interbank Bond Market) in each portfolio	N/A	N/A
- Other asset management schemes/ wealth management products	12,145,982	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 adjustments of related expenses. Interbank Bond Market) in each portfolio	N/A	N/A
- Trading seats	6,600	7,014	Level 2	Recent transaction prices	N/A	N/A
- Collective asset management schemes launched by financial institutions	113,700	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	Credit risk spread	The higher the credit risk spread, the lower the fair value
- Other asset management schemes/ wealth management products	4,391,962	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	Credit risk spread	The higher the credit risk spread, the lower the fair value
	<u>89,372,357</u>	<u>89,015,395</u>				

67. 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 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2017 RMB'000	2016 RMB'000				
3) Derivative financial instruments						
Over-the-counter options - assets	7,227	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
Over-the-counter options - liabilities	(50,736)	(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	(526)	(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	(1,852)	(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	225,513	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
Interest rate swaps - liabilities	(229,225)	(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	126	—	Level 1	Quoted bid prices in an active market	N/A	N/A
Stock index futures - liabilities	(493)	(14)	Level 1	Quoted bid prices in an active market	N/A	N/A
Stock options- assets	10,661	6,023	Level 1	Quoted bid prices in an active market	N/A	N/A
Stock options- liabilities	(9,954)	(4,965)	Level 1	Quoted bid prices in an active market	N/A	N/A

67. 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 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2017 RMB'000	2016 RMB'000				
Currency forward - assets	780	—	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
Currency forward - liabilities	(775)	(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
Currency options- assets	5,192,191	—	Level 2	Bid prices made by market dealers	N/A	N/A
Currency options- liabilities	(5,113,361)	—	Level 2	Bid prices made by market dealers	N/A	N/A
Treasury bond futures- assets	7,902	—	Level 1	Quoted bid prices in an active market	N/A	N/A
Commodity options-assets	88	—	Level 2	Bid prices made by market dealers	N/A	N/A
Commodity options-liabilities	(34)	—	Level 2	Bid prices made by market dealers	N/A	N/A
Interest rate options-assets	3,689	—	Level 2	Bid prices made by market dealers	N/A	N/A
Interest rate options - liabilities	(30,723)	—	Level 2	Bid prices made by market dealers	N/A	N/A
Credit default swaps- liabilities	(1,434)	—	Level 2	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
Stock warrants- assets	2,565	—	Level 3	Black Scholes model. Exercise price and volatility of the underlying equity	The volatility of the underlying equity instruments	The higher the volatility of the underlying equity instruments, the higher the fair value
4) Financial liabilities at fair value through profit or loss						
Bonds	1,659,502	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	183,235	86,557	Level 1	Quoted bid prices in an active market	N/A	N/A

67. 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 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2017 RMB'000	2016 RMB'000				
Funds	151,837	34,826	Level 1	Quoted bid prices in an active market	N/A	N/A
Equity return swap	456,168	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>2,450,742</u>	<u>4,616,374</u>				
5) Designated at fair value through profit or loss						
Investment in an associate	40,208	34,688	Level 3	Discounted cash flows with future flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the required rate of return	Discount rate and expected future cash flows	The higher expected future cash flows, the higher the fair value

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 and commodity futures in PRC were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2017 and 2016. Accordingly, the net position of the stock index futures, treasury bond futures and commodity futures contracts in PRC was nil as at 31 December 2017 and 31 December 2016.

There were no significant transfers between Level 1 and 2 during the years ended 31 December 2017 and 2016.

67. 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 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Available-for-sale financial assets				
– Debt instruments	28,270,103	32,958,567	—	61,228,670
– Equity instruments	2,475,079	401,389	2,033,396	4,909,864
– Funds	4,887,272	96,364	—	4,983,636
– Other investments	—	13,744,525	4,505,662	18,250,187
Financial assets at fair value through profit or loss				
– Debt instruments	18,336,589	21,543,387	506,839	40,386,815
– Equity instruments	2,905,158	1,077,494	1,848,628	5,831,280
– Funds	9,594,114	417,596	—	10,011,710
– Other investments	—	6,968,910	—	6,968,910
Designated at fair value through profit or loss				
– Unlisted investment in an associate under FVTPL	—	—	40,208	40,208
Derivative financial assets	18,689	5,429,488	2,565	5,450,742
Total	66,487,004	82,637,720	8,937,298	158,062,022
Financial liabilities				
Financial liabilities at fair value through profit or loss	(335,072)	(1,659,502)	(456,168)	(2,450,742)
Derivative financial liabilities	(10,447)	(5,426,814)	(1,852)	(5,439,113)
Total	(345,519)	(7,086,316)	(458,020)	(7,889,855)

67. 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

	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 under FVTPL	—	—	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)

