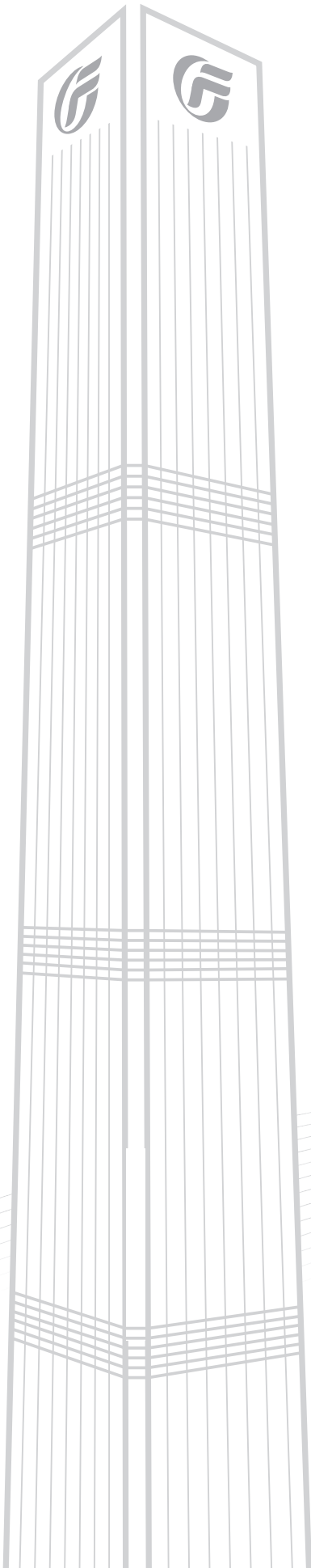


# 2018 | Interim Report

Stock Code : 1776HK 000776.SZ



## Important Notice

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

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

<b>Name of the Director who did not attend in person</b>	<b>Position of the Director who did not attend</b>	<b>Reason for failing to attend the meeting in person</b>	<b>Name of proxy</b>
Liu Xuetao	Non-executive Director	Business reason	Sun Shuming
Chan Kalok	Independent non-executive director	Business reason	Tang Xin

The 2018 interim financial statements of the Company prepared in accordance with the International Accounting Standards have been reviewed by Ernst & Young. Unless otherwise stated, financial information set out in this report is denominated in RMB.

The Company has no plan to distribute cash interim dividends and bonus shares or transfer capital reserves fund into its capital for the first half of 2018.

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

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

### WARNING ABOUT MATERIAL RISK FACTORS

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

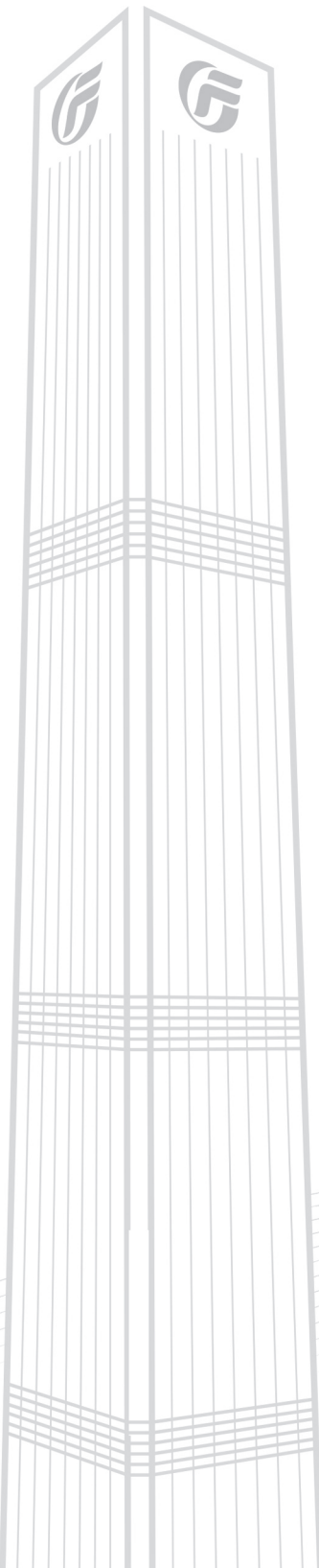
In response to the risks mentioned above, the Company has established a comprehensive internal control system, compliance and a comprehensive risk management system to ensure that the Company operates healthily within an extent of controllable, predictable and tolerable risks. Investors are advised to read the "Discussion and Analysis of Operations" as set out in Section 4 of this report carefully and to pay particular attention to the above risk factors.

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## Definitions

Term	Definition
Reporting Period	first half of 2018 (January 1, 2018 to June 30, 2018)
Company, the Company, parent company, GF Securities	GF Securities Co., Ltd.
Group, the Group	the Company and its subsidiaries which fall within the scope of the consolidated financial statements
Jilin Aodong	Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司)
Liaoning Cheng Da	Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司)
Zhongshan Public Utilities	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司)
HKSCC Nominees	HKSCC Nominees Limited
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司)
GF Brokerage (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券(香港)經紀有限公司)
GF Capital (Hong Kong)	GF Capital (Hong Kong) Limited (廣發融資(香港)有限公司)
GF Asset Management (Hong Kong)	GF Asset Management (Hong Kong) Limited (廣發資產管理(香港)有限公司)
GF Investments (Hong Kong)	GF Investments (Hong Kong) Company Limited (廣發投資(香港)有限公司)
GF Futures	GF Futures Co., Ltd. (廣發期貨有限公司)
GF Futures (Hong Kong)	GF Futures (Hong Kong) Co., Limited (廣發期貨(香港)有限公司)
GF Xinde	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司)
GF Qianhe	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司)
GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司)
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
GF Finance Lease	GF Finance Lease (Guangdong) Co., Ltd. (廣發融資租賃(廣東)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)
Guangdong Equity Exchange Company	Guangdong Equity Exchange Company Limited (廣東股權交易中心股份有限公司)

Term	Definition
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
China, PRC, domestic	Mainland China
CSRC	the China Securities Regulatory Commission
Guangdong Bureau of CSRC	Guangdong Bureau of the China Securities Regulatory Commission
Zhejiang Bureau of CSRC	Zhejiang Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Company Law	Company Law of the PRC (中華人民共和國公司法)
Securities Law	Securities Law of the PRC (中華人民共和國證券法)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers
Stock Pledged Repo Transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as new third board (新三板)
Financial leasing	a transaction in which a lessor, based on a lessee's selections with respect of the seller and the leased object, agrees to purchase the assets underlying the leases from a seller, makes the leased object available to the lessee for use and collects rental from the lessee

## Definitions

<b>Term</b>	<b>Definition</b>
QFII	Qualified Foreign Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
FICC	Fixed Income, Currencies & Commodities
ISDA Agreements	The standard agreement text and ancillary documents for international OTC derivatives transactions provided by International Swaps and Derivatives Association
GMRA Agreements	Global Master Repurchase Agreement
A Share(s)	Domestic shares of RMB1.00 per share of the Company, listed on the SZSE and traded in RMB
H Share(s)	Foreign shares of RMB1.00 per share of the Company, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollar
WIND	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In this 2018 interim report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.

## Section 1 Company Profile

## I. COMPANY PROFILE

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

## II. CONTACT PERSONS AND CONTACT INFORMATION

	Secretary to the Board	Securities Affairs Representative
Name	Luo Binhua	Xu Youjun
Address	43rd Floor, Metro Plaza, No. 183-187, Tianhe North Road, Tianhe District, Guangzhou	39th Floor, Metro Plaza, No. 183-187, Tianhe North Road, Tianhe District, Guangzhou
Tel	020-87550265/87550565	020-87550265/87550565
Fax	020-87553600	020-87554163
E-mail	lbh@gf.com.cn	xuyj@gf.com.cn

## III. OTHER INFORMATION

## 1. Company Contact Channels

Registered Address of the Company	Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong 510555
Postal Code of Registered Address of the Company	
Business Address of the Company	5th, 7th, 8th, 17th, 18th, 19th, 38th, 39th, 40th, 41st, 42nd, 43rd and 44th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou
Postal Code of Business Address of the Company	510620
Company Website	www.gf.com.cn
Company E-mail	gfzq@gf.com.cn

## 2. Information Disclosure and Place of Inspection

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

### 3. Other Relevant Information

Class Rating from Regulatory Authorities:

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

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

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

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



## Section 2 Accounting Data and Financial Indicators Summary

### I. KEY ACCOUNTING DATA (CONSOLIDATED STATEMENTS)

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

Unit: RMB million

Item	January to June 2018	January to June 2017	Change
Total revenue and other income	11,420	13,536	-15.63%
Profit before income tax	3,737	5,798	-35.55%
Net profit attributable to owners of the Company	2,858	4,301	-33.55%
Net cash from operating activities	26,258	8,883	195.58%
Basic earnings per share (RMB/share)	0.38	0.56	-32.14%
			Decreased by 2.01 percentage points
Return on weighted average net assets (%)	3.33	5.34	

Item	June 30, 2018	December 31, 2017	Change
Total assets	390,471	356,905	9.40%
Total liabilities	302,430	268,279	12.73%
Equity attributable to owners of the Company	84,111	84,854	-0.88%
Total share capital (Shares in million)	7,621	7,621	—
Equity per share attributable to owners of the Company (RMB/share)	11.04	11.13	-0.81%
			Increased by 3.39 percentage points
Gearing ratio (%) (Note 1)	73.03	69.64	

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

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

The net profits from January to June 2018 and January to June 2017 and the net assets as at June 30, 2018 and December 31, 2017 as disclosed in the consolidated financial statements of the Company prepared in accordance with International Accounting Standards are consistent with those in accordance with China's Accounting Standards.

Section 2 Accounting Data and Financial Indicators Summary

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

Unit: RMB

Item	June 30, 2018	December 31, 2017	Variance
Core net capital	51,957,477,940.72	53,715,152,176.89	-3.27%
Supplementary net capital	7,450,000,000.00	9,950,000,000.00	-25.13%
Net capital	59,407,477,940.72	63,665,152,176.89	-6.69%
Net assets	74,765,757,898.51	75,980,179,935.50	-1.60%
Total risk capital reserves	26,872,301,927.76	25,591,085,824.40	5.01%
Total on- and off-balance sheet assets	273,370,816,548.43	246,659,580,064.54	10.83%
Risk coverage ratio	221.07%	248.78%	Decreased by 27.71 percentage points
Capital leverage ratio	19.73%	22.49%	Decreased by 2.76 percentage points
Liquidity coverage ratio	208.46%	155.59%	Increased by 52.87 percentage points
Net stable funding ratio	143.71%	134.47%	Increased by 9.24 percentage points
Net capital/net assets	79.46%	83.79%	Decreased by 4.33 percentage points
Net capital/liabilities	32.22%	38.95%	Decreased by 6.73 percentage points
Net assets/liabilities	40.55%	46.48%	Decreased by 5.93 percentage points
Proprietary equity securities and its derivatives/net capital	34.33%	35.07%	Decreased by 0.74 percentage point
Proprietary non-equity securities and its derivative/net capital	201.87%	155.11%	Increased by 46.76 percentage points

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, and expressed on a non-consolidated basis.

IV. REVIEW OF THE AUDIT COMMITTEE

The Audit Committee under the Board has reviewed and confirmed the report on review of interim financial information of the Company for the six months ended June 30, 2018 disclosed in accordance with the International Accounting Standards, and has no objection against matters including the accounting policies and practices adopted by the Company.

## Section 3 Summary of the Company's Business

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

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

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

Investment Banking	Wealth Management	Trading and Institution	Investment Management
◆ Equity finance	◆ Retail brokerage and wealth management	◆ Equity and derivatives trading	◆ 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 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, alternative investment and market making services from equity, fixed income and derivatives, earning its fees and commissions through providing transaction consultation and execution, investment research services and the main broker services to institutional customers;

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

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

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

## II. ANALYSIS ON CORE COMPETITIVENESS

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

The Company has no controlling shareholder and de facto Controller. Over the past 19 years, Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all public listed companies) have been ranked the top three shareholders of the Company (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non-registered shareholders of H Shares). As of June 30, 2018, the shareholding percentages of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 17.45%, 16.42% 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 more than 16 years. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees are not exceeding 2% and 3% or so, thus greatly boosting client confidence, the continuity and stability of the operation of various business lines.

### 3. 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 have been continually complying with the regulatory requirements, and the safety margin of leverage regulatory indicators is relatively huge, with a strong ability to resist risks.

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

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

**Rankings of the Main Operating Indicators of the Company from 2015 to January - June 2018**

Items	January-June 2018/End of	2017/Year End	2016/Year End	2015/Year End
	June			
Total assets	4	5	5	5
Net assets	5	4	5	5
Net capital	4	4	4	4
Operating revenue	5	4	4	4
Net profit	5	5	4	5

Note 1: Source: WIND, China Securities Industry Association, 2018;

Note 2: The indicative data of net capital represents the data for parent company. The indicators of January to June 2018 are based on unaudited statistical data for parent company. The indicators of 2017, 2016 and 2015 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" (胡潤品牌榜) 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. At present, the Company has built a financial group structure, enabling the Company to boost its customer service continuously.

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

The Group attaches high importance to innovation in the long-term and sustainable development of the Company. It has been exploring for innovations in each aspect of management, business, service and technology and received good effects. 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. As of the end of the Reporting Period, the Company has in aggregate applied for 10 invention patents, 2 utility model patents and 7 software copyrights, of which, the Company has obtained 1 utility model patent and 7 software copyrights.

## Section 4 Discussion and Analysis of Operations

### I. OVERVIEW

During the Reporting Period, facing the severe and complicated international economic situation, the capital market environment strictly regulated by law, and the regulatory orientation of industries such as “deleveraging and dechanneling”, the operation management team of the Company, under the guidance of the Board of Directors, led all employees to continue to strive for implementation of the new five-year strategic plan while adhering to the strategic guiding principle of “**Customer-oriented**” and the principle of finance serving the real economy in an unremitting effort.

Since this year, the capital market continued to be sluggish and regulation continued to be strengthened. A series of new policies around financial deleveraging brought great pressure on the development of brokerage business. The overall operating income and net profit of the industry declined significantly. Facing such unfavorable external environment, the Company always observed its operation management philosophy of “**stable growth, continual innovation, performance-driven culture and business strategies**”, insisted on the principle of changing according to circumstances, taking advantage of the trend, improving quality and efficiency as well as optimizing layout, to strengthen compliance risk management, speed up the pace of business transformation and manage reformation, strive to consolidate and enhance the competitive edge in the entire business chain, and comprehensively promote the transformation and upgrading of various business strategies.

During the Reporting Period, the Company moved forward in a market environment with strengthened regulations, intensified competition, and sluggish trading. Various major operation indicators continued to rank among the top in the industry, which continued to create value for Shareholders.

### II. ANALYSIS ON PRINCIPAL BUSINESS

#### (I) Overview

In the first half of 2018, the GDP in China recorded a year-on-year increase of 6.8%, it remained in the mid-high range of 6.7% to 6.9% for 12 consecutive quarters. The economic development maintained a steady and favorable trend and the overall financial operation was stable (Source: National Bureau of Statistics, 2018).

## Section 4 Discussion and Analysis of Operations

Based on the unaudited financial statements, the total assets, net assets, net capital, customers' transaction settlement fund amount (including the credit trading fund), market value of securities under custodianship and the total principal sum of funds under management of 131 securities firms were RMB6.38 trillion, RMB1.86 trillion, RMB1.56 trillion, RMB1.11 trillion, RMB36.56 trillion and RMB15.89 trillion as of June 30, 2018, representing an increase of 3.91%, an increase of 0.54%, a decrease of 1.27%, an increase of 4.72%, a decrease of 9.35% and a decrease of 7.94% as compared to the end of 2017, respectively. During the first half of 2018, 106 of 131 securities firms in the industry were profitable with operating revenue of RMB126.572 billion, representing a year-on-year decrease of 11.92%. Specifically, net income from the securities trading agency service business (inclusive of leasing of seats) was RMB36.376 billion, representing a year-on-year decrease of 6.38%; net income from the securities underwriting and sponsorship business was RMB11.686 billion, representing a year-on-year decrease of 30.95%; net income from the financial advisory service business was RMB4.516 billion, representing a year-on-year decrease of 12.95%; net income from the investment advisory service business was RMB1.454 billion, representing a year-on-year decrease of 7.39%; net income from the asset management business was RMB13.888 billion, representing a year-on-year decrease of 0.79%; income from the securities investment (including changes in fair value) business was RMB29.550 billion, representing a year-on-year decrease of 19.24%; net interest income was RMB11.292 billion, representing a year-on-year decrease of 42.95%; net profit was RMB32.861 billion, representing a year-on-year decrease of 40.53% (Source: Securities Association of China, 2018).

As of June 30, 2018, total assets of the Group amounted to RMB390,471 million, representing an increase of 9.40% as compared to the end of 2017 and equity attributable to owners of the Company was RMB84,111 million, representing a decrease of 0.88% as compared to the end of 2017. During the Reporting Period, total revenue and other income of the Group was RMB11,420 million, representing a year-on-year decrease of 15.63%; the total expenses were RMB8,016 million, representing a year-on-year increase of 0.94%; the net profit attributable to owners of the Company was RMB2,858 million, representing a year-on-year decrease of 33.55%.



## (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 RMB585 million, representing a year-on-year decrease of 56.52%; the total revenue and other income from the wealth management business segment was RMB5,663 million, representing a year-on-year increase of 6.88%; the total revenue and other income from the trading and institution business segment was RMB2,484 million, representing a year-on-year decrease of 24.51%; and the total revenue and other income from the investment management business segment was RMB2,129 million, representing a year-on-year decrease of 35.10%.

### 1. Investment banking business segment

The Group's investment banking segment mainly comprises of equity financing business, debt financing business and financial advisory services. During the Reporting Period, the total revenue and other income from the investment banking business segment was RMB585 million, representing a year-on-year decrease of 56.52%.

#### (1) Equity financing business

A total of 292 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 the first half of 2018, with a total amount of RMB657.932 billion, representing a year-on-year decrease of 43.30% and 21.79% respectively. With the slowdown of IPO, and the increasingly greater impact of new policies for refinancing and new rules on shareholding reduction, the number and financing size of IPOs in the first half of 2018 decreased to 63 and RMB92.287 billion, respectively, representing a decrease of 74.49% and 26.40% respectively, while the number of refinancing of 229 with refinancing amount of RMB565.645 billion, representing a year-on-year decrease of 14.55% and 20.98% respectively (Source: WIND, 2018).

In order to adapt to the changes in economic structure, market environment and regulatory policies, the Company increased its efforts in securing strategic customers and large and medium-sized customers on the basis of continuing to consolidate its advantages in the field of high-quality small and medium-sized enterprise 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 9 equity financing projects for which the Company acted as a lead underwriter, ranking 9th in the industry; the equity financing lead underwritten amount was RMB5.248 billion, ranking 15th in the industry. Among these projects, the Company acted as a lead underwriter for 4 IPOs, ranking 5th in the industry and the lead underwritten amount was RMB2.098 billion, ranking 9th 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 RMB226 million, representing a year-on-year decrease of 73.95%.

## Section 4 Discussion and Analysis of Operations

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

Items	January to June 2018		January to June 2017	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial Public Offerings (IPOs)	20.98	4	105.66	20
Refinancing offerings	31.50	5	107.80	15
<b>Total</b>	<b>52.48</b>	<b>9</b>	<b>213.46</b>	<b>35</b>

Source: Statistics of the Company, 2018.

### (2) Debt financing business

In the first half of 2018, under the background of financial deleveraging, stricter regulatory requirements, moderately tight balanced liquidity supply, upward trend in fluctuations of offering interest rate, and frequent credit defaults, the market investors' risk appetite has declined. The offering size of the credit bond market increased as compared with the same period of last year, especially the relatively significant increase in corporate bonds. In the first half of the year, the offering size of corporate bonds throughout the market was RMB589.655 billion, representing a year-on-year increase of 42.22%; the offering size of enterprise bonds was RMB89.620 billion, representing a year-on-year increase of 0.52% (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 in pipeline. During the Reporting Period, the Company acted as the lead underwriter for 62 bond offerings, with a total underwritten amount of RMB28.182 billion, representing a year-on-year decrease of 43.26%. During the Reporting Period, the Company recorded the commission and fee income from bond underwriting and sponsoring business of RMB181 million, representing a year-on-year decrease of 19.76%.

Details of bond deals underwritten and sponsored by the Company in the first half of 2018 are shown in the table below:

Items	January to June 2018		January to June 2017	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	14.00	2	17.20	2
Corporate bonds	197.62	36	393.86	43
Debt financing instruments of non-financial enterprises	58.90	18	16.80	3
Financial bonds	11.30	6	53.80	2
Exchangeable bonds	0.00	0	15	2
<b>Total</b>	<b>281.82</b>	<b>62</b>	<b>496.66</b>	<b>52</b>

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 RMB127 million, representing a year-on-year decrease of 40.71%.

In the first half of 2018, there was a decrease in the number of M&A in the market of the M&A and restructuring, while a year-on-year increase in the size of trading. In the first half of 2018, the trading volume and trading amount as reported in the market of the M&A and restructuring were 2,317 and RMB1,397.201 billion, representing a year-on-year increase of 11.77% (Source: WIND, 2018). During the Reporting Period, the Company acted as a financial advisor for 7 material asset restructurings (including the projects approved by the CSRC M&A and Restructuring Committee and non-administrative material asset restructuring projects), ranking 4th in the industry, the transaction amount completed was RMB9.851 billion, and ranking 14th 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 RMB80 million during the Reporting Period, representing a year-on-year decrease of 47.68%.

## Section 4 Discussion and Analysis of Operations

In the first half of 2018, due to factors such as stringent regulatory environment and the lack of liquidity in the market, the number of enterprises listed on the NEEQ was significantly reduced. As of the end of June 2018, the number of enterprises listed on the NEEQ was 11,243, representing a decrease of 387 compared to the beginning of 2018. The Company adhered to the core principle of discovering value. Leveraging on its outstanding research capabilities, the Company strengthened business synergy and provided high-quality integrated entire industry chain services for NEEQ. As of the end of June 2018, the Company sponsored a total of 280 companies listed on the NEEQ as the lead brokerage, of which there were 35 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 11 deals by acting as lead underwriter (including IPO, refinancing and bond offering), financial advisers and mergers and acquisitions.

### 2. Wealth management business segment

The Group's wealth management business segment mainly comprises of retail brokerage and wealth management business, margin financing and securities lending business, repurchase transaction business and financial leasing business. During the Reporting Period, the total revenue and other income from the wealth management business segment was RMB5,663 million, representing a year-on-year increase of 6.88%.

#### (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.

During January to June 2018, the turnover of A shares on the market was RMB57.41 trillion, representing a year-on-year increase of 1.41% (Source: WIND, 2018). In the first half of 2018, there were stricter regulatory requirements in the industry, market trading was sluggish, and the average net commission rate was still bottomed out. During the Reporting Period, 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, continued to develop the traditional business, vigorously developed wealth management business, built customer service system, and continuously promoted business transformation.

During the Reporting Period, the Company's self-developed Beta Bull (貝塔牛) smart investment advisory system continued to carry out phase III functional optimization and iteration to meet the online customers' wealth management needs, with a number of cumulative service customer of 650,000. In the first half of the year, 80% of the strategy portfolio outperformed the benchmark and better served the customers. At the same time, the sales amount of the financial products amounted to RMB7.2 billion. The Company's Yitaojin (易淘金) APP was upgraded to a wealth management terminal with focusing on trading and wealth management, also strengthened the establishment of international market and services. As of the end of the Reporting Period, the number of the Company's mobile-phone securities users exceeded 18.57 million, representing an increase of 18.05% as compared to the end of last year; the number of subscribers of the Company's WeChat account was over 3 million; during the Reporting Period, the sales and transfer amount of products of the Yitaojin E-commerce platform amounted to RMB98.373 billion.

During January to June 2018, the Company's trading volume of shares and fund products was RMB4.89 trillion (bilateral statistics), representing a year-on-year increase of 3.16%. During the Reporting Period, the commission and fee income from the Company's securities trading agency business was RMB1,529 million, representing a year on- year decrease of 8.83%.

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

Type of securities	Trading volume from	Market share	Trading volume from	Market share
	January to June 2018 (RMB100 million)	from January to June 2018(%)	January to June 2017 (RMB100 million)	from January to June 2017 (%)
Stocks	46,646.73	4.45	46,687.53	4.47
Funds	2,233.68	2.24	695.35	0.79
Bonds	120,307.51	5.14	137,431.33	5.44
Total	169,187.92	4.85	184,814.21	5.05

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

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

Note 3: The market share refers to the ratio of trading volume of this kind of securities to the total trading volume of this such 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 RMB92 million during the Reporting Period, representing a year-on-year increase of 64.89%.

## Section 4 Discussion and Analysis of Operations

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.

In regions outside of the PRC, the Group provides brokerage services for high-net-worth individuals and retail customers primarily through its indirectly wholly-owned subsidiary, GF Securities (Hong Kong), covering financial products such as stocks and bonds listed on the Hong Kong Stock Exchange and other foreign exchanges, using self-developed Yitaojin (易淘金) international version of trading system to focus on development of overseas wealth management business for high-net-worth clients and provision of planning and inheritance of private wealth for ultra-high-net-worth clients.

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

In 2018, the balance of margin financing and securities lending business slid down after an upsurge. As at the end of June 2018, the balance of margin financing and securities lending in SSE and SZSE was RMB919.382 billion, representing a decrease of 10.41% as compared to the end of 2017 (Source: WIND, 2018).

As at the end of June 2018, the closing balance of the Company's margin financing and securities lending business was RMB50.571 billion, representing a decrease of 9.70% as compared to the end of 2017; and the market share was 5.5%. During the Reporting Period, the Company recorded the interest income from the margin financing and securities lending business of RMB2,092 million, representing a year-on-year increase of 4.58%.

(3) Repurchase transaction business

Since 2018, the stock pledged business of the Company maintained stable under the constant strengthening of risk control access of stock pledged business. As at the end of June 2018, the balance of the exchange traded stock pledged repo transaction business carried out by the Company through its owned funds was RMB26.328 billion, representing a decrease of 0.96% as compared to the end of 2017. Due to the alternative diversion effect of the stock pledged repo business, the size of securities trading business in the form of agreed repurchase is relatively small.

During the Reporting Period, the Company recorded the interest income from the repurchase transaction business of RMB782 million, representing a year-on-year increase of 52.30%.

(4) Financial Leasing

To enhance the stickiness of our customers and enhance the comprehensive financial services capability, the Company conducted financial leasing business through GF Finance Lease, our subsidiary. As of the end of June 2018, the net financial leasing receivables of GF Finance Lease amounted to RMB4,694 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 RMB2,484 million, representing a year-on-year decrease of 24.51%.

(1) Equity and derivatives trading business

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

In the first half of 2018, the A shares market continued to adjust. As of the end of June 2018, the SSE Composite Index, SZSE Component Index, SSESME Composite Index and the Growth Enterprise Index fell by 13.90%, 15.04%, 14.26% and 8.33%, respectively as compared to the end of last year. Most of sub-segment recorded decline, and investment opportunities were scarce. The Company adheres to the idea of value investment and focuses on blue chip stocks investments with stable growth in performance. At the same time, the Company was granted the honor of "Excellent Option Market Maker" of the SSE in February 2018.

During the Reporting Period, the Company recorded net investment gains from the equity and derivatives trading business of RMB-433 million.

## Section 4 Discussion and Analysis of Operations

### (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, during the Reporting Period, the Company continued to vigorously expand the FICC business. The Company builds an overseas FICC investment transaction and product platform mainly through GF Global Capital, its indirect wholly-owned subsidiary, covering cross-border and overseas investment services focus on fixed income and customer demand-oriented, with the assets allocated to 22 countries and regions including Asia, Europe and America, covering the diversified financial products fields including bonds and structured products. 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](http://www.chinabond.com.cn), 2018).

During the Reporting Period, the Company has better controlled the duration, leverage and investment scale of the bond portfolio, seized the staged market opportunities, and achieved good investment performance. In the first half of 2018, the net investment gains from fixed income sales and trading business of the Company were RMB2,290 million, representing a year-on-year increase of 25.22%.

### (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 8,010 OTC products in aggregate with an aggregate amount of approximately RMB527.1 billion. The market value of the products as at the end of the Reporting Period was approximately RMB49.224 billion. Specifically, the Company issued 1,902 new OTC products with an aggregate amount of approximately RMB62.3 billion in the first half of 2018 (source: statistics of the Company, 2018).

As of the end of June 2018, the Company provided market-making services for 152 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 June 2018, GF Qianhe and its subsidiaries have completed 72 equity investment projects, 8 of which are new addition in 2018 with an aggregate total investment of RMB2.552 billion. A total of 4 projects have been listed by way of IPO listing and 19 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 RMB-17 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. Specifically, our investment research services cover the provision of research reports and customized investment research services for the National Social Security Fund, insurance companies, fund companies, private equity funds, financial companies, securities companies and other institutional investors in Hong Kong and the PRC. The Company's equity research covers over 770 listed companies in the PRC in 28 industries, and over 60 companies listed on the Hong Kong Stock Exchange. Currently, the Company is actively promoting the internationalization of research brands so far as permitted by and in compliance with laws and regulations.

During the Reporting Period, the total revenue and other income from the investment research business of the Company was RMB191 million, representing a year-on-year increase of 42.18%.

(6) Asset custody business

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

As at the end of June 2018, the total asset scale of asset custody and fund service business provided by the Company was RMB149.385 billion, representing a decrease of 0.97% as compared to the end of last year, of which the scale of trust products was RMB79.499 billion, and the scale of fund service products provided was RMB69.886 billion.

## Section 4 Discussion and Analysis of Operations

### 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 RMB2,129 million, representing a year-on-year decrease of 35.10%.

#### (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<sup>1</sup> was RMB590 million, representing a year-on-year decrease of 23.74%.

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

Under the direction of new policies in relation to asset management, GF Asset Management steadily progressed with transformation to high-quality organic growth, such as active management in 2018. As of the end of June 2018, the scale of collective asset management schemes, targeted asset management schemes and specific asset management schemes of GF Asset Management decreased by 16.74%, 10.96% and 15.74% respectively as compared with the end of 2017.

<sup>1</sup> To combine data in the statements, the management fee income of structured entities included in the scope of consolidation has been off set.