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

Reconciliation of Level 3 fair value measurements

	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 assets RMB'000	Derivative financial liabilities RMB'000
At 1 January	1,486,559	472,404	6,328,947	—	(1,946)
Total gains/losses	(10,410)	(16,236)	587,700	2,565	3,431
Profit or loss	(10,410)	(16,236)	136,148	5,565	3,431
Other comprehensive income	—	—	451,552	—	—
Purchases (issue)	496,819	—	3,541,788	—	(3,574)
Settlements/disposal	(241,811)	—	(3,624,214)	—	237
Transfers into level 3	744,350	—	282,660	—	—
Transfers out of level 3	(120,040)	—	(577,823)	—	—
As at end of the year	<u>2,355,467</u>	<u>456,168</u>	<u>6,539,058</u>	<u>2,565</u>	<u>(1,852)</u>
Total gains for the year for assets/liabilities held as at end of the year – included in net investment gains	<u>8,858</u>	<u>(16,236)</u>	<u>(126,299)</u>	<u>2,565</u>	<u>148</u>

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

	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 gains for the year for assets/ liabilities held as at end of the year – included in net investment gains	<u>4,193</u>	<u>—</u>	<u>92,426</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.

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the year is set out below:

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
廣發期貨有限公司 GF Futures Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 23 March 1993	100%	100%	RMB1,400,000,000	Commodity futures brokerage, financial futures brokerage, investment consulting and asset management
廣發商貿有限公司 GF Commodities Markets Co., Ltd.*	有限責任公司 Limited liability company	PRC 3 April 2013	100%	100%	RMB200,000,000	Trading and trading agent
廣發期貨(香港)有限公司 GF Futures (Hong Kong) Co., Limited*	有限責任公司 Limited liability company	Hong Kong 8 May 2006	100%	100%	HKD551,000,000	Futures brokerage
GF Financial Markets (UK) Limited (formerly known as "Natixis Commodity Markets Limited")	有限責任公司 Limited liability company	UK 2 February 1976	100%	100%	GBP30,000,000	Dealing in commodities and futures brokerage
廣發乾和投資有限公司 GF Qianhe Investment Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 11 May 2012	100%	100%	RMB3,750,000,000	Project investment, investment management and financial advisory
珠海乾亨投資管理有限公司 Zhuhai Qianheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 26 March 2015	100%	100%	RMB850,000,000	Investment management
廣發合信產業投資管理有限公司 GF Hexin Industry Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 27 August 2015	100%	100%	RMB100,000,000	Project investment
珠海乾鑫投資合夥企業(有限合夥) Zhuhai Qianxin Investment Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited partnership	PRC 16 April 2015	66.67%	66.67%	RMB30,000,000	Project investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
珠海乾明投資合夥企業(有限合夥) Zhuhai Qianming Investment Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited partnership	PRC 20 April 2015	80%	80%	RMB25,000,000	Project investment
珠海乾貞投資管理有限公司 Zhuhai Qianzhen Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 24 April 2015	100%	100%	RMB10,000,000	Project investment, investment management
廣發合信(山東)產業投資管理有限公司 GF Hexin (Shandong) Industry Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 15 December 2015	100%	100%	RMB10,000,000	Equity investment management
廣發融資租賃(廣東)有限公司 Guangfa Financial Leasing (Guangdong) Co., Ltd.*	有限責任公司 Limited liability company	PRC 5 June 2015	100%	100%	RMB 800,000,000	Financial Leasing
廣發基金管理有限公司 GF Fund Management Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 5 August 2003	51.13%	51.13%	RMB126,880,000	Fund raising, fund sales and fund management
廣發國際資產管理有限公司 GF International Investment Management Limited	有限責任公司 Limited liability company	Hong Kong 10 December 2010	51.13%	51.13%	HKD500,000,000	Asset management
瑞元資本管理有限公司 Ruiyuan Capital Asset Management Co., Ltd.* ⁽²⁾ (Note 1)	有限責任公司 Limited liability company	PRC 14 June 2013	27.30%	20.45%	RMB75,000,000	Project investment, investment management, investment advisory
珠海瑞元祥和股權投資基金合夥企業(有限合夥) Zhuhai Ruiyuan Xianghe Equity Investment Fund Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 9 April 2014	11.42%	8.56%	RMB54,000,000	Non-listed company investment, non-public offering of stock investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
GF International Asset Management (UK) Company Limited	有限責任公司 Limited liability company	London 1 November 2014	51.13%	51.13%	GBP7,000,100	Asset management
廣發納正(上海)資產管理有限公司 GF NaZheng (ShangHai) Asset Management Co., Ltd. ⁽²⁾	有限責任公司 Limited liability company	PRC 24 April 2017	51.13%	N/A	USD1,000,000	Asset management Investment management Investment advisory
廣發控股(香港)有限公司 GF Holdings (Hong Kong) Corporation Limited ⁽¹⁾	有限責任公司 Limited liability company	Hong Kong 14 June 2006	100%	100%	HKD5,600,000,000	Investment holding
廣發投資(香港)有限公司 GF Investments (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 21 September 2011	100%	100%	HKD5,000,000	Investment holding
廣發融資(香港)有限公司 GF Capital (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD130,000,000	Advisory services
廣發資產管理(香港)有限公司 GF Asset Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD325,000,000	Asset management
廣發證券(香港)經紀有限公司 GF Securities (Hong Kong) Brokerage Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD2,800,000,000	Securities brokerage
廣發財富管理(香港)有限公司 GF Wealth Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 20 November 2014	100%	100%	HKD3,000,000	Financial management
廣發投資管理(香港)有限公司 GF Investment Management (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 7 October 2011	100%	100%	HKD3,800,000	Advisory services
廣發證券(加拿大)有限公司 GF Securities (Canada) Company Limited	有限責任公司 Limited liability company	Canada 10 March 2014	100%	100%	CAD16,400,000	Financial management

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
廣發金控(深圳)投資管理有限公司 GF Financial Holdings (Shenzhen) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 1 April 2014	100%	100%	RMB10,000,000	Investment advisory
廣發信德資本管理有限公司 GF Xinde Capital Management Limited ⁽²⁾	有限責任公司 Limited liability company	British Virgin Islands 3 September 2014	100%	100%	USD0	Investment management
GF Bright Investment Limited ⁽²⁾	有限責任公司 Limited liability company	British Virgin Islands 21 August 2014	100%	100%	USD0	Equity investment
GF Energy Investment Limited	有限責任公司 Limited liability company	British Virgin Islands 6 February 2015	91.85%	91.85%	USD1	Equity investment
GF Wise Ltd. (previously known as "GF Tarena Ltd.")	有限責任公司 Limited liability company	British Virgin Islands 9 August 2012	100%	100%	USD50,000	Investment trading
廣發投資(開曼)有限公司 GF Investments (Cayman) Company Limited	有限責任公司 Limited liability company	Cayman Islands 8 September 2011	100%	100%	USD600,000	Advisory services
廣發合夥有限公司 GF Partners Ltd.	有限責任公司 Limited liability company	Cayman Islands 26 May 2011	51%	51%	USD1	Investment trading
廣發中國優勢基金(有限合夥) GF China Advantage Fund L.P. (Note 2)	有限合夥 Limited partnership	Cayman Islands 2 June 2011	57.12%	57.12%	USD20,004,400	Investment trading

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
廣發全球資本有限公司 GF Global Capital Limited	有限責任公司 Limited liability company	Hong Kong 26 November 2015	100%	100%	HKD1,600,000,000	Investment trading
SF Project (Cayman) Limited	有限責任公司 Limited liability company	Cayman Islands 16 December 2016	100%	100%	USD0.1	Investment holding
Canton Fortune Limited	有限責任公司 Limited liability Company	Hong Kong 3 December 2015	100%	N/A	USD6,510,410	Investment holding
GF GTEC Investment Management Limited	有限責任公司 Limited liability company	Cayman Islands 13 May 2016	100%	N/A	USD100	Asset management
GF Qianheng I Limited ⁽²⁾	有限責任公司 Limited liability company	British Virgin Islands 26 February 2016	100%	N/A	—	Equity investment
GF Global Partners Limited	有限責任公司 Limited liability company	Cayman Islands 31 August 2015	100%	N/A	USD0.01	Investment holding
GFGI Limited	有限責任公司 Limited liability company	Cayman Islands 23 December 2016	100%	N/A	USD0.01	Equity investment
GF Global Investment Fund I, L.P.	有限合夥 Limited partnership	Cayman Islands 25 September 2015	50.44%	50%	USD53,199,782.6	Equity investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			as at 31 December 2017	2016		
Horizon Holdings (Note 8)	有限責任公司 Limited liability Company	Cayman Islands 7 July 2017	36.86%	N/A	USD1	Investment holding
廣發信德投資管理有限公司 GF Xinde Investment Management Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 3 December 2008	100%	100%	RMB2,800,000,000	Equity investment, providing equity investment services for customers
新疆廣發信德穩勝投資管理有限公司 Xinjiang GF Xinde Wensheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 25 March 2013	100%	100%	RMB20,500,000	Equity investment
深圳前海廣發信德中山公用 併購基金管理有限公司 Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 11 July 2015	60%	60%	RMB10,000,000	Equity investment equity investment management
珠海廣發信德款東基金管理有限公司 Zhuhai GF Xinde Aodong Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 21 July 2015	60%	60%	RMB20,000,000	Project investment investment management
上海廣發永胥股權投資管理有限公司 Shanghai GF Yong Capital Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 20 August 2015	51%	51%	RMB5,000,000	Equity investment investment management
珠海廣發信德新界泵業產業 投資基金(有限合夥) GF XD Shimage Pump Industry Fund L.P.* (Note 2)	有限合夥 Limited partnership	PRC 11 July 2015	40%	40%	RMB100,000,000	Equity investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			as at 31 December 2017	2016		
廣發信德智勝投資管理有限公司 GF Xinde Zhisheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 18 November 2014	100%	100%	RMB100,000,000	Equity investment and trust management
廣發信德醫療資本管理有限公司 GF Xinde Healthcare Capital Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 12 September 2013	55%	55%	RMB50,000,000	Investment management
珠海廣發信德款東醫藥產業投資中心(有限合夥) Zhuhai GF Xinde Aodong Medical Industry Investment Centre L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 28 October 2015	60%	60%	RMB47,600,000	Equity investment
中山廣發信德公用環保夾層投資企業(有限合夥) Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 30 September 2015	59.99%	59.99%	RMB 43,004,300	Equity investment
珠海廣發信德今緣股權投資基金(有限合夥) Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 13 June 2016	60%	60%	RMB250,000,000	Equity investment
珠海橫琴金投廣發信德厚摯股權投資合夥企業(有限合夥) Zhuhai Hengqin Jintou GF Xinde Houzhi Equity Investment Partnership L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 30 September 2016	65.67%	65.67%	RMB58,250,000	Equity investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
寧波廣發信德奧園投資合夥企業 (有限合夥) Ningbo GF Xinde Aoyuan Investment partnership L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 17 July 2017	20%	N/A	RMB75,000,000	Equity investment Investment management
上海廣發永胥投資管理合夥企業 (有限合夥) Shanghai GF Yongxu Equity Investment partnership L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 10 November 2015	99%	N/A	RMB100,200,000	Investment management asset management
上海廣發永胥醫療投資管理 合夥企業(有限合夥) Shanghai GF Yongxu Medicine Investment management Center L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 9 November 2015	89.50%	N/A	RMB105,200,000	Investment management asset management
深圳市大河信德企業管理有限公司 Shenzhen Dahe Xinde Corporate Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 29 January 2007	100%	100%	RMB453,600,000	Financial consulting management consulting
廣發証券資產管理(廣東)有限公司 GF Securities Asset Management (Guangdong) Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 2 January 2014	100%	100%	RMB1,000,000,000	Asset management