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

Asset management scale and income in the first half of 2018

	Net asset management scale (RMB100 million)		Asset management fee income (RMB100 million)	
	June 30, 2018	December 31, 2017	January to June 2018	January to June 2017
Collective asset management business	2,030.10	2,438.24	5.18	6.78
Targeted asset management business	2,303.30	2,586.79	1.10	0.99
Specific asset management business	175.94	208.80	0.04	0.03
<b>Total</b>	<b>4,509.33</b>	<b>5,233.83</b>	<b>6.32</b>	<b>7.80</b>

Source: Statistics of the Company, 2018.

As at the end of June 2018, the size of compliance entrusted fund of GF Asset Management ranked eighth in the securities industry, and the net income of entrusted asset management business ranked fifth (Source: China Securities Industry Association, 2018). In the first half of 2018, the management fee income realized by GF Asset Management was RMB632 million, representing a year-on-year decrease of 19.01%.

The Group carries out futures asset management business mainly through GF Futures. As at the end of June 2018, the asset management scale of GF Futures was RMB1.691 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 financial institutions with PRC background in Hong Kong granted with RQFII qualification. GF Asset Management (Hong Kong) conducts asset management and investment operation through public equity funds, private equity funds and entrusted management accounts. As at the end of June 2018, the scale of assets managed by GF Asset Management (Hong Kong) was HKD5.989 billion.

## Section 4 Discussion and Analysis of Operations

### (2) Public fund management service

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

As at the end of June 2018, 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 June 2018, the publicly offered funds managed by GF Fund have reached RMB360.006 billion, representing an increase of 28.60% as compared to the end of 2017, and the total fund size excluding money market funds was RMB239.848 billion, ranking third in the industry (Source: Galaxy Securities Fund Research Center, 2018).

During the Reporting Period, GF Fund realized the total revenue and other income of RMB1,045 million, representing a year-on-year decrease of 19.17%; the net profit was RMB195 million, representing a year-on-year decrease of 51.24%.

As at June 30, 2018, the Company held 25% interests in E Fund, being one of the three parallel largest shareholders. E Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, enterprise annuity, other institutional investors as well as high-net-worth individuals. In addition, E Fund can invest capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII. 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 June 30, 2018, the publicly offered funds managed by E Fund have reached RMB703.497 billion, representing an increase of 15.77% as compared to the end of 2017, and the total fund size excluding money market funds was RMB298.977 billion, ranking first in the industry (Source: Galaxy Securities Fund Research Center, 2018).

During the Reporting Period, E Fund realized the net profit of RMB675 million, representing a year-on-year increase of 7.64%.

### (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 23 equity investment projects, with the investment amount up to RMB575 million; as at June 30, 2018, GF Xinde and the funds under its management completed 225 equity investment projects, of which 20 projects were listed through IPO. GF Xinde exited 59 projects through merger of listed companies and other ways. As at June 30, 2018, GF Xinde set up and managed 32 private funds. The total size of customers' assets under management amounted to RMB9.138 billion.

During the Reporting Period, GF Xinde realized the total revenue and other income of RMB125 million, representing a year-on-year decrease of 77.72%.

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

## Section 4 Discussion and Analysis of Operations

### III. ANALYSIS ON FINANCIAL STATEMENTS

#### 1. Analysis on Consolidated Statement of Profit or Loss

Revenue composition

Item	January to June 2018	January to June 2017	Unit: RMB'000	
			Amount of increase/ decrease	Percentage of increase/ decrease
Commission and fee income	4,614,265	5,385,308	-771,043	-14.32%
Interest income	4,384,016	3,863,430	520,586	13.47%
Net investment gains	2,107,004	4,163,037	-2,056,033	-49.39%
Other income and gains or losses	315,177	124,701	190,476	152.75%
Total revenue and other income	<u>11,420,462</u>	<u>13,536,476</u>	<u>-2,116,014</u>	<u>-15.63%</u>

During the period from January to June 2018, due to market volatility, total revenue and other income of the Group was RMB11,420 million, representing a decrease of 15.63% as compared with RMB13,536 million for the corresponding period of 2017.

The decrease in the total revenue and other income was mainly reflected by the net investment gains of RMB2,107 million in the period from January to June 2018, a decrease of RMB2,056 million or 49.39% as compared with the corresponding period of 2017, mainly representing the decrease in unrealised fair value changes in financial assets at fair value through profit or loss, as well as the decrease in net realised gains from disposal of financial instruments.

The decrease in the total revenue and other income was also attributable to commission and fee income of RMB4,614 million for the period from January to June 2018, representing a decrease of RMB771 million or 14.32% as compared with the corresponding period of 2017, which was mainly due to a decrease of RMB678 million in underwriting and sponsoring fees as compared with the corresponding period of last year.

The decrease in net investment gains and commission and fee income were offset by increases in interest income and other income. Interest income for the period from January to June 2018 was RMB4,384 million, representing an increase of RMB521 million or 13.47% as compared with the corresponding period of 2017, mainly due to the increase in interest income from margin financing and securities lending and financial assets held under resale agreements.

## Expenses composition

Item	Unit: RMB'000			
	January to June 2018	January to June 2017	Amount of increase/ decrease	Percentage of increase/ decrease
Depreciation and amortization	169,961	154,434	15,527	10.05%
Staff costs	2,458,478	3,243,651	-785,173	-24.21%
Commission and fee expenses	158,318	147,589	10,729	7.27%
Interest expenses	3,972,144	3,234,975	737,169	22.79%
Other operating expenses	1,161,326	1,122,732	38,594	3.44%
Credit loss expense				
on financial assets	95,500	—	95,500	—
Impairment loss	25	37,459	-37,434	-99.93%
<b>Total expenses</b>	<b>8,015,752</b>	<b>7,940,840</b>	<b>74,912</b>	<b>0.94%</b>

For the period from January to June 2018, total expenses of the Group were RMB8,016 million, representing an increase of 0.94% from RMB7,941 million for the corresponding period in 2017. The change in the total expenses was mainly reflected in the decrease in employee costs and the increase in interest expenses. The decrease in employee costs was mainly attributable to the decrease in the provision on salary, bonuses and allowances for the year. The increase in interest expense was mainly attributable to the increase in interest expenses on corporate bonds.

For the period from January to June 2018, the Group realized net profit attributable to owners of the Company of RMB2,858 million, representing a year-on-year decrease of 33.55%; basic earnings per share were RMB0.38, representing a year-on-year decrease of 32.14%; return on weighted average net assets was 3.33%, representing a year-on-year decrease of 2.01 percentage points.

Section 4 Discussion and Analysis of Operations

2. Analysis on Consolidated Statement of Financial Position

Unit: RMB'000

	June 30, 2018	Composition	December 31, 2017	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
<b>Non-current assets</b>	<b>43,293,428</b>	11.09%	39,078,853	10.95%	4,214,575	10.78%
Of which: Available-for-sale financial assets	—	—	18,139,298	5.08%	-18,139,298	-100%
Equity instruments at fair value through other comprehensive income	11,047,461	2.83%	—	—	11,047,461	—
Investments in associates	3,816,204	0.98%	3,444,727	0.97%	371,477	10.78%
Property and equipment	2,207,787	0.57%	2,128,222	0.60%	79,565	3.74%
Financial assets held under resale agreements	9,299,077	2.38%	8,846,105	2.48%	452,972	5.12%
Investment in joint ventures	1,046,997	0.27%	931,962	0.26%	115,035	12.34%
Financial assets at fair value through profit or loss	7,274,089	1.86%	1,279,652	0.36%	5,994,437	468.44%
Advances to customers	347,817	0.09%	354,494	0.10%	-6,677	-1.88%
Financial leasing receivables	3,103,409	0.79%	2,818,433	0.79%	284,976	10.11%
<b>Current assets</b>	<b>347,177,605</b>	88.91%	317,825,786	89.05%	29,351,819	9.24%
Of which: Bank balances	62,836,754	16.09%	56,746,208	15.90%	6,090,546	10.73%
Advances to customers	54,981,250	14.08%	61,395,697	17.20%	-6,414,447	-10.45%
Financial assets at fair value through profit or loss	64,944,080	16.63%	61,919,063	17.35%	3,025,017	4.89%
Available-for-sale financial assets	—	—	74,455,101	20.86%	-74,455,101	-100%
Debt instruments at fair value through other comprehensive income	68,164,670	17.46%	—	—	68,164,670	—
Clearing settlement funds	18,903,732	4.84%	17,652,948	4.95%	1,250,784	7.09%
Financial assets held under resale agreements	29,240,046	7.49%	24,821,297	6.95%	4,418,749	17.80%
Deposits with exchanges and non-bank financial institutions	6,970,588	1.79%	4,700,753	1.32%	2,269,835	48.29%
Derivative financial assets	19,716,134	5.05%	5,450,742	1.53%	14,265,392	261.71%
<b>Total assets</b>	<b>390,471,033</b>	100.00%	356,904,639	100.00%	33,566,394	9.40%



## Section 4 Discussion and Analysis of Operations

	June 30, 2018	Composition	December 31, 2017	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
<b>Current liabilities</b>	<b>237,590,850</b>	78.56%	198,863,458	74.13%	38,727,392	19.47%
Of which: Accounts payable to brokerage clients	63,974,734	21.15%	65,026,117	24.24%	-1,051,383	-1.62%
Financial assets sold under repurchase agreements	65,842,067	21.77%	55,475,158	20.68%	10,366,909	18.69%
Short-term financing payables	25,523,240	8.44%	25,101,447	9.36%	421,793	1.68%
Other liabilities	9,874,222	3.26%	11,638,550	4.34%	-1,764,328	-15.16%
Due to banks and other financial institutions	16,443,937	5.44%	4,953,656	1.85%	11,490,281	231.96%
Bonds payable	12,744,353	4.21%	10,524,843	3.92%	2,219,510	21.09%
Derivative financial liabilities	21,118,412	6.98%	5,439,113	2.03%	15,679,299	288.27%
<b>Net current assets</b>	<b>109,586,755</b>		<b>118,962,328</b>		<b>-9,375,573</b>	<b>-7.88%</b>
<b>Non-current liabilities</b>	<b>64,839,292</b>	21.44%	69,415,599	25.87%	-4,576,307	-6.59%
Of which: Bonds payable	56,774,717	18.77%	62,147,878	23.17%	-5,373,161	-8.65%
Long-term loans	4,217,881	1.39%	3,778,117	1.41%	439,764	11.64%
<b>Total liabilities</b>	<b>302,430,142</b>	100.00%	<b>268,279,057</b>	100.00%	<b>34,151,085</b>	<b>12.73%</b>
<b>Total equity</b>	<b>88,040,891</b>		<b>88,625,582</b>		<b>-584,691</b>	<b>-0.66%</b>

As of June 30, 2018, total assets of the Group were RMB390,471 million, representing an increase of RMB33,566 million or 9.40% over the end of 2017; the total liabilities were RMB302,430 million, representing an increase of RMB34,151 million or 12.73% over the end of 2017. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 20.93%, the proportion of financial assets at fair value through profit or loss and equity instruments and debt instruments at fair value through other comprehensive income to total assets was 38.99%, the proportion of advances to customers to total assets was 14.17%, and the proportion of financial assets held under resale agreements to total assets was 9.87%.

As of June 30, 2018, the non-current assets were RMB43,293 million, representing an increase of 10.78% over the end of 2017, which was mainly attributable to the increase in long-term debt instruments investment; the current assets were RMB347,178 million, representing an increase of 9.24% over the end of 2017, which was mainly attributable to the increase in derivative financial assets, bank balances and financial assets held under resale agreements; current liabilities were RMB237,591 million, representing an increase of 19.47% as compared with that at the end of 2017, which was mainly attributable to the increase in derivative financial liabilities, financial assets sold under repurchase agreements and amount due to banks and other financial institutions; the non-current liabilities were RMB64,839 million, representing a decrease of 6.59% as compared with that at the end of 2017, which was mainly attributable to subordinated bonds due for repayment.

The Group's equity attributable to owners of the Company as of June 30, 2018 were RMB84,111 million, representing a decrease of RMB743 million or 0.88% over the end of 2017. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of June 30, 2018 was 73.03%, representing an increase of 3.39 percentage points as compared with the gearing ratio of 69.64% at the end of 2017, while the Group's assets and liabilities structure remained relatively stable.

## Section 4 Discussion and Analysis of Operations

### Borrowings and debt financing

As of June 30, 2018, total borrowings and debt financing of the Group amounted to RMB108,082 million. The following table sets forth details of the Group's borrowings and debt financing:

	Unit: RMB'000	
	<b>June 30, 2018</b>	December 31, 2017
Short-term borrowings	<b>7,578,697</b>	7,349,536
Short-term financing payables	<b>25,523,240</b>	25,101,447
Bonds payable	<b>69,519,070</b>	72,672,721
Long-term loans	<b>5,460,735</b>	4,525,492
Total	<b><u>108,081,742</u></b>	<u>109,649,196</u>

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

Apart from borrowings and debt financing instruments, the Company also raised funds through inter-bank lending, inter-broker lending as well as on-market and OTC repurchase. As at the end of the Reporting Period, the balance due to banks and other financial institutions amounted to RMB16,444 million, the financial assets sold under repurchase agreements amounted to RMB65,842 million, and the aforesaid debts totaled RMB190,368 million.

Save as disclosed in this report, as of June 30, 2018, the Group did not have any outstanding mortgages, pledges, debentures, loan capital, bank overdrafts, borrowings or other similar debts or liabilities under acceptances or letter of credits, any guarantees or other material contingent liabilities.

### 3. Analysis on the Consolidated Statement of Cash Flow

As of June 30, 2018, cash and cash equivalents of the Group amounted to RMB20,171 million, representing an increase of 39.00% as compared with RMB14,511 million for the corresponding period of 2017, of which: net cash from operating activities was RMB26,258 million for the period from January to June 2018, representing an increase of 195.58% as compared with RMB8,883 million for the corresponding period of 2017. The change was attributable to an increase in the net cash inflow of financial assets at fair value through profit or loss; net cash used in investing activities was RMB14,133 million for the period from January to June 2018, while the net cash from investing activities was RMB7,383 million for the corresponding period of 2017. The change was attributable to an increase in the net cash outflow of purchase of financial assets at fair value through other comprehensive income; net cash used in financing activities was RMB3,695 million for the period from January to June 2018 as compared with RMB18,639 million for the corresponding period of 2017. The change was attributable to the decrease in the net cash outflow from the repayment of short-term financing payables and bonds during the current period.

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

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

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

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

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

GFHK established Ever Alpha Fund L.P., a subsidiary, through Ever Glory Limited, therefore included it in the scope of consolidation.

(2) During the current period, 13 funds and asset management schemes were newly included in the scope of consolidation, and 14 funds and asset management schemes were excluded from the scope of consolidation.