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			as at 31 December 2017	2016		
廣發金管家睿利債券分級 1號集合資產管理計劃 GF Golden Majordomo RUILI No. 1 Debt Obligation Asset Management Scheme* (Note 5)	資產管理計劃 Asset management scheme	PRC 9 April 2013	13.73%	11.38%	RMB10,319,005,225	Bond investment
廣發資管ALPHA+集合 資產管理計劃1號 GF Asset Management ALPHA+ Collective Asset Management Scheme* (Note 5)	資產管理計劃 Asset management scheme	PRC 24 July 2014	74.59%	58.59%	RMB13,406,945	Securities investment
廣發資管壘智陸港通智選2號 集合資產管理計劃 GF Asset Management Xizhi Lugangtong Zhixuan No.2 Collective Asset Management Scheme* (Note 5)	資產管理計劃 Asset management scheme	PRC 1 June 2015	68.88%	59.28%	RMB93,996,004	Securities investment
廣發金管家理財法寶量化 對沖集合資產管理計劃1期 GF Golden Majordomo Financial Management Quantitative Hedge Collective Asset Management Scheme Series 1* (Note 5)	資產管理計劃 Asset management scheme	PRC 25 April 2013	100.00%	73.61%	RMB297,095	Securities investment
融通-廣發證券通潤23號特定 多個客戶資產管理計劃 Rongtong - GF Securities Tongrun No. 23 Collective Asset Management Scheme*	資產管理計劃 Asset management Scheme	PRC 17 April 2015	100.00%	100.00%	RMB801,000,000	Securities investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
廣發分級特定多客戶 資產管理計劃1號 GF Structure Specific Multiple Client Asset Management Scheme No. 1 * (Note 4)	資產管理計劃 Asset management scheme	PRC 31 October 2014	20.00%	20.01%	RMB251,372,147	Securities investment
廣發雙武精選資產管理計劃 GF Shuangwu Selective Asset Management Scheme* (Note 4)	資產管理計劃 Asset management scheme	PRC 25 April 2016	46.27%	33.33%	RMB21,611,347	Securities investment
瑞元資本環宸股權投資專項 資產管理計劃 Ruiyuan Capital Jingchen Equity Investment Special Asset Management Scheme* (Note 4)	資產管理計劃 Asset management scheme	PRC 2 February 2016	29.15%	29.16%	RMB34,303,497	Equity investment
瑞元資本主題投資2號 資產管理計劃 Ruiyuan Capital Subject Structured Asset Management Scheme* No.2*(Note 4)	資產管理計劃 Asset management scheme	PRC 28 June 2016	15.38%	11.76%	RMB65,008,000	Securities investment
廣發天潔環境股權投資 資產管理計劃 GF TianJieHuanjing Equity Investment Asset Management Scheme * (Note 4)	資產管理計劃 Asset management scheme	PRC 15 February 2017	44.52%	N/A	RMB30,100,000	Securities investment
廣發基金量化多策略1號 資產管理計劃 GF Fund Quantization Multi Strategy Asset Management Scheme No.1 ⁽²⁾ * (Note 4)	資產管理計劃 Asset management scheme	PRC 1 March 2017	100.00%	N/A	RMB20,000,100	Securities investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
GFI Global Total Return Fixed Income Fund SP * (Note 4)	獨立資產組合 Segregated portfolio	HK 9 June 2017	62.95%	N/A	HKD128,181,886	Securities investment
廣發期貨期匯FOF1期資產管理計劃	資產管理計劃	PRC	100.00%	100.00%	RMB25,500,600	Futures investment
GF Future Qihui FOF1 Asset Management Scheme * (Note 6)	Asset management scheme	6 April 2016				
廣發期貨期匯FOF2期 資產管理計劃	資產管理計劃 Asset management scheme	PRC 29 June 2016	63.84%	32.56%	RMB62,659,927	Futures investment
GF Future Qihui FOF2 Asset Management Scheme* (Note 6)						
廣發期貨期匯多策略1期 資產管理計劃	資產管理計劃 Asset management scheme	PRC 12 December 2016	90.41%	N/A	RMB15,485,527	Futures investment
GF Future QiYing multi-strategy Asset Management Scheme No.1 * (Note 6)						
廣發期貨期匯多策略2期 資產管理計劃	資產管理計劃 Asset management scheme	PRC 27 July 2017	38.83%	N/A	RMB94,196,356	Futures investment
GF Qizhi Quantitative hedging Asset Management Scheme No.29 * (Note 6)						
廣發期貨期匯6期資產管理計劃	資產管理計劃	PRC	46.50%	12.42%	RMB8,602,902	Futures investment
GF Qiming Asset Management Scheme NO. 6 * (Note 6)	Asset management scheme	26 August 2016				

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
廣發期智量化對沖28期 資產管理計劃 GF Qizhi Quantitative hedging Asset Management Scheme No.28 * (Note 6)	資產管理計劃 Asset management scheme	PRC 4 January 2017	35.13%	N/A	RMB56,937,060	Futures investment
廣發期貨期盈分級1期資產管理計劃 GF Qiying No.1 Obligation Asset Management Scheme * (Note 6)	資產管理計劃 Asset management scheme	PRC 22 December 2016	51.78%	25.00%	RMB28,968,359	Futures investment
冠豐廣發量化對沖1號資產管理計劃 Guanfeng GF Quantitative hedging Asset Management Scheme No.1 * (Note 6)	資產管理計劃 Asset management scheme	PRC 24 February 2016	55.15%	24.11%	RMB1,813,396	Futures investment
廣發期貨期盈多策略3期 資產管理計劃 GF Future QiYing multi-strategy Asset Management Scheme No.3 * (Note 6)	資產管理計劃 Asset management scheme	PRC 12 December 2016	49.83%	N/A	RMB2,006,944	Futures investment
廣發期穩一期資產管理計劃 GF Qiwen No.1 Asset Management Scheme * (Note 6)	資產管理計劃 Asset management scheme	PRC 2 November 2017	63.66%	N/A	RMB10,995,222	Futures investment
廣發匯盛期明1期資產管理計劃 GF Huisheng No.1 Asset Management Scheme * (Note 6)	資產管理計劃 Asset management scheme	PRC 6 June 2016	66.72%	9.11%	RMB2,997,655	Futures investment
易方達資產商匯1號專項 資產管理計劃 E-Fund Asset Shanghai Special Asset Management Scheme No. 1* (Note 6)	資產管理計劃 Asset management scheme	PRC 14 July 2017	100.00%	N/A	RMB217,700,000	Futures investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2017	Principal activities
			2017	2016		
廣發信德合贏1號私募 投資基金(分級) GF Xinde Heying Private equity fund No.1 (Note 7)	資產管理計劃 Asset management scheme	PRC 4 May 2016	20.00%	N/A	RMB150,000,000	Equity and Debt investment
廣發信德興業太陽能專項 資產管理計劃 GF Xinde Xinye solar energy Special Asset Management Scheme (Note 7)	資產管理計劃 Asset management scheme	PRC 25 May 2016	20.00%	20.00%	RMB320,000,000	Equity and Debt investment
廣發信德合興包裝海外並購 專項資產管理計劃 GF Xinde Hexing Packaging Oversea M&A Asset Management Scheme* (Note 7)	資產管理計劃 Asset management scheme	PRC 29 June 2016	20.00%	20.00%	RMB161,833,333	Equity and Debt investment

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of fund	Type of legal entity registered	Place and date of incorporation	Share capital/ Effective equity interest held by the Group		registered and paid-up capital as at 31 December 2017	Principal activities
			as at 31 December 2017	2016		
GTEC Halo Tactical CTA Fund SP (Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 13 May 2016	96.53%	100%	USD10,000,000	Investment trading
GTEC Neutron Equity Market Neutral Fund SP (Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 13 May 2016	82.71%	83.33%	USD50,000,000	Investment trading
GTEC Pandion Multi-Strategy Fund SP (Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 13 May 2016	99.89%	83.33%	USD60,000,000	Investment trading
廣發電子資訊傳媒產業精選 股票型發起式證券投資基金	投資基金 Investment fund	PRC 11 December 2017	68.08%	N/A	RMB14,690,869	Securities investment
GF Electronic Information Media Industry Service Stock-based Securities Investment Fund. (Note 4)						
廣發資源優選股票型 發起式證券投資基金	投資基金 Investment fund	PRC 14 December 2017	75.76%	N/A	RMB13,200,901	Securities investment
GF Resource Optimization Stock-based Securities Investment Fund. (Note 4)						
廣發品牌消費股票型 發起式證券投資基金	投資基金 Investment fund	PRC 14 December 2017	69.06%	N/A	RMB14,480,919	Securities investment
GF Brand Consumption Stock-based Securities Investment Fund. (Note 4)						