#### 5. Change in principal accounting policies and accounting estimates

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

Section 4 Discussion and Analysis of Operations

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

	June 30, 2018 RMB	December 31, 2017 RMB
Financial assets at fair value through profit or loss pledged for pledge-style repo business	<b>10,571,518,062.10</b>	6,697,994,373.36
Of which: Financial assets at fair value through profit or loss pledged for bond pledged quoted-repo business	<b>130,920,586.47</b>	164,952,954.05
Available-for-sale financial assets pledged for pledge-style repo business	—	20,364,314,217.43
Of which: Available-for-sale financial assets pledged for bond pledged quoted-repo business	—	42,620,742.40
Financial assets at fair value through other comprehensive income (FVTOCI) pledged for pledge-style repo business	<b>29,473,369,510.72</b>	—
Of which: Financial assets at FVTOCI pledged for bond pledged quoted-repo business	<b>38,448,805.88</b>	—
Debt instruments at amortized cost pledged for pledge-style repo business	<b>6,156,705,470.41</b>	—
Of which: Debt instruments at amortized cost pledged for bond pledged quoted-repo business	<b>912,342.17</b>	—
Financial assets held under resale agreements pledged for pledge-style repo business	<b>543,258,600.00</b>	—
Financial assets at fair value through profit or loss transferred for buyout repo business	<b>2,537,626,640.00</b>	3,453,770,411.01
Available-for-sale financial assets transferred for buyout repo business	—	10,930,024,100.00
Financial assets at FVTOCI transferred for buyout repo business	<b>499,070,000.00</b>	—
Financial assets held under resale agreements transferred for buyout repo business	<b>91,009,400.00</b>	152,555,780.00
Financial assets at fair value through profit or loss transferred for margin financing and securities lending business	<b>520,652,967.11</b>	554,475,839.50
Available-for-sale financial assets transferred for margin financing and securities lending business	—	3,240,933.18
Financial assets at FVTOCI transferred for margin financing and securities lending business	<b>1,488,276.52</b>	—
Available-for-sale financial assets pledged for refinancing business	—	79,937,357.69

## Section 4 Discussion and Analysis of Operations

	June 30, 2018 RMB	December 31, 2017 RMB
Financial assets at FVTOCI pledged for refinancing business	761,924,723.28	—
Financial assets at fair value through profit or loss pledged for bond lending business	4,045,923,620.00	4,600,839,075.00
Available-for-sale financial assets pledged for bond lending business	—	10,505,523,360.00
Financial assets at FVTOCI pledged for bond lending business	9,694,012,915.01	—
Debt instruments at amortized cost pledged for bond lending business	52,468,115.99	—
Financial assets held under resale agreements pledged for bond lending business	105,259,440.00	193,354,760.00
Available-for-sale financial assets pledged for interest rate swap business	—	20,060,160.00
Financial assets at FVTOCI pledged for interest rate swap business	20,039,460.00	—
Rights and interests in financial leasing receivables pledged for pledged borrowings	5,704,131,317.18	3,267,385,561.09
Rights and interests in financial leasing receivables pledged for OTC repurchase business	196,930,499.23	172,751,433.15
Financial assets at fair value through profit or loss pledged for due to banks and other financial institutions business	2,095,492,648.23	—
Available-for-sale financial assets pledged for due to banks and other financial institutions business	—	7,708,482,731.43
Financial assets at FVTOCI pledged for due to banks and other financial institutions business	3,468,014,780.00	—
<b>Total</b>	<b>76,538,896,445.78</b>	<b>68,704,710,092.84</b>

Section 4 Discussion and Analysis of Operations

IV. INVESTMENT CONDITIONS

1. General

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

2. Material equity investments made during the Reporting Period

N/A

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

Unit: RMB

Name of project	Method of investment	Fixed assets investment or not	Industry in which investment project is involved	Investment amount during the Reporting Period	Accumulative actual investment amount as of the end of the Reporting Period	Source of capital	Project progress	Estimated earnings	Accumulative realized earnings as of the end of the Reporting Period	Reasons for failing to reach the planned progress and estimated earnings	Date of disclosure (if any)	Index to disclosure (if any)
GF Securities Tower	Others	Yes	—	154,446,148.65	1,612,298,030.16	Self-owned	Under construction	—	—	—	—	—
Total	—	—	—	154,446,148.65	1,612,298,030.16	—	—	—	—	—	—	—

4. Financial asset investment

(1) Securities investment

Unit: RMB'0,000

Type of securities	Stock code	Short name	Investment cost	Accounting measurement mode	Book value at the beginning of the period	Profit and loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase Amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Source of capital
Others	GFYFD0727	E Fund-BOCOM-GF Securities No.1 Asset Management Plan (高方達-文行-廣發証券1號資產管理計劃)	250,000.00	Measured according to fair value	247,372.30	4,251.81	—	—	—	4,251.81	251,624.11	Held for trading	Self-owned
Fund	002183	GF Tianianhong B (廣發天虹B)	117,227.44	Measured according to fair value	78,268.55	—	—	41,134.19	2,175.30	2,082.62	117,227.44	Held for trading	Self-owned
Bond	180204	18 China Development Bank 04 (18國開04)	97,784.78	Measured according to fair value	—	626.55	—	432,816.90	335,032.12	1,147.32	98,411.33	Held for trading	Self-owned
Bond	130541	15 Sichuan 09 (15四川09)	94,778.45	Measured according to amortised cost/Measured according to fair value	10,164.00	—	150.78	85,000.00	—	1,743.04	94,910.95	Debit investments/other debt investments	Self-owned
Fund	100028	Fuguo Tianshi Money Market Fund B (富國天時貨幣B)	93,744.94	Measured according to fair value	102,248.05	—	—	51,496.89	60,000.00	1,807.06	93,744.94	Held for trading	Self-owned

## Section 4 Discussion and Analysis of Operations

Type of securities	Stock code	Short name	Investment cost	Accounting measurement mode	Book value at the beginning of the period	Profit and loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase Amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Source of capital
Bond	170215	17 China Development Bank 15 (17國開15)	92,634.54	Measured according to fair value	—	820.73	—	555,939.53	463,304.99	3,798.00	93,455.27	Held for trading	Self-owned
Fund	270014	GF Money Market Fund B (廣發貨幣B)	97,758.21	Measured according to fair value	54,459.99	—	—	67,708.30	24,410.08	1,798.22	97,758.21	Held for trading	Self-owned
Bond	170209	17 China Development Bank 09 (17國開09)	82,398.95	Measured according to fair value	66,910.23	—	774.76	283,054.33	268,054.33	2,180.15	83,173.72	Other debt investments/ Held for trading	Self-owned
Stock	000623	Jilin Aodong (吉林敖東)	6,054.12	Measured according to fair value	97,718.58	-28.18	72,085.89	272.55	301.04	1,034.05	78,088.01	Other equity instrument investments/ Held for trading	Self-owned
Fund	000509	GF Qiandaizi Money Market Fund A (廣發錢袋子A)	75,342.24	Measured according to fair value	123,232.76	—	—	89,614.97	137,505.49	2,281.09	75,342.24	Held for trading	Self-owned
Other securities investments held at the end of the period			17,230,639.73	--	14,966,570.69	-61,370.06	51,998.73	NA	NA	186,720.25	17,254,243.95	—	—
Total			18,238,363.40	--	15,746,945.15	-55,699.15	125,010.16	NA	NA	208,853.61	18,337,980.17	—	—

Note: 1. This table comprises of the financial assets 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 RMB10,967,461,363.60.

## (2) Derivative investment conditions

N/A

## V. SALE OF MAJOR ASSETS AND EQUITY

### 1. Sale of major assets

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

### 2. Sale of major equity

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

## Section 4 Discussion and Analysis of Operations

### VI. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND PARTICIPATING STOCK COMPANIES

The status of principal subsidiaries and participating stock companies

Company name	Company type	Main business	Registered capital	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sale.	RMB1,400,000,000	13,367,050,702.68	2,061,260,950.11	69,253,327.25
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	8,243,905,532.35	6,100,340,438.26	116,535,302.48
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	43,894,519,410.44	5,417,468,106.73	94,596,337.74
GF Qianhe	Subsidiary	Equity investment with its proprietary funds, investment in financial products and other businesses approved by regulatory authorities.	RMB3,750,000,000	9,780,008,490.16	4,973,304,527.38	20,425,298.63
GF Asset Management	Subsidiary	Securities asset management.	RMB1,000,000,000	17,146,092,080.57	4,355,587,721.05	395,658,235.20
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB126,880,000	7,717,903,751.19	5,626,830,296.13	194,833,776.54
E Fund	Associate	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB120,000,000	18,283,908,000.12	7,432,013,296.85	674,808,574.52

*Note: Among the companies above, GF Asset Management recorded consolidated net profit of RMB396 million in the period from January to June 2018, representing a decrease of 27.00% as compared to the corresponding period of last year, which was mainly due to the decrease in management fee income as a result of the decline in scale of products.*

### VII. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

As at June 30, 2018, the Group consolidated 36 structured entities, which mainly comprised of asset management schemes and funds. The Group assessed its power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from the structured entities to determine whether the Group gains control over the structured entities. If the Group has control over the structured entities managed by it, the structured entities will be included in the consolidated financial statements. As at June 30, 2018, the net assets of the consolidated structured entities were RMB14,275,788,347.96 (the opening balance: RMB15,949,407,862.16). The book value of the Group's interests was RMB4,420,050,442.24 (the opening balance: RMB4,328,956,378.95). The book value of the interests of the parties outside the Group was RMB9,855,737,905.72 (the opening balance: RMB11,620,451,483.21). With regards to the interests of the parties outside the Group, the Group recognized them as payables or financial liabilities at fair value through profit or loss.



## VIII. ESTIMATE OF THE OPERATING RESULTS FOR JANUARY TO SEPTEMBER 2018

N/A

## IX. RISKS EXPOSED TO THE COMPANY AND COUNTER-MEASURES

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

### (1) Policy risk

Policy risk refers to the adverse effect on the operation of security companies due to changes in national macro economic policy and its control measures, law and regulations, regulatory system and trading rules relating to the securities industry. During the Reporting Period, the situations at home and abroad was complicated, and the domestic economy faced multiple challenges such as structural deleveraging and Sino-US trade friction, while the national macro-control measures can greatly affect the security market, and the change and adjustment in macro policies, interest rate and exchange rate are closely related to the tendency of the financial market, which directly affects the operational performance of the security companies; furthermore, 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, difficulty in continually obtaining long-term or short-term financing, deterioration in profitability and overall financial conditions, 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.

## Section 4 Discussion and Analysis of Operations

### (3) Market risk

Market risk refers to the risk of loss in the Company's businesses resulting from adverse changes in various key market prices (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 A-share market fluctuated with a downward trend, the listed companies featured distinct differentiation, credit risk events such as share pledge financing occurred constantly, the overall regulatory environment was tightening and refinancing channels for parties in demand of financing were limited, 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 and regulations, regulatory requirements, rules 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 deficiency or problems 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 for GF Securities*

In order to guarantee the implementation of the Company's business strategy, the Company has established overall risk management system framework, 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, 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. During the Reporting Period, 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.

## Section 4 Discussion and Analysis of Operations

### (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 through elaborated analysis and specific 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 multilevel liquidity reserve management, sets corresponding risk limit for the liquidity reserve of the Company and conducts daily monitoring for relevant indexes; 4) The Company establishes and continuously enhances liquidity risk limit system and conducts daily calculation and supervision for the relevant monitoring indexes in accordance with requirements for liquidity risk supervision and internal liquidity risk management; 5) The Company regularly or irregularly evaluates cash gap and liquidity risk index of the Company under circumstances of internal and external liquidity pressure and formulates 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.

During the Reporting Period, the Group strengthened the daily management on liquidity risks, revised and improved relevant rules and regulations for liquidity risk management, strengthened the early calculation and planning of liquidity risk indicators to ensure the constant compliance of liquidity regulatory indicators with the regulatory requirements; 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. Amid the complicated financial market environment, the main measures of the Company's market risk management are: 1) The Company further improves the market risk management system, establishes and improves the market risk limit management system and the stop loss mechanism, and continuously revise and improve various investment business risk management according to business development; 2) The Company continues to strengthen the risk monitoring and monitoring of OTC derivatives business, program trading business, FICC business and other key risk areas, and establishes a corresponding risk management system covering the front, middle and the back functions; 3) The Company continues to strengthen the construction of market risk management system, comprehensive and systematic management of the Group's overall and various business market risks, timely and accurate calculation of various market risk indicators, and ensure that all indicators are maintained within the risk limits set by the Company; 4) The Company strictly enforces the mandatory stop loss policy in equity investment, realizing the real-time monitoring of equity securities investment through the system, effectively controlling the extreme downside risk of equity investment; 5) The Company attaches importance to the monitoring and management of abnormal trading behavior of investment business, carried out effective prevention and control on suspicious trading behavior through preventive control on abnormal trading behaviors through the system.

## Section 4 Discussion and Analysis of Operations

### 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 improves the operational risk management system and operational mechanism, strengthened the joint coordination between the three lines of defense of the operational risk management, and enhanced the in-depth analysis and rectification tracking of the operational risk related issues; 2) The Company has 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 has been optimizing the operational risk management system continuously and gradually realizes the systematization and standardization of the operation risk management; 4) Together with the construction of operational risk management system, the Company has been continuing 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 formulation of relevant rules, suitability 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 implementing various relevant requirements, optimizing the organizational structure of compliance management, organizing the compliance management personnel in place, strengthening the first-line compliance management and establishing the compliance management system with three departments cooperating with each other to satisfy the needs for management and control of compliance risk pre-event and during the process of the event in accordance with the “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) organizing the amendments to the articles of association in accordance with various new requirements such as compliance management, suitability management and anti-money laundering management, and streamlining the “formulation, modification, repealing” of the internal rules and regulations, supervising the development of business norms and enhancing the management of staff code of practice; 3) gradually improving 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 in turn ensures the regulated development of the Company’s business.

Section 4 Discussion and Analysis of Operations

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

From January to June 2018, apart from daily telephone communications with public investors, the Company organized and participated in a total of 14 research receptions and results roadshows, receiving a total of about 150 investors, details of which are shown in the table below:

Reception time	Reception method	Type of participants	Participants	Basic particulars of the research
From January 1, 2018 to June 30, 2018	Telephone communication	Individuals	Public investors	Operation and development of the Company
January 10, 2018	Results roadshow	Institutions	Investors invited to the DB Access China Conference 2018 sponsored by Deutsche Bank in Beijing	Strategic and business development of the Company
January 16, 2018	Telephone communication	Institutions	HSBC Asset Management	Operation and development of the Company
January 24, 2018	Field research	Institutions	GF Securities, Guotai Junan Securities, Shanghai Topfund Investment Management Co., Ltd., Abama Asset Management Co., Ltd.	Operation and development of the Company
January 24, 2018	Telephone communication	Institutions	Maple-brown Abbott Investment	Operation and development of the Company
March 26, 2018	Results roadshow	Institutions	Analysts and investors invited to GF Securities' 2017 Annual Results Announcement Conference	Strategic and business development of the Company
April 25, 2018	Results roadshow	Institutions	Analysts and investors invited to GF Securities' 2018 First Quarterly Results Announcement Conference	Strategic and business development of the Company
May 10, 2018	Results roadshow	Institutions	Investors invited to the "China Innovation" Forum ("創新中國"論壇) sponsored by Bank of America Merrill Lynch	Strategic and business development of the Company
May 17, 2018	Field research	Institutions	Zuo Xinran, a non-banking financial analyst at Founder Securities	Operation and development of the Company
May 17, 2018	Field research	Institutions	Matthews Asia	Operation and development of the Company



Reception time	Reception method	Type of participants	Participants	Basic particulars of the research
May 18, 2018	Results roadshow	Institutions	Investors invited to the Mid-2018 Strategy Conference of CITIC Securities	Strategic and business development of the Company
June 1, 2018	Results roadshow	Institutions	Investors invited to the 2017 Chinese Investors Summit sponsored by Morgan Stanley	Strategic and business development of the Company
June 4-June 5, 2018	Results roadshow	Institutions	Investors invited to the Investors Summit sponsored by Nomura	Strategic and business development of the Company
June 6, 2018	Field research	Institutions	Changjiang Securities, Minsheng Securities	Operation and development of the Company
June 20, 2018	Telephone communication	Institutions	Port Meadow, JPMorgan	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](http://www.szse.cn)) and the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

## Section 5 Significant Events

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

#### 1. Corporate governance

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

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

## 2. General meeting of shareholders during the Reporting Period

Session of meeting	Type of meeting	Participation		Convening date	Disclosure date	Disclosure index
		ratio of investors				
2017 Annual General Meeting	Annual general meeting	56.3159%		June 29, 2018	June 30, 2018	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) and the website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) by the Company

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

N/A

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

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

Section 5 Significant Events

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

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

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

## Section 5 Significant Events

### IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

The Company has not appointed any accounting firm to audit the condensed consolidated financial statements.