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of fund	Type of legal entity registered	Place and date of incorporation	Share capital/ Effective equity interest held by the Group		registered and paid-up capital as at 31 December 2017	Principal activities
			as at 31 December 2017	2016		
GFI China Investment Fund (Note 4)	投資基金 Investment fund	Luxembourg 19 June 2015	51.13%	51.13%	EUR1,330,970	Securities investment
珠海盈諾一號私募證券 投資基金 Zhuhai Yingnuo Private Securities Investment Fund No. 1* (Note 4)	投資基金 Investment fund	PRC 11 July 2017	97.85%	N/A	RMB51,100,000	Securities investment
珠海盈諾二號私募證券 投資基金 Zhuhai Yingnuo Private Securities Investments Fund No. 2* (Note 4)	投資基金 Investment fund	PRC 1 November 2017	96.77%	N/A	RMB31,000,000	Securities investment

* These subsidiaries do not have official English names. English translated names are for identification only.

(1) These subsidiaries are directly held by the Company.

(2) The subsidiaries were newly established and the capital injections are still in the process.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. The major operation area of the principal subsidiaries is in the PRC.

Note 1: Ruiyuan Capital Asset Management Co., Ltd. (“Ruiyuan Capital”) is a non-wholly owned subsidiary of GF Fund Management Co., Ltd. (“GF Fund”), according to the Company Articles of Ruiyuan Capital, GF Fund has majority vote rights in the board of directors, thus the Group is able to exercise control over its operations. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 2: The Group holds certain financial interests in such limited partnership and acts as its general partner to exercise control over its operations according to the partnership agreement. The Group’s financial interests in the limited partnership exposed it to significant variable return and such partnership is regarded as consolidated structured entities of the Group. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 3: GF Holdings (Hong Kong) Corporation Limited (“GFHK”) is appointed as investment manager and holds significant financial interests in GTEC Halo Tactical CTA Fund SP, GTEC Neutron Equity Market Neutral Fund SP and GTEC Pandion Multi-Strategy Fund SP. The directors of the Group are of the opinion that the above mentioned funds are regarded as consolidated structured entities of GFHK as GFHK is able to exercise control over their operations.

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

General information of subsidiaries – *continued*

Note 4: GF Fund is appointed as investment manager and holds significant financial interests in GF TianJieHuanjing Equity Investment Asset Management Scheme, GF Fund Quantization multi-strategy Asset Management Scheme No.1, GF Shuangwu Selective Asset Management Scheme, and GF Structure Specific Multiple Client Asset Management Scheme No. 1, GF Electronic information media industry Selective Stock - based Securities Investment Fund, GF Resource optimization Stock - based Securities Investment Fund and GF Brand Consumption Stock - based Securities Investment Fund. The effective equity in the subsidiary represents equity interest held directly or indirectly by the Group.

Ruiyuan Capital is appointed as investment manager and holds significant financial interests in Ruiyuan Capital Jingchen Equity Investment Special Asset Management Scheme, Ruiyuan Capital Subject Structured Asset Management Scheme No.2, Zhuhai Yingnuo Private securities investment fund No.1 and Zhuhai Yingnuo Private securities investment fund No.2. The effective equity in the subsidiary represents equity interest held directly or indirectly by the Group.

In addition, GF International Investment Management Limited, a wholly owned subsidiary of GF Fund, is appointed as investment manager and holds significant financial interests in GFI China Investment Fund, and held significant financial interest in the fund. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 5: GF Securities Asset Management (Guangdong) Co. Ltd. (“GFAM”) is appointed as investment manager and undertakes the management of the assets of the GF Golden Majordomo RUILI No.1 Debt Obligation Asset Management Scheme, GF Asset Management ALPHA+ Collective Asset Management Scheme, GF Asset Management Xizhi Lugangtong Zhixuan No.2 Collective Asset Management Scheme and GF Golden Majordomo Financial Management Quantitative Hedge Scheme Series 1 since their establishment, and the Group held significant financial interest in the schemes mentioned above and the directors of the Group are of the opinion that these schemes are regarded as consolidated structured entities of the Group as GFAM is able to exercise control over their operations. The effective equity in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 6: GF Futures Co., Ltd. (“GF Futures”) is appointed as investment manager and undertakes the management of the assets of GF Future QiYing multi-strategy Asset Management Scheme No.1, GF Qizhi Quantitative hedging Asset Management Scheme No.29, GF Qinming Asset Management Scheme NO. 6, GF Qizhi Quantitative hedging Asset Management Scheme No.28, GF Qiying No.1 Obligation Asset Management Scheme, Guanfeng GF Quantitative hedging Asset Management Scheme No.1, GF Future QiYing multi-strategy Asset Management Scheme No.3, GF Qiwen No.1 Asset Management Scheme, GF Huisheng No.1 Asset Management Scheme, E-Fund Asset shanghai special Asset Management Scheme No. 1, GF Future Qihui FOF1 Asset Management Scheme and GF Future Qihui FOF2 Asset Management Scheme, and the Group holds significant financial interest in these schemes, and the directors of the Group are of the opinion that these schemes are regarded as consolidated structured entities of the Group as GF futures is able to exercise control over their operations. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 7: Being a wholly owned subsidiaries of GF Xinde Investment Management Co., Ltd (“GF Xinde”), GF Xinde Zhisheng Investment Management Co., Ltd. (“Xinde Zhisheng”) is appointed as investment manager and undertakes the management of the Assets of GF Xinde HeYing Private equity fund No.1, GF Xinde Singyes Solar Special Asset Management Scheme and GF Xinde Hexing Packaging Oversea M&A Special Asset Management Scheme. GF Xinde holds significant financial interest in these schemes, and the directors of the Group are of the opinion that the above mentioned schemes are regarded as consolidated structured entities of the Group as the Group is able to exercise control over their operations. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 8: GFHK is able to exercise over the operations of Horizon Holdings (“Horizon”) through its financial interests in GF Global Investment Fund I, L.P. (“Fund I”) as Fund I holds significant financial interests in Horizon.