Deloitte Touche Tohmatsu Certified Public Accountants LLP has served the Company for ten years. According to the requirements on the service term of the same accounting firm (including its affiliated member entities) continuously engaged by a financial enterprise set forth in the Administrative Measures on Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional) (《金融企業選聘會計師事務所招標管理辦法(試行)》) issued by the Ministry of Finance, and the resolution passed at the 2017 annual general meeting of the Company, the Company engaged Ernst & Young Hua Ming LLP as the domestic auditor of the Company for 2018, and Ernst & Young as the overseas auditor of the Company for 2018.

Ernst & Young has reviewed the condensed consolidated financial statements in accordance with the International Standard on Review Engagements 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

### V. STATEMENT ON ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT" FOR THE REPORTING PERIOD BY THE BOARD OF DIRECTORS AND THE SUPERVISORY COMMITTEE

N/A

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

N/A

### VII. BANKRUPTCY REORGANIZATION

During the Reporting Period, no bankruptcy reorganization took place within the Company.

### VIII. LITIGATIONS

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

As of June 30, 2018, the Group was involved in 50 litigation and arbitration cases (including those initiated by and against the Company) pending for final judgment or ruling and completed execution, involving a total amount of claims at approximately RMB838 million.

## IX. PENALTY AND RECTIFICATION

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

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

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

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

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

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

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

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

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

## XII. MAJOR RELATED TRANSACTIONS

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

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

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

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

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

### 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 period
Seats commission and trailing commission receivable, etc.	E Fund Management Co., Ltd.	8,606,370.93	8,658,509.59
Seats commission and trailing commission receivable	Golden Eagle Fund Management Co., Ltd.	446,046.46	342,718.43
Seats commission and trailing commission receivable	Harvest Fund Management Co., Ltd.	3,804,071.91	2,446,080.93



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

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

#### 5. Other Material Related Transactions

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

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

The Issuance has been considered and approved at the 2017 annual general meeting of the Company, and Jilin Aodong, the related/connected shareholder, has abstained from voting on such matters. The independent Directors of the Company have granted prior approval to the Issuance and the related/connected transaction and issued their independent approval opinions. Pursuant to the Hong Kong Listing Rules, Gram Capital Limited has been engaged by the Company in this regard as an independent financial adviser, and issued their opinions thereon.

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

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

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

#### 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 (Excluding Guarantees Provided to Subsidiaries)

Name of the Guaranteed	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee	Term of Guarantee	Guarantee provided to Related Parties or Not	
							Fulfilled or Not	Parties or Not
Nil	—	—	—	—	—	—	—	—
Total amount of external guarantees approved during the Reporting Period (A1)				0	Total actual amount of external guarantees during the Reporting Period (A2)			0
Total amount of external guarantees approved as at the end of the Reporting Period (A3)				0	Total actual 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	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence		Type of Guarantee	Term of Guarantee	Fulfilled or Not	Guarantee provided to Related Parties or Not
				(Date of Agreement)	Actual Amount of Guarantee				
GF Financial Markets (UK) Limited (Industrial and Commercial Bank of China Limited Guangzhou No. 1 Sub-branch issued a financing letter of guarantee or standby letter of credit, the Company undertook guarantee liabilities to the extent of the amount of the letter of guarantee ultimately and actually signed).	August 26, 2017	US\$70 million and relevant interest and expenses (if any)		September 4, 2017	US\$40 million	Joint and several liability guarantee	Until September 3, 2019	No	No
				February 2, 2018	US\$30 million		Until January 28, 2020		
<b>Total amount of guarantees provide to subsidiaries approved during the Reporting Period (B1)</b>			0		<b>Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)</b>				RMB463.162 million
<b>Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (B3)</b>			RMB463.162 million		<b>Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)</b>				RMB463.162 million

## Guarantees among Subsidiaries

Name of the Guaranteed	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence		Type of Guarantee	Term of Guarantee	Fulfilled or Not	Guarantee provided to Related Parties or Not
				(Date of Agreement)	Actual Amount of Guarantee				
GF Brokerage (Hong Kong) (GFHK provided a 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 liability guarantee	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
<b>Total amount of guarantees provided to subsidiaries approved during the Reporting Period (C1)</b>			0		<b>Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)</b>				RMB42.155 million
<b>Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (C3)</b>			RMB42.155 million		<b>Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (C4)</b>				RMB42.155 million

## Section 5 Significant Events

Total Amount of Guarantees Provided by the Company (i.e. the total of the first three major items)			
Total amount of guarantees approved during the Reporting Period (A1+B1+C1)	0	Total actual amount of guarantees during the Reporting Period (A2+B2+C2)	RMB505.317 million
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)	RMB505.317 million	Total actual balance of guarantees as at the end of the Reporting Period (A4+B4+C4)	RMB505.317 million
Actual total guarantee amount (i.e. A4+B4+C4) as a percentage of net assets of the Company Including:			0.60%
Balance of guarantees provided to shareholders, de facto controller and their related parties (D)			0
Balance of debt guarantees provided directly or indirectly to guaranteed parties with gearing ratio over 70% (on the date of resolution) (E)			0
Amount of total guarantees above 50% of net assets (F)			0
Total of the above 3 amounts of guarantees (D+E+F)			0
For outstanding guarantees, description on the guarantee liabilities or possible joint and several liabilities of repayment occurred during the Reporting Period (if any)			No
Description on the provision of external guarantee with non-compliance in required procedures (if any)			No
Other description			In February 2018, the board of directors of GFHK resolved that it agreed to provide guarantees to counterparties of its wholly-owned subsidiary, GF Global Capital Limited, under the agreements such as ISDA and GMRA

*Note: Calculated by the central parity exchange rates of Hong Kong dollar to Renminbi at 1:0.8431 and US dollar to Renminbi at 1:6.6166 published by the People's Bank of China on June 29, 2018.*

### (2) Non-compliance in external guarantees

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

### 3. Other Major Contracts

Name of the contracted company	Name of the contracted counterpart	Contract subject	Date of contract	Pricing principle	Consideration of transaction (RMB'000)	Related transaction or not	Relationship	Execution as of the end of the Reporting Period	Date of disclosure	Disclosure index
GF Securities	Jilin Aodong	A Shares to be issued under the non-public issuance of A Shares by the Company	May 8, 2018	Jilin Aodong (being the subscriber) will not participate in the market price quotation process for the price determination of the Issuance, but has undertaken to accept the market price quotation result and to subscribe at the same price as other target subscribers. If the issue price of the Issuance cannot be determined through the above market price quotation, Jilin Aodong will subscribe for the shares to be issued by the Company at the minimum issue price of the Issuance.	333,500	Yes	A shareholder with a shareholding of over 5% in the Company, with Mr. Li Xiulin, a Director of the Company, being the chairman of Jilin Aodong	Not yet executed	May 9, 2018	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company

## XV. SOCIAL RESPONSIBILITIES

### 1. Material environment protection events

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

No

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

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

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

#### (2) *Summary of semi-annual targeted poverty alleviation*

During the Reporting Period, the Group contributed a total of approximately RMB2,316,600 in poverty alleviation to assist Wuzhishan City in Hainan Province, Tianjinggang Village in Lechang City, Guangdong Province for poverty alleviation work, actively performing its social responsibilities as a corporate citizen.

The Company planned to build an exemplary plantation base for passion fruit in Wuzhishan City; launched the poverty alleviation through education project, namely "GF Inspirational Class" for the new semester, with 27 students wanting to attend the class; prepared for PV poverty alleviation project with its filing procedures completed and in the process of design and tendering procedures. The Company promoted poverty alleviation through equity investment project in Tianjinggang Village by setting up an agriculture company integrating both production and sale to help get the villagers employed; developed PV poverty alleviation project and built a 60kw distributed PV power station; recorded an output value of approximately RMB70,000 in sow raising agency project during the Reporting Period, with a distributable income of approximately RMB17,000; continuously carried out public welfare poverty alleviation project to further help the 31 households who have got rid of poverty in 2016 and 2017; input more efforts on the poverty alleviation of the targeted households for 2018 through industry, education, reconstruction of dilapidated houses, governmental guarantee and transfer of jobs, to ensure they get rid of poverty.

Subsidiaries of the Group also participated actively in poverty alleviation work to establish combined forces for targeted poverty alleviation. In the first half of 2018, GF Futures bought agricultural insurance for poor farmers in Pu'er City in Yunnan Province, Yijun County in Tongchuan City, Shaanxi and Dongsheshanzi Town in Xinmin City, Shenyang, and made donations to farmers in Luozishan Town, Yanchang County, Shaanxi to help them out of poverty through developing characteristic agriculture.

Section 5 Significant Events

(3) Results of targeted poverty alleviation

Indicators	Unit of measurement	Quantity/development situation
I. General information	—	—
Including: 1. Funds	RMB '0,000	231.66
2. Material converted cash	RMB '0,000	0
3. Number of people out of poverty who were helped to be documented as poor people	person	0
II. Subitem investment	—	—
1. Poverty alleviation through industrial development	—	—
Including: 1.1 Types of industrial development poverty alleviation project	—	Poverty alleviation through agricultural and forestry industries and revenue from assets
1.2 Number of industrial development poverty alleviation projects	piece	2
1.3 Invested amount in industrial development poverty alleviation projects	RMB '0,000	141.00
1.4 Number of people out of poverty who were helped to be documented as poor people	person	0
2. Transfer of jobs for poverty alleviation	—	—
Including: 2.1 Invested amount to vocational skills training	RMB '0,000	0.60
2.2 Number of participants in vocational skills training	person time	100
2.3 Number of people out of poverty who were helped to be documented as poor people	person	0
3. Poverty alleviation by relocation	—	—
Including: 3.1 Number of relocated households who were helped to get employed person	person	0
4. Poverty removal by education	—	—
Including: 4.1 Invested amount to endow poor students	RMB '0,000	3.36
4.2 Number of endowed poor students	person	12
4.3 Invested amount to improve the educational resources in poverty areas	RMB '0,000	0
5. Poverty alleviation through health	—	—
Including: 5.1 Invested amount in medical and health resources in poverty areas	RMB '0,000	0
6. Poverty alleviation through ecosystem protection	—	—
Including: 6.1 Type of projects	—	Safe drinking water and improvement to irrigation and water conservancy facilities
6.2 Invested amount	RMB '0,000	20.96
7. Back-up protection	—	—
Including: 7.1 Invested amount for “three residence” staff	RMB'0,000	2.16
7.2 Number of “three residence” staff assisted	person	27
7.3 Invested amount for poor handicapped people	RMB'0,000	0.88
7.4 Number of poor handicapped people assisted	person	11

Indicators	Unit of measurement	Quantity/ development situation
8. Social poverty alleviation	—	—
Including: 8.1 Invested amount in cooperation with poverty removal in the western and eastern China	RMB'0,000	0
8.2 Invested amount in targeted poverty alleviation work	RMB'0,000	231.66
8.3 Invested amount in charitable foundation for poverty removal	RMB'0,000	0
9. Other projects	—	—
Including: 9.1. Number of projects	piece	5
9.2. Invested amount	RMB'0,000	63.58
9.3. Number of people out of poverty who were helped to be documented as poor people	person	0
III. Awards received (details and grade)	Awarding Organisation	
Guangdong Poverty Alleviation Red Cotton Cup Silver Cup	Guangdong Province Leading Group for Poverty Alleviation and Development	

Note: The Group's total investment in targeted poverty alleviation in the first half of 2018 was RMB2,316,600, which was all used for the targeted poverty alleviation work mentioned in item 8.2; the amount listed in 7.3 was included in the amount listed in 7.1.

#### (4) Targeted poverty alleviation follow-up programs

- Plan for poverty alleviation projects in Wuzhishan City. In respect of industrial poverty removal, the Company will help build one brand for one township, namely building an exemplary plantation base for passion fruit for Maodao Xiang; as to poverty removal by education, the Company will continue to launch the "GF Inspirational Class" project in the Second Health School in Hainan Province; for poverty removal through public welfare, the Company will carry out reconstruction of dilapidated houses in Maodao Village; and donate health and medical devices based on the needs of the township health center.
- Plan for poverty alleviation projects in Tianjinggang Village. In respect of industrial poverty removal, the Company will build a hundred-Mu exemplary plantation base and exemplary base for lucid ganoderma; follow up the management of sow raising agency project of poor families and implement profit distribution thereof; in respect of poverty alleviation through public welfare, the Company will improve the living environment of poor families; conduct upgrade of safe drinking water for the entire village; in reviving the village, the Company will take measures step by step to promote the construction of the ecologically-friendly, harmonious and habitable new village; and consolidate the implementation of assistance measures and their results and establish a mechanism for poverty alleviation of poor villages and families.

## XVI. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

The qualification for individual business that the Company has obtained from January to June 2018 includes:

No.	Type of License	Approval Department	Issue Date
1	Pilot cross-border business	CSRC	April 2018

In August 2018, the CSRC had no objection to the application for first class OTC option dealer qualification by the Company.

## XVII. PARTICULARS OF OTHER SIGNIFICANT ISSUES

### 1. Changes in brokerage branches

As of June 30, 2018, the Company had a total of 20 branches and 264 securities business departments that cover 31 provinces, municipalities and autonomous regions. During the Reporting Period, a total of 14 business branches of the Company completed relocation within the same city or to other cities.

- According to the resolution passed at the 2017 annual general meeting of the Company, the Company was approved to issue not more than 1,180,000,000 shares (inclusive of 1,180,000,000 shares) of A Shares to not more than 10 (inclusive of 10) specific target subscribers including Jilin Aodong by way of non-public issuance, and the amount of proceeds raised will not exceed RMB15 billion (inclusive of RMB15 billion) and the issue price shall not be less than 90% of the average trading price of the A Shares of the Company for 20 trading days preceding the pricing benchmark date (excluding the pricing benchmark date). The final plan for the non-public issuance shall be the plan approved by the CSRC. Currently, the Company is actively advancing relevant work of the non-public issuance.

For relevant details, please refer to the relevant announcements disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) by the Company on May 9, 2018 and June 7, 2018, respectively.