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary, GF Fund, which was acquired in 2014, and has material non-controlling interests before certain intragroup adjustments:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GF Fund ⁽ⁱ⁾	PRC	48.87%	48.87%	453,128	369,359	2,635,205	2,235,887

(i) GF Fund was accounted for as an associate of the Group prior to its acquisition by the Group in 2014.

Summarised financial information in respect of the GF Fund that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup adjustments.

	2017/12/31 RMB'000	2016/12/31 RMB'000
Total assets	7,599,549	6,725,185
Total liabilities	1,982,851	2,038,159
Equity attributable to owners of GF Fund	5,392,276	4,575,172
Non-controlling interests of subsidiaries of GF Fund	224,422	111,854

68. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*Details of non-wholly owned subsidiaries that have material non-controlling interests – *continued*

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Total Revenue	<u>2,788,811</u>	<u>2,476,937</u>
Expenses	<u>1,736,109</u>	<u>1,526,855</u>
Profit for the year	<u>945,378</u>	<u>773,618</u>
Profit attributable to owners of GF Fund	927,211	755,798
Profit attributable to the non-controlling interests of subsidiaries of GF Fund	<u>18,167</u>	<u>17,820</u>
Profit for the year	<u>945,378</u>	<u>773,618</u>
Other comprehensive income attributable to owners of GF Fund	12,857	(185,804)
Other comprehensive income attributable to the non-controlling interests of subsidiaries of GF Fund	<u>122,424</u>	<u>214</u>
Other comprehensive income for the year	<u>135,281</u>	<u>(185,590)</u>
Total comprehensive income attributable to owners of GF Fund	940,068	569,994
Total comprehensive income attributable to the non-controlling interests of subsidiaries of GF Fund	<u>140,591</u>	<u>18,034</u>
Total comprehensive income for the year	<u>1,080,659</u>	<u>588,028</u>
Dividends paid to non-controlling interests of GF Fund	<u>62,000</u>	<u>62,000</u>
Net cash inflow from operating activities	<u>58,563</u>	<u>742,361</u>
Net cash outflow from investing activities	<u>170,237</u>	<u>(473,846)</u>
Net cash outflow from financing activities	<u>(150,988)</u>	<u>(130,067)</u>
Effect of foreign exchange rate changes	(9,092)	14,213
Net cash inflow	<u>68,720</u>	<u>152,661</u>

69. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings	Short-term financing payable	Bonds payable	Long-term loans	Interest payable	Dividends payable
	Note 41	Note 42	Note 55	Note 56	Note 47	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	4,863,874	16,329,741	73,524,597	2,729,250	1,773,400	—
Financing cash flows	2,875,907	8,771,706	(752,185)	1,936,882	(4,313,082)	(2,742,948)
Foreign exchange	(390,245)	—	—	(140,640)	(435)	1,556
Interest expenses	—	—	—	—	4,147,728	—
Other non-cash movement	—	—	(99,691)	—	92,838	—
Dividends declared	—	—	—	—	—	2,741,392
At 31 December 2017	<u>7,349,536</u>	<u>25,101,447</u>	<u>72,672,721</u>	<u>4,525,492</u>	<u>1,700,449</u>	<u>—</u>

The interest payable disclosed here is solely in relation to the financing activities.

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current assets		
Property and equipment	1,858,850	1,486,225
Prepaid lease payments	298,459	308,087
Investment properties	21,803	23,539
Other intangible assets	237,257	212,697
Investments in subsidiaries	14,553,143	14,453,143
Investments in associates	1,198,948	1,198,948
Available-for-sale financial assets	14,061,703	15,128,555
Advances to customers	354,494	814,957
Financial assets held under resale agreements	8,846,105	3,879,213
Pledged/restricted bank deposits	—	80,000
Deferred tax assets	272,115	634,474
Total non-current assets	<u>41,702,877</u>	<u>38,219,838</u>
Current assets		
Prepaid lease payments	9,628	9,628
Advances to customers	57,150,890	55,123,066
Accounts receivable	677,944	182,529
Other accounts receivables, other receivables and prepayments	2,515,281	2,082,163
Amounts due from subsidiaries	2,611,097	2,227,520
Amounts due from associates	8,659	5,784
Available-for-sale financial assets	62,033,055	61,110,012
Financial assets held under resale agreements	24,534,997	17,254,872
Financial assets at fair value through profit or loss	37,748,241	42,069,244
Derivative financial assets	240,715	688,867
Deposits with exchanges and non-bank financial institutions	524,746	820,230
Clearing settlement funds	15,834,679	19,439,348
Pledged/restricted bank deposits	115,836	67,948
Bank balances	45,470,521	65,730,224
Total current assets	<u>249,476,289</u>	<u>266,811,435</u>
Total assets	<u><u>291,179,166</u></u>	<u><u>305,031,273</u></u>

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*Statement of financial position – *continued*

	2017/12/31 RMB'000	2016/12/31 RMB'000
Current liabilities		
Short-term financing payables	25,101,447	16,329,741
Financial liabilities at fair value through profit or loss	1,659,502	4,022,587
Due to banks and other financial institutions	1,300,000	9,400,000
Accounts payable to brokerage clients	53,202,271	70,177,162
Accounts payable to underwriting clients	54,000	—
Accrued staff costs	2,781,424	5,882,020
Other accounts payable, other payables and accruals	4,207,655	6,580,269
Amounts due to subsidiaries	9,093	17,254
Provisions	33,360	33,360
Current tax liabilities	345,180	447,108
Derivative financial liabilities	291,812	691,750
Financial assets sold under repurchase agreements	52,620,370	47,608,556
Bonds payable	10,524,843	15,250,564
Total current liabilities	<u>152,130,957</u>	<u>176,440,371</u>
Net current assets	<u>97,345,332</u>	<u>90,371,064</u>
Total assets less current liabilities	<u>139,048,209</u>	<u>128,590,902</u>
Capital and reserves		
Share capital	7,621,088	7,621,088
Capital reserve	31,679,184	31,679,140
Investment revaluation reserve	1,456,935	576,933
General reserves	16,282,602	14,462,702
Retained profits	17,411,824	15,977,006
Total equity	<u>74,451,633</u>	<u>70,316,869</u>
Non-current liabilities		
Bonds payable	62,147,878	58,274,033
Accrued staff costs	2,448,698	—
Total non-current liabilities	<u>64,596,576</u>	<u>58,274,033</u>
Total equity and non-current liabilities	<u>139,048,209</u>	<u>128,590,902</u>

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Movement in the Company's reserves

Capital reserve

As at 31 December 2017

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Capital premium	31,679,003	—	31,679,003
Others	137	44	181
	<u>31,679,140</u>	<u>44</u>	<u>31,679,184</u>

As at 31 December 2016

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Capital premium	31,679,003	—	31,679,003
Others	116	21	137
	<u>31,679,119</u>	<u>21</u>	<u>31,679,140</u>

	2017/12/31 RMB'000	2016/12/31 RMB'000
Investment revaluation reserve		
At beginning of the year	576,933	1,244,094
Available-for-sale financial assets		
Net fair value changes during the year	2,075,630	(198,243)
Reclassification adjustment to profit or loss on disposal	(901,544)	(712,690)
Reclassification adjustment to profit or loss on impairment	(747)	21,385
Income tax impact	(293,337)	222,387
At end of the year	<u>1,456,935</u>	<u>576,933</u>

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Movement in the Company's reserves – *continued*

General reserve

As at 31 December 2017

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	4,569,280	606,559	5,175,839
Discretionary reserve	169,428	—	169,428
Reserve for general risk	4,962,188	606,782	5,568,970
Transaction risk reserve	4,761,806	606,559	5,368,365
	<u>14,462,702</u>	<u>1,819,900</u>	<u>16,282,602</u>

As at 31 December 2016

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	3,951,458	617,822	4,569,280
Discretionary reserve	169,428	—	169,428
Reserve for general risk	4,344,012	618,176	4,962,188
Transaction risk reserve	4,143,984	617,822	4,761,806
	<u>12,608,882</u>	<u>1,853,820</u>	<u>14,462,702</u>

Retained profits

	2017/12/31 RMB'000	2016/12/31 RMB'000
At beginning of the year	15,977,006	18,028,460
Profit for the year	5,922,099	5,899,236
Appropriation to general reserves	(1,819,900)	(1,853,820)
Dividends recognised as distribution	(2,667,381)	(6,096,870)
At end of the year	<u>17,411,824</u>	<u>15,977,006</u>

71. OUTSTANDING LITIGATIONS

As at 31 December 2017 and 2016, the Group involved as defendant in certain lawsuit with claim amounts of approximately RMB23.20 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.

72. SUBSEQUENT EVENTS

In accordance with the 2017 profit distribution plan approved by the board of directors on 23 March 2018, the Company proposed cash dividends of RMB4.00 per 10 shares (inclusive of tax) to shareholders based on the number of shares held as at the record date. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