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



4. On June 29, 2018, the Resolution on Authorization of Issuance of Onshore and Offshore Debt Financing Instruments by the Company was considered and approved at the 2017 annual general meeting of the Company, approving the Board to re-authorize the authorized committee (Authorized Committee, being comprised of the Company's chairman, general manager, standing deputy general manager and chief financial officer) to jointly or individually execute the relevant documents subject to the importance of the authorized matters. It was approved that the Company is authorized to:
- (1) issue debt financing instruments on a one-off or multiple issuances or multi-tranche issuances basis, including corporate bonds (including onshore public and non-public corporate bonds; offshore debt financing instruments such as US dollar, Euro, and other foreign currency denominated corporate bonds and offshore RMB-denominated corporate bonds, medium term note programme, foreign currency notes and commercial papers), subordinated bonds (including perpetual subordinated bonds), and asset securitization products (collectively, the "Corporate Onshore and Offshore Debt Financing Instruments");
  - (2) implement the subsequent issuance and authorization of above-mentioned Corporate Onshore and Offshore Debt Financing Instruments in accordance with this resolution; and
  - (3) implement the issuance and authorization of bank loans (including credit lending), bond repurchases, short-term financing bills, short-term corporate bonds, income receipts and other types of financing products not subject to being specially proposed to the general meetings in accordance with the Resolution on the Authorization of Debt Financing by the Company, which was considered and passed at the 2014 third extraordinary general meeting.

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

## XVIII. SIGNIFICANT MATTERS FOR THE SUBSIDIARIES OF THE COMPANY

In order to implement the relevant regulations of the Notice on Regulated Development of Regional Equity Market (Guo Ban Fa [2017] No. 11) and the Provisional Measures for Supervision and Administration of Regional Equity Market (Decree No. 132 of CSRC) and according to the approval opinions of Guangdong Province's People's Government, Guangdong Equity Exchange Company Limited (廣東股權交易中心股份有限公司) was jointly promoted by Guangdong Equity Exchange and Guangzhou Equity Exchange Co., Ltd. (廣州股權交易中心有限公司) by way of merger through establishment of a new company, with a registered capital of RMB310,983,100. The Company made contribution to Guangdong Equity Exchange Company Limited (廣東股權交易中心股份有限公司) by way of contributing the equity held by it in Guangdong Equity Exchange, holding 37,374,805 shares in this company and representing 12.0183% of the total issued shares of this Company. Currently, Guangdong Equity Exchange Company Limited (廣東股權交易中心股份有限公司) has obtained relevant business license, being the only legitimate operating agency in regional equity market (excluding Shenzhen) set up with the approval of the People's Government of Guangdong Province.

Section 5 Significant Events

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

No.	Regulatory authority	Administrative license decisions (including other important letters from regulatory authorities)
1	Guangdong Province Administration for Industry and Commerce	Filing Registration Notice (filing of the Articles of Association)
2	Guangdong Province Administration for Industry and Commerce	Filing Registration Notice (filing of the branches)
3	Trademark Office of the State Administration for Industry and Commerce of the PRC	Decision on Withdrawal of the Application for No. 7590950 Type 36 “Fortune Hui” Registered Trademark Due to Non-use for Three Consecutive Years
4	SSE	Notice on Expansion of Business Size of Security Transactions with Repurchase Agreement by GF Securities Co., Ltd.
5	SSE	Reply to Suggestions Raised by the Members at the Regional Briefing Session of the 8th Members’ Meeting of the Shanghai Stock Exchange
6	SSE	Letter on Strengthening the Regulation of Information Management for Customer Trading Terminals
7	Interbank Market Clearing House \ Co., Ltd.	Notice on Cumulative Discount on Bonds Netting and the Minimum Netting Amount Scheme for 2018
8	People’s Bank of China, Nanchang Central Sub-branch	Letter on Notification of the Rating Results
9	Fujian Bureau of the CSRC	Notice on Results of Comprehensive Assessment and Rating of Securities Branches under Administration for 2017
10	Guangdong Bureau of the CSRC	Reply on Approval for Changes in Major Provisions of the Articles of Association of GF Securities Co., Ltd.
11	Guangdong Bureau of the CSRC	Reply Slip on Receipt of the Filing Information Regarding the Application for Change of Information Technology Structure of GF Securities, Kangwang Middle Road Securities Branch in Guangzhou from Type A to Type B
12	Guangdong Bureau of the CSRC	Reply Slip on Receipt of the Filing Information Regarding the Application for Change of Information Technology Structure of GF Securities, Luoxi New Town Securities Branch in Guangzhou from Type A to Type B

No.	Regulatory authority	Administrative license decisions (including other important letters from regulatory authorities)
13	Guangdong Bureau of the CSRC	Reply Slip on Receipt of the Filing Information Regarding the Application for Change of Information Technology Structure of GF Securities, Keyun Road Securities Branch in Guangzhou from Type A to Type B
14	CSRC	Letter of Reply on Conducting Pilot Cross-border Business by GF Securities Co., Ltd.
15	Securities Association of China	Announcement on Results of Appraisal of the Offline Investors of Initial Public Offering of Shares for the Year 2016

## XX. INDEX OF INFORMATION DISCLOSURE

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

No.	Matters of Announcement	Date of Publication
1	Announcement on the Approval of Guangdong Bureau of the CSRC for the Change in Major Provisions of the Articles of Association	January 3, 2018
2	Announcement on the Key Financial Information for December 2017	January 10, 2018
3	Announcement on Preliminary Financial Data for the Year 2017	January 16, 2018
4	Announcement on the Key Financial Information for January 2018	February 7, 2018
5	Announcement on the Key Financial Information for February 2018	March 7, 2018
6	Announcement on the Results of the Issuance of the 2018 First Tranche of Short-term Corporate Bonds of Securities Firms	March 15, 2018
7	Announcement on the Resolutions of the 5th Meeting of the 9th Session of the Board of Directors	March 17, 2018
8	Announcement on the Resolutions of the 5th Meeting of the 9th Session of the Supervisory Committee	March 24, 2018
9	Announcement on the Resolutions of the 6th Meeting of the 9th Session of the Board of Directors	March 24, 2018
10	Highlights of the 2017 Annual Report	March 24, 2018

Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
11	Announcement on the Estimates of Daily Related/Connected Transactions for 2018	March 24, 2018
12	Announcement on the Changes in Accounting Policies	March 24, 2018
13	Announcement on the Annual Cumulative Amount of New Borrowings Above 20% of the Net Assets as at the End of the Preceding Year	April 10, 2018
14	Announcement on the Key Financial Information for March 2018	April 11, 2018
15	Announcement on the Name Change of the 2016 Public Issuance of Corporate Bonds to Qualified Investors	April 23, 2018
16	Announcement on the Issuance of the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	April 23, 2018
17	Announcement on the Resolutions of the 7th Meeting of the 9th Session of the Board of Directors	April 25, 2018
18	2018 First Quarterly Report	April 25, 2018
19	Announcement on the Resolutions of the 6th Meeting of the 9th Session of the Supervisory Committee	April 25, 2018
20	Announcement on the Coupon Rate of the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	April 25, 2018
21	Announcement on the Results of Issuance of the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 2, 2018
22	Announcement on Receipt of No Objection Letter for the Conducting of Pilot Cross-border Business by the Company from the CSRC	May 3, 2018
23	Announcement on the Interest Payment in 2018 for the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 4, 2018
24	Announcement on the Key Financial Information for April 2018	May 8, 2018
25	Announcement on the Resolutions of the 8th Meeting of the 9th Session of the Board of Directors	May 9, 2018
26	Announcement on the Related/Connected Transactions Involved in the Company's Non-public Issuance of A Shares	May 9, 2018
27	Announcement on Signing the Conditional Subscription Agreement in Relation to the Non-public Issuance of A Shares	May 9, 2018
28	Announcement on Dilution of Current Returns Resulting from the Non-public Issuance of A Shares and the Remedial Measures	May 9, 2018
29	Notice of the 2017 Annual General Meeting	May 9, 2018

No.	Matters of Announcement	Date of Publication
30	Announcement on the Listing of the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	May 24, 2018
31	Announcement on the Results of Issuance of the 2018 (Second Tranche) Short-term Corporate Bonds of Securities Firms	May 25, 2018
32	Announcement on the Results of Issuance of the 2018 (Third Tranche) Short-term Corporate Bonds of Securities Firms	June 1, 2018
33	Announcement on the Key Financial Information for May 2018	June 7, 2018
34	Announcement on the Annual Cumulative Amount of New Borrowings Above 20% of the Net Assets as at the End of the Preceding Year	June 7, 2018
35	Announcement on the Redemption and Delisting of "13 GF 01" and "13 GF 02" Corporate Bonds, and Interest Payment for "13 GF 03" Corporate Bonds	June 12, 2018
36	Announcement on the Results of Redemption and Delisting upon the Exercise of "16 GF 02" Subordinated Bonds	June 14, 2018
37	Announcement on the Resolutions of the 9th Meeting of the 9th Session of the Board of Directors	June 26, 2018
38	Suggestive Announcement Regarding the 2017 Annual General Meeting	June 27, 2018
39	Announcement on the Resolutions of the 2017 Annual General Meeting	June 30, 2018

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

No.	Matters of Announcement	Date of Publication
1	Articles of Association	January 2, 2018
2	Monthly Return of Equity Issuer on Movements in Securities for the Month ended December 31, 2017	January 5, 2018
3	Announcement on the Key Financial Information for December 2017	January 9, 2018
4	Announcement on Preliminary Financial Data for the Year 2017	January 15, 2018
5	Announcement on the Key Financial Information for January 2018	February 6, 2018
6	Monthly Return of Equity Issuer on Movements in Securities for the Month ended January 31, 2018	February 6, 2018
7	Announcement on the Key Financial Information for February 2018	March 6, 2018
8	Monthly Return of Equity Issuer on Movements in Securities for the Month ended February 28, 2018	March 6, 2018

Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
9	Date of Board Meeting	March 8, 2018
10	2017 Corporate Social Responsibility Report	March 23, 2018
11	Announcement on the Changes in Accounting Policies	March 23, 2018
12	Announcement on (1) Authorization of Issuances of Corporate Onshore and Offshore Debt Financing Instruments by the Company and (2) Proposed Amendments to the Articles of Association	March 23, 2018
13	2017 Annual Results Announcement	March 23, 2018
14	Date of Board Meeting	April 9, 2018
15	Monthly Return of Equity Issuer on Movements in Securities for the Month ended March 31, 2018	April 9, 2018
16	Announcement on the Key Financial Information for March 2018	April 10, 2018
17	2017 Annual Report	April 18, 2018
18	Notification Letter and Request Form to Registered Shareholders	April 18, 2018
19	Notification Letter and Request Form to Non-Registered Shareholders	April 18, 2018
20	2018 First Quarterly Report	April 24, 2018
21	Engagement of External Auditors	April 24, 2018
22	Announcement on the Key Financial Information for April 2018	May 7, 2018
23	Monthly Return of Equity Issuer on Movements in Securities for the Month ended April 30, 2018	May 7, 2018
24	(1) Proposed General Mandate to Issue Shares	May 8, 2018
	(2) Proposed Non-Public Issuance of A Shares	
	(3) Proposed Subscription for A Shares by a Connected Person	
	(4) Authorization to the Board and its Authorized Representatives to Deal with the Relevant Matters Relating to the Non-Public Issuance of A Shares and	
	(5) Proposed Amendments to the Profit Distribution Provision of the Articles of Association	
25	Notice of AGM	May 8, 2018
26	Reply Slip for the 2017 Annual General Meeting	May 8, 2018
27	Proxy Form for the 2017 Annual General Meeting	May 8, 2018

No.	Matters of Announcement	Date of Publication
28	Notification Letter and Request Form to Registered Shareholders	May 8, 2018
29	Notification Letter and Request Form to Non-Registered Shareholders	May 8, 2018
30	Announcement on the Key Financial Information for May 2018	June 6, 2018
31	Monthly Return of Equity Issuer on Movements in Securities for the Month ended May 31, 2018	June 6, 2018
32	2017 AGM Circular	June 7, 2018
33	Notification Letter and Request Form to Registered Shareholders	June 7, 2018
34	Notification Letter and Request Form to Non-Registered Shareholders	June 7, 2018
35	Poll Results of the 2017 Annual General Meeting and Final Dividend for 2017	June 29, 2018

## Section 6 Changes in Shareholdings and Particulars about Shareholders

### I. CHANGES IN SHAREHOLDINGS

#### 1. CHANGES IN SHAREHOLDINGS

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

Set out below is the share capital of the Company:

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

#### 2. Changes in restricted shares

N/A

### II. SECURITIES ISSUANCE AND THE LISTING

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



## Section 6 Changes in Shareholdings and Particulars about Shareholders

## III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS IN THE COMPANY

Unit: Share

Total number of ordinary shareholders at the end of the Reporting Period 166,259 (of which, 164,465 were A shareholders, 1,794 were registered H shareholders) Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period (if any) 0

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

Name of shareholder	Capacity of shareholder	Percentage of shareholding (%)	Number of	Increase or	Number of	Number of	Pledge or freeze	
			ordinary shares held as at the end of the Reporting Period	decrease during the Reporting Period	ordinary shares with selling restrictions held	ordinary shares without selling restrictions held	Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31	1,700,168,080	101,600	0	1,700,168,080		
Jilin Aodong Pharmaceutical Group Co., Ltd.	Domestic general legal entity	16.43	1,252,297,867	0	0	1,252,297,867		
Liaoning Cheng Da Co., Ltd.	Domestic general legal entity	16.40	1,250,154,088	0	0	1,250,154,088		
Zhongshan Public Utilities Group Co., Ltd.	Domestic general legal entity	9.01	686,754,216	0	0	686,754,216		
China Securities Finance Corporation Limited	Domestic general legal entity	3.36	256,262,176	30,680,217	0	256,262,176		
Huaxia Life Insurance Co., Ltd.– Universal Life Insurance Product	Fund and wealth management products, etc.	2.99	228,131,005	0	0	228,131,005		
Puning Xinhong Industrial Investment Co., Ltd.	Domestic general legal entity	1.91	145,936,358	0	0	145,936,358	Pledged	144,000,000
Heungkong Group Limited	Domestic general legal entity	1.57	119,286,246	0	0	119,286,246	Pledged	63,000,000
Central Huijin Asset Management Ltd.	State-owned legal entity	1.29	98,149,700	0	0	98,149,700		
Huaxia Life Insurance Co., Ltd.– Self-owned Fund	Fund and wealth management products, etc.	0.32	24,221,596	0	0	24,221,596		

Section 6 Changes in Shareholdings and Particulars about Shareholders

Shareholdings of the top ten ordinary shareholders without selling restrictions

Name of shareholder	Number of ordinary shares without selling restrictions held as at the end of the Reporting Period	Type of Shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,700,168,080	Listed foreign shares	1,700,168,080
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867	RMB-denominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,250,154,088	RMB-denominated ordinary shares	1,250,154,088
Zhongshan Public Utilities Group Co., Ltd.	686,754,216	RMB-denominated ordinary shares	686,754,216
China Securities Finance Corporation Limited	256,262,176	RMB-denominated ordinary shares	256,262,176
Huaxia Life Insurance Co., Ltd. – Universal Life Insurance Product	228,131,005	RMB-denominated ordinary shares	228,131,005
Puning Xinhong Industrial Investment Co., Ltd.	145,936,358	RMB-denominated ordinary shares	145,936,358
Heungkong Group Limited	119,286,246	RMB-denominated ordinary shares	119,286,246
Central Huijin Asset Management Ltd.	98,149,700	RMB-denominated ordinary shares	98,149,700
Huaxia Life Insurance Co., Ltd. – Proprietary Fund	24,221,596	RMB-denominated ordinary shares	24,221,596

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

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

Note 3: According to the public information disclosed on July 11, 2018 by Jilin Aodong, Liaoning Cheng Da, and Zhongshan Public Utilities, as at June 30, 2018, Jilin Aodong held 41,026,000 H Shares of the Company and through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), held 36,868,800 H Shares of the Company, totaling 77,894,800 H Shares and representing 1.02% of the total share capital of the Company. Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. As at June 30, 2018, the shareholding percentages of A Shares and H Shares in the Company of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 17.45%, 16.42% and 10.34%, respectively;

## Section 6 Changes in Shareholdings and Particulars about Shareholders

*Note 4: The changes in the shareholdings of A shareholders during the Reporting Period as set out in the above table were calculated based on the register of the top 100 shareholders provided by the China Securities Depository and Clearing Corporation Limited (Shenzhen Branch);*

*Note 5: According to the public information disclosed on the website of the Hong Kong Stock Exchange, other than Public Utilities International (Hong Kong) Investment Company Ltd. as set out in Note 3, shareholders holding 5% or more of the H Shares of the Company are as follows: on July 26, 2018, the Labor Union Committee of GF Securities Co., Ltd. held a total of 120,185,200 H Shares of the Company, representing 7.06% of the H Share capital of the Company. The above shares are held by HKSCC Nominees Limited on their behalf;*

*Note 6: At the end of the Reporting Period, no shares of the Company were held by A shareholders mentioned above through credit-based securities accounts;*

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

#### IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

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

Section 6 Changes in Shareholdings and Particulars about Shareholders

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

As of June 30, 2018, 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	77,894,800 (Note 3)	1.02	4.58	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
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	Labor Union Committee of GF Securities Co., Ltd.	H Share	Beneficial owner	105,477,000 (Note 6)	1.38	6.20	Long position
7	L.R. Capital Principal Investment Limited	H Share	Beneficial owner	102,854,000 (Note 7)	1.35	6.04	Long position
8	Wong Yuen Ping	H Share	Interests in controlled corporation	102,854,000 (Note 7)	1.35	6.04	Long position

## Section 6 Changes in Shareholdings and Particulars about Shareholders

- Note 1: A shareholder has a “long position” if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to 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 41,026,000 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), a total of 77,894,800 H shares, representing 1.02% of the total share capital of the Company.
- Note 4: Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of 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: 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 7: L.R. Capital Management Company (Cayman) Limited held 102,854,000 H Shares of the Company through its wholly-owned subsidiary, L.R. Capital Principal Investment Limited. 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 8: 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 June 30, 2018 required to be recorded in the register pursuant to section 336 of the SFO.

## Section 6 Changes in Shareholdings and Particulars about Shareholders

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

As at June 30, 2018, none of the Directors, Supervisors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or which would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As at June 30, 2018, none of the Company, any of subsidiaries or fellow subsidiaries was a party to any arrangements during the year to enable the Directors, supervisors or chief executives of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### VII. SUFFICIENT PUBLIC FLOAT

According to the information which is publicly available to the Company and to the best of the knowledge of the Directors as at the latest practicable date (August 29, 2018) prior to the publication of this interim report, the Company has always maintained the public float as required under the Hong Kong Listing Rules.

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

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

## Section 7 Preference Shares

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

## Section 8 Particulars about Directors, Supervisors and Senior Management

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

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

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

Name	Position	Type	Date	Reason
Tang Xiaodong	Deputy general manager	Appointed	June 25, 2018	Appointed by the Board
Xin Zhiyun	Chief risk officer	Appointed	June 25, 2018	Appointed by the Board
Zhan Lingzhi	Supervisor	Resignation	August 17, 2018	Personal reasons

Mr. Tang Xiaodong and Mr. Xin Zhiyun were appointed as the deputy general manager and chief risk officer of the Company, respectively, at the 9th meeting of the 9th session of the Board of Directors convened on June 25, 2018 by the Company. They have obtained the qualifications as senior management of a securities firm. For the biographies of Mr. Tang Xiaodong and Mr. Xin Zhiyun as well as the relevant details, please refer to the relevant announcements disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) by the Company on June 26, 2018 and July 31, 2018, respectively.

On August 17, 2018, the Company received a written resignation letter from Ms. Zhan Lingzhi, a supervisor of the Company. Ms. Zhan Lingzhi tendered her resignation from her position as a supervisor of the 9th session of Supervisory Committee of the Company due to personal reasons of reasonable retirement planning. According to the requirements of the Company Law and the Articles of Association, the resignation of Ms. Zhan Lingzhi will not result in the number of members of the Company's Supervisory Committee falling below the minimum quorum under legal requirement. Therefore, the resignation letter of supervisor Ms. Zhan Lingzhi came into effect when it was received by the Company. The Company will re-elect a new supervisor in accordance with legal procedures.

### III. STAFF AND REMUNERATION POLICIES

As of June 30, 2018, the Group had 12,103 employees, of whom a total of 10,379 were from the parent company and 1,724 were from the subsidiaries.

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

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

The Company is committed to strengthening the team construction of its talents, and increasing investment in training to improve staff quality. The Company has set up a training center operating as a tier-one division, so as to implement its strategies in respect of talent development and team construction. Through a well-established training management system and training operation mechanism, the Company closely related knowledge production and application to its business activities, and integrated specialized cultivation into the major links of its talent supply chain, targeting on satisfying employees' development needs in respect of management and professional knowledge during their respective career stage.



## I. BASIC INFORMATION ON 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 third extraordinary general meeting of shareholders in 2012 and the first 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 shall 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 such bonds, the details of which are as follows:

## Section 9 Corporate Bonds

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB'0,000)	Coupon	Debt Service
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13 GF 01	112181	June 17, 2013	June 17, 2018	150,000	4.50%	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type II)	13 GF 02	112182	June 17, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13 GF 03	112183	June 17, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the suitability of investors	Target investors are social public investors who hold security accounts with the initial letters of A, B, D or F opened in the registered companies (excluding purchasers prohibited by laws and regulations) and institutional investors opening eligible securities accounts in the registered companies (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On June 19, 2018 (interest payment date will be postponed to the next business day if it is a statutory holiday), the Company repaid the principals of the "13 GF 01" and "13 GF 02" corporate bonds with the interest for the period from June 17, 2017 to June 16, 2018 (the last interest accrual year), and paid the interest for the "13 GF 03" corporate bonds from June 17, 2017 to June 16, 2018. Wherein, the interest for "13 GF 01", "13 GF 02" and "13 GF 03" are RMB4.50 (with tax)/piece, RMB4.75 (with tax)/piece and RMB5.10 (with tax)/piece, respectively.						
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if any)	<p>"13 GF 01" includes special articles for redemption and redenomination interest rate.</p> <p>Redemption: after the issuer has issued the announcement for whether increase the nominal interest rate of 3+2-year type of bonds of the term or increase the range, investors have the right to choose to sell back their all or part 3+2-year type of bonds of the term to the issuer at par on the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term.</p> <p>Redenomination interest rate: the issuer has the right to decide if to increase the nominal interest rate of 2 years after increasing bonds of the term as at the 3rd year during the duration for such 3+2-year type of bonds of the term. The issuer will publish on the information disclosure media designated by the CSRC for the announcement that if to increase the nominal interest rate of 3+2-year type of bonds of the term or increase the range on the 30th trading day prior to the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term. If the issuer has not executed its right to increase the interest rate, the original nominal interest rate for that for the duration of 3+2-year type of bonds of the term will remain the same.</p> <p>On June 19, 2016, the Company chose not to increase the nominal interest rate of "13 GF 01" (i.e. the redenomination interest rate of "13 GF 01" for the 2 years after the annual payment date remain unchanged at 4.50%). Pursuant to the requirement of Prospectus of GF Securities Co., Ltd. to Publicly Issue 2013 Corporate Bonds (《廣發證券股份有限公司公開發行2013年公司債券募集說明書》), the Company released an Announcement Regarding Non-Redenomination Interest Rate of "13 GF 01" and Implementation Measures on Redemption by Investors (《關於「13廣發01」票面利率不調整和投資者回售實施辦法的公告》). Following the announcement, none of the bondholders has chosen to sell back, all or part of, the "13 GF 01" at par to the issuer.</p> <p>During the Reporting Period, there is no special articles for redemption and redenomination interest rate.</p>						

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

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

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB'0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the First Tranche)	17 GF 01	112520	May 9, 2017	May 11, 2020	600,000	4.60%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the Second Tranche)	17 GF 02	112556	July 24, 2017	July 26, 2020	600,000	4.50%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the suitability of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On May 11, 2018, the Company paid the interest for “17 GF 01” corporate bonds from May 11, 2017 to May 10, 2018. The interest for “17 GF 01” is RMB46.00 (with tax)/10 pieces.						
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if any)	No special terms such as issuer or investor option terms and interchangeable terms						

## Section 9 Corporate Bonds

On April 27 and August 24, 2018, the Company completed the issuance of the 2018 first tranche and second tranche of corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB'0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the First Tranche)	18 GF 01	112690	April 25, 2018	April 27, 2021	450,000	4.60%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the Second Tranche)	18 GF 02	112751	August 22, 2018	August 24, 2021	190,000	4.30%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the suitability of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	No interest payment was made during the Reporting Period.						
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)	No special terms such as issuer or investor option terms and interchangeable terms						

## II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

The trustee of the 2013 corporate bonds:

Name	China Merchants Securities Co., Ltd.	Business address	38-45th floor, Building A, Jiangsu Mansion, Yitianlu, Futian District, Shenzhen	Contact	Zhang Huanhuan, Wang Dawei	Tel of contact	0755- 82943666
Credit rating agency for tracking rating of 2013 corporate bonds during the Reporting Period:							
Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizangnanlu, Huangpu District, Shanghai				

The trustee of the 2017 and 2018 corporate bonds:

Name	Guosen Securities Co., Ltd.	Business address	Floors 16-26, Guosen Securities Tower, No. 1012 Hongling Middle Road, Luohu District, Shenzhen	Contact	Zhou Lei, Wang Xue	Tel of contact	0755-82130833
Credit rating agency for tracking rating of 2017 and 2018 corporate bonds during the Reporting Period:							
Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizangnanlu, Huangpu District, Shanghai				
Reason of change, procedures to be conducted and impacts on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed				During the Reporting Period, there were no changes in the bond trustee and credit rating agency.			

### III. USE OF PROCEEDS FROM BOND OFFERING

Use of proceeds from and procedures to be fulfilled in bond offering	The proceeds from corporate bond offering, with the offering expenses deducted, were all used to replenish the Company's working capital in 2013; the proceeds from corporate bond offering, with the offering expenses deducted, were all used to replenish the Company's liquidity in 2017 and 2018.
Period-end balance (RMB'0,000)	2,550,000
Operation of special account for the funds raised	When the aforesaid corporate bond was issued, the Company designated a special account for the collection of funds raised according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been used according to the plan set forth in the prospectus.
Consistency of the use of proceeds with the commitments, the planned use and other agreements in the prospectus	The use of proceeds is consistent with the commitments, the planned use and other agreements in the prospectus.

### IV. CORPORATE BOND RATING

When the 2013 corporate bonds were issued, the Company retained China 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) (《中誠信證評信用等級通知書(信評委函字[2013]001號)》) and Credit Rating Reports on Corporate Bond of GF Securities Co., Ltd. in 2013 (《廣發證券股份有限公司2013年公司債券信用評級報告》) issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance in 2013. This rating indicates the extremely high credit quality and low credit risks of such bonds.

When the 2017 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2017] No. G218-1) (《中誠信證評信用等級通知書(信評委函字[2017]G218-1號)》), the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2017] No. G338-F1) (《中誠信證評信用等級通知書(信評委函字[2017]G338-F1號)》), the Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities 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)

## Section 9 Corporate Bonds

(《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 aforesaid corporate bonds were rated AAA at the time of issuance in 2017. This rating indicates the extremely high credit quality and low credit risks of such bonds.

When the 2018 corporate bonds were issued, the Company retained CCXR as the rating agency of these corporate bonds. Pursuant to the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2018] No. G189-F3) (《中誠信證評信用等級通知書(信評委函字[2018]G189-F3號)》) and Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2018 (the First Tranche) (《廣發證券2018年面向合格投資者公開發行公司債券(第一期)信用評級報告》) issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance in 2018. 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 19, 2018, CCXR updated and maintained the AAA rating of the 2013 corporate bonds and the 2017 corporate bonds. During the Reporting Period, the 2018 corporate bonds did not involve any following-up rating events.

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

The above corporate bonds bear no warranties.

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

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

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

## VI. CONVENING OF MEETINGS OF BONDHOLDERS DURING THE REPORTING PERIOD

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

## VII. PERFORMANCE OF BOND TRUSTEE DURING THE REPORTING PERIOD

As the trustees, China Merchants Securities Co., Ltd. and Guosen Securities Co., Ltd. strictly performed the relevant obligations as the trustees during the Reporting Period according to relevant laws, rules and regulations such as the Management Measures on Corporate Bond Issuance and Trading, and the Code of Conduct for Corporate Bond Trustee, and issued the Report on the Trusteeship for the Year 2017 and relevant reports on temporary trusteeships; while performing the relevant responsibilities of a trustee, China Merchants Securities Co., Ltd. and Guosen Securities Co., Ltd. had no conflict of interests with the Company.

## VIII. OUTSTANDING OVERDUE DEBTS OF THE COMPANY

There were no outstanding overdue debts of the Company.

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

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

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

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (days)	Coupon	Interest payment
GF 1701	300,000	April 17, 2017	270	4.60%	Principal and interest paid on January 12, 2018
GF 1704	450,000	July 10, 2017	310	4.75%	Principal and interest paid on May 16, 2018
GF 1705	290,000	July 31, 2017	240	4.70%	Principal and interest paid on March 28, 2018
GF 1708	200,000	November 7, 2017	185	4.95%	Principal and interest paid on May 11, 2018

Section 9 Corporate Bonds

As of the end of the Reporting Period, six of the Company's short-term corporate bonds had not matured. The total balance was RMB18.2 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 1706	300,000	September 13, 2017	365	4.85%
GF 1707	220,000	November 7, 2017	365	5.07%
GF 1801	300,000	March 12, 2018	365	5.30%
GF 1802	300,000	May 21, 2018	365	4.85%
GF 1803	500,000	May 29, 2018	330	4.83%
GF 1804	200,000	June 12, 2018	330	4.95%

(2) Interest payment for subordinated bonds

On July 21, 2015, the Company convened the first extraordinary general meeting of 2015, at which the Resolution on the Authorization Granted to the Company for the Issuance of Corporate Onshore and Offshore Debt Financing Instruments (《關於授權公司發行公司境內外債務融資工具的議案》) was considered and approved. Pursuant to the resolution, the Company may issue debt financing instruments such as corporate bonds, 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 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 interests for two subordinated bonds:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
16 GF 02	500,000	June 13, 2016	2+1	3.50%	Such subordinated bonds fell due on June 13, 2018. The Company exercised its rights of redemption, and paid, in full, the principal with the interest accrued from June 13, 2017 to June 12, 2018
16 GF 03	500,000	June 21, 2016	3+2	3.70%	On June 21, 2018, the Company paid the interest accrued from June 21, 2017 to June 20, 2018



As of the end of the Reporting Period, seven of the Company's subordinated bonds, with a total balance of RMB28.5 billion, were outstanding. Key information on these subordinated bonds that were outstanding by the end of the Reporting Period is as below:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon
16 GF 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%

### (3) Interest payment for private corporate bonds

During the Reporting Period, the Company has not paid interests for the private corporate bonds. As of the end of the Reporting Period, four of the Company's private corporate bonds, with a total balance of RMB12.5 billion, were outstanding, with key information as follows:

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%

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

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

The Company did not borrow from banks during the Reporting Period, and there was no outstanding bank loan at the end of the Reporting Period. The Company is a member of the interbank market. It paid back the credit inter-bank interest and principal on a timely basis during the Reporting Period, and the outstanding fund borrowed from banks was RMB5,960,000,000 as of the end of Reporting Period.

## Section 9 Corporate Bonds

### XI. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT OF THE CORPORATE BOND DURING THE REPORTING PERIOD

During the Reporting Period, the Company strictly performed the agreements and commitments as set out in the above corporate bond prospectus, and there was no negative effect on bond investors due to the ineffective performance of the relevant agreement or promises as set out in the corporate bond prospectus.

### XII. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD

As of March 31, 2018, the balance of the Company's borrowings amounted to RMB197.744 billion. With a cumulative amount of RMB27.625 billion, new borrowings accounted for 31.17% (above 20%) of the net assets at the end of last year. Following the repayment of borrowings by the Company in April 2018, the ratio of cumulative amount of new borrowings of the Company as of April 30, 2018 to the net assets at the end of last year decreased to a level below 20%. As of May 31, 2018, the balance of the Company's borrowings amounted to RMB196.345 billion. With a cumulative amount of RMB26.226 billion, new borrowings accounted for 29.59% (above 20%) of the net assets at the end of last year.

The Company made public 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 and 2018 Corporate Bonds, issued the Report on the Temporary Trusteeship of Corporate Bonds, respectively.

Except for the above-mentioned events, there were no major issues as listed in Article 45 of the Management Measures on Corporate Bond Issuance and Trading during the Reporting Period.

### XIII. GUARANTOR FOR THE CORPORATE BOND

None

## Section 10 Financial Report

### I. REVIEW REPORT

The 2018 Interim Financial Report of the Company prepared in accordance with the International Accounting Standards has not been audited but has been reviewed by Ernst & Young and the review report is enclosed hereinafter.

### II. FINANCIAL STATEMENTS AND NOTES (ENCLOSED HEREINAFTER)

## Report on Review of Interim Financial Information



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

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

### INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 92 to 195 which comprises the condensed consolidated statement of financial position of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2018 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

### SCOPE OF REVIEW

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

## CONCLUSION

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

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 August 2018

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue			
Commission and fee income	4	4,614,265	5,385,308
Interest income	5	4,384,016	3,863,430
Net investment gains	6	2,107,004	4,163,037
Total revenue		11,105,285	13,411,775
Other income and gains or losses	7	315,177	124,701
Total revenue and other income		11,420,462	13,536,476
Depreciation and amortisation	8	(169,961)	(154,434)
Staff costs	9	(2,458,478)	(3,243,651)
Commission and fee expenses	10	(158,318)	(147,589)
Interest expenses	11	(3,972,144)	(3,234,975)
Other operating expenses	12	(1,161,326)	(1,122,732)
Credit loss expense on financial assets	13	(95,500)	—
Impairment losses	13	(25)	(37,459)
Total expenses		(8,015,752)	(7,940,840)
Share of results of associates and joint ventures		331,841	201,890
Profit before income tax		3,736,551	5,797,526
Income tax expense	14	(728,316)	(1,301,004)
Profit for the period		3,008,235	4,496,522
Attributable to:			
Owners of the Company		2,858,276	4,301,427
Non-controlling interests		149,959	195,095
		3,008,235	4,496,522
Earnings per share			
(Expressed in RMB Yuan per share)			
– Basic/Diluted	15	0.38	0.56

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit for the period	3,008,235	4,496,522
<b><i>Other comprehensive income that will not be reclassified to the income statement:</i></b>		
Revaluation losses on equity instruments at fair value through other comprehensive income	(668,221)	—
Income tax related to the above	167,059	—
Total items that will not be reclassified to the income statement	(501,162)	—
<b><i>Other comprehensive income that will be reclassified to the income statement:</i></b>		
Exchange differences on translation of foreign operations	63,085	(162,465)
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the period	126,799	—
Reclassification to the income statement	(44,134)	—
Reclassification to credit loss expense	39,262	—
Income tax related to the above	(76,166)	—
Net gain on debt instruments at fair value through other comprehensive income	45,761	—
Share of other comprehensive income of associates and joint ventures:		
Share of fair value (losses)/gains on financial assets of associates and joint ventures	(28,222)	15,488
Share of exchange differences arising on translation of associates	371	(3,045)
Net (losses)/gains on other comprehensive income of associates and joint ventures	(27,851)	12,443
Available-for-sale financial assets:		
Net fair value changes during the period	—	1,964,995
Reclassification adjustment to profit or loss on disposal	—	(706,746)
Reclassification adjustment to profit or loss on impairment	—	29,243
Income tax related to the above	—	(369,158)
Net gains on available-for-sale financial assets	—	918,334
Total items that will be reclassified to the income statement	80,995	768,312

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Other comprehensive income for the period, net of tax	<b>(420,167)</b>	768,312
Total comprehensive income for the period	<b><u>2,588,068</u></b>	<u>5,264,834</u>
Attributable to:		
Owners of the Company	<b>2,438,434</b>	4,911,630
Non-controlling interests	<b>149,634</b>	353,204
	<b><u>2,588,068</u></b>	<u>5,264,834</u>

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.



# Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-current assets</b>			
Property and equipment	16	2,207,787	2,128,222
Prepaid lease payments		293,645	298,459
Investment properties		20,934	21,803
Goodwill		2,188	2,168
Other intangible assets		259,661	284,999
Investments in associates	17	3,816,204	3,444,727
Investments in joint ventures	18	1,046,997	931,962
Debt instruments at amortised cost	19	3,705,839	—
Equity instruments at fair value through other comprehensive income	19	11,047,461	—
Available-for-sale financial assets	19	—	18,139,298
Loan and receivable investments	19	—	55,728
Financial assets at fair value through profit or loss	20	7,274,089	1,279,652
Advances to customers	21	347,817	354,494
Other accounts receivable, other receivables and prepayments	23	14,930	44,307
Financial leasing receivables	24	3,103,409	2,818,433
Financial assets held under resale agreements	25	9,299,077	8,846,105
Deferred tax assets	31	853,390	428,496
Total non-current assets		<b>43,293,428</b>	<b>39,078,853</b>

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Current assets</b>			
Prepaid lease payments		9,628	9,628
Debt instruments at amortised cost	19	9,557,767	—
Debt instruments at fair value through other comprehensive income	19	68,164,670	—
Equity instruments at fair value through other comprehensive income	19	800,922	—
Available-for-sale financial assets	19	—	74,455,101
Loan and receivable investments	19	—	2,423,409
Financial assets at fair value through profit or loss	20	64,944,080	61,919,063
Advances to customers	21	54,981,250	61,395,697
Accounts receivable	22	5,356,275	3,492,553
Other accounts receivable, other receivables and prepayments	23	3,974,138	3,300,455
Financial leasing receivables	24	1,590,240	1,276,258
Amounts due from associates		15,864	17,124
Financial assets held under resale agreements	25	29,240,046	24,821,297
Derivative financial assets	26	19,716,134	5,450,742
Deposits with exchanges and non-bank financial institutions	27	6,970,588	4,700,753
Clearing settlement funds	28	18,903,732	17,652,948
Pledged/restricted bank deposits		115,517	164,550
Bank balances	29	62,836,754	56,746,208
Total current assets		<b>347,177,605</b>	317,825,786
Total assets		<b>390,471,033</b>	356,904,639

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Current liabilities</b>			
Borrowings	32	7,578,697	7,349,536
Short-term financing payables	33	25,523,240	25,101,447
Financial liabilities at fair value through profit or loss	34	384,691	1,994,574
Due to banks and other financial institutions		16,443,937	4,953,656
Accounts payable to brokerage clients	35	63,974,734	65,026,117
Accounts payable to underwriting clients		—	54,000
Accrued staff costs	36	2,187,911	4,452,909
Other accounts payable, other payables and accruals	37	9,987,456	5,142,642
Amount due to a joint venture		100,860	122,396
Amount due to associates		25,803	1,703
Provisions		33,360	33,360
Current tax liabilities		528,253	806,079
Other liabilities	38	9,874,222	11,638,550
Derivative financial liabilities	26	21,118,412	5,439,113
Financial assets sold under repurchase agreements	39	65,842,067	55,475,158
Bonds payable	40	12,744,353	10,524,843
Long-term loans	41	1,242,854	747,375
Total current liabilities		<u>237,590,850</u>	<u>198,863,458</u>
Net current assets		<u>109,586,755</u>	<u>118,962,328</u>
Total assets less current liabilities		<u>152,880,183</u>	<u>158,041,181</u>

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Capital and reserves</b>			
Share capital		7,621,088	7,621,088
Capital reserve		31,864,816	31,864,816
Investment revaluation reserve		1,109,292	2,200,562
Translation reserve		107,759	43,978
General reserves		17,399,471	17,355,904
Retained profits		26,008,772	25,767,855
Equity attributable to owners of the Company		84,111,198	84,854,203
Non-controlling interests		3,929,693	3,771,379
Total equity		88,040,891	88,625,582
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	34	478,857	456,168
Financial assets sold under repurchase agreements	39	—	41,250
Accrued staff costs	36	2,597,404	2,597,404
Other accounts payable, other payables and accruals	37	120,910	80,050
Deferred tax liabilities	31	101,940	88,441
Bonds payable	40	56,774,717	62,147,878
Long-term loans	41	4,217,881	3,778,117
Other liabilities	38	547,583	226,291
Total non-current liabilities		64,839,292	69,415,599
Total equity and non-current liabilities		152,880,183	158,041,181

This condensed consolidated financial statements on page 92 to 195 was approved for issue by the Board of Directors on August 29, 2018 and signed on its behalf by:

**Sun Shuming**  
Chairman

**Lin Zhihai**  
Executive Director and President

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Equity attributable to owners of the Company						Subtotal RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained profits RMB'000			
At 31 December 2017 (Audited)	7,621,088	31,864,816	2,200,562	43,978	17,355,904	25,767,855	84,854,203	3,771,379	88,625,582
Impact of adopting IFRS 9	—	—	(607,647)	—	—	474,643	(133,004)	(25,942)	(158,946)
Restated opening balance under IFRS 9	7,621,088	31,864,816	1,592,915	43,978	17,355,904	26,242,498	84,721,199	3,745,437	88,466,636
Profit for the period	—	—	—	—	—	2,858,276	2,858,276	149,959	3,008,235
Other comprehensive income for the period	—	—	(483,623)	63,781	—	—	(419,842)	(325)	(420,167)
Total comprehensive income for the period	—	—	(483,623)	63,781	—	2,858,276	2,438,434	149,634	2,588,068
Capital injection from non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	122,447	122,447
Capital reduction by non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	(12,000)	(12,000)
Appropriation to general reserves	—	—	—	—	43,567	(43,567)	—	—	—
Dividends recognised as distribution (Note 42)	—	—	—	—	—	(3,048,435)	(3,048,435)	(75,825)	(3,124,260)
At 30 June 2018 (Unaudited)	7,621,088	31,864,816	1,109,292	107,759	17,399,471	26,008,772	84,111,198	3,929,693	88,040,891
At 1 January 2017 (Audited)	7,621,088	31,864,053	1,430,709	418,619	15,207,816	21,987,925	78,530,210	2,823,126	81,353,336
Profit for the period	—	—	—	—	—	4,301,427	4,301,427	195,095	4,496,522
Other comprehensive income for the period	—	—	773,263	(163,060)	—	—	610,203	158,109	768,312
Total comprehensive income for the period	—	—	773,263	(163,060)	—	4,301,427	4,911,630	353,204	5,264,834
Capital reduction by non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	(9,408)	(9,408)
Appropriation to general reserves	—	—	—	—	34,904	(34,904)	—	—	—
Dividends recognised as distribution (Note 42)	—	—	—	—	—	(2,667,381)	(2,667,381)	(64,358)	(2,731,739)
Others	—	43	—	—	—	—	43	—	43
At 30 June 2017 (Unaudited)	7,621,088	31,864,096	2,203,972	255,559	15,242,720	23,587,067	80,774,502	3,102,564	83,877,066

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	3,736,551	5,797,526
Adjustments for:		
Interest expenses	3,972,144	3,234,975
Share of results of associates and joint ventures	(331,841)	(201,890)
Depreciation and amortisation	169,961	154,434
Impairment losses	25	37,459
Credit loss expense on financial assets	95,500	—
Gain on disposal of property and equipment and other intangible assets	(513)	(1,027)
Gain on disposal of associates and joint ventures	—	(29,316)
Foreign exchange losses/(gains), net	11,642	(16,724)
Net realised gains from disposal of financial instruments		
at fair value through other comprehensive income	(44,134)	—
Net realised gains from disposal of available-for-sale financial assets	—	(1,004,644)
Dividend income and interest income from financial instruments		
at fair value through other comprehensive income	(1,359,435)	—
Dividend income and interest income from available-for-sale financial assets	—	(1,516,307)
Interest income from debt instruments at amortised cost	(363,264)	—
Interest income and net realised gains from loan and receivable investments	—	(92,729)
Losses on other investments	—	246
Unrealised fair value changes in financial assets		
at fair value through profit or loss	1,077,816	117,727
Unrealised fair value changes in financial liabilities		
at fair value through profit or loss	(8,805)	71,249
Unrealised fair value changes in derivatives	(384,103)	(9,367)
Operating cash flows before movements in working capital	<b>6,571,544</b>	<b>6,541,612</b>

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Operating cash flows before movements in working capital	<b>6,571,544</b>	6,541,612
Decrease in advances to customers	<b>6,378,285</b>	4,737,398
Increase in interest receivable	<b>(72,066)</b>	(372,927)
Increase in financial assets held under resale agreements	<b>(4,946,856)</b>	(3,386,795)
Decrease/(increase) in financial assets at fair value through profit or loss	<b>5,827,102</b>	(15,162,026)
Decrease in financial liabilities at fair value through profit or loss	<b>(1,578,389)</b>	(3,991,793)
Increase in deposits with exchanges and non-bank financial institutions	<b>(2,269,835)</b>	(1,421,734)
Decrease in pledged restricted bank deposits	<b>49,033</b>	9,441
Increase in other assets	<b>(15,506,824)</b>	(57,825)
(Increase)/decrease in clearing settlement funds - clients	<b>(928,174)</b>	4,372,091
Decrease in cash held on behalf of customers	<b>2,028,358</b>	6,451,260
Decrease in accounts payable to brokerage clients	<b>(1,051,383)</b>	(9,168,641)
Decrease in accrued staff costs	<b>(2,264,998)</b>	(1,387,044)
Increase/(decrease) in other accounts payable, other payables and accruals and other liabilities	<b>15,013,550</b>	(3,433,197)
Increase in financial assets sold under repurchase agreements	<b>10,325,659</b>	27,822,740
Increase in due to banks and other financial institutions	<b>11,490,281</b>	346,526
Cash from operations	<b>29,065,287</b>	11,899,086
Income taxes paid	<b>(1,300,332)</b>	(1,627,619)
Interest paid	<b>(1,507,166)</b>	(1,388,104)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>26,257,789</b>	8,883,363

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>INVESTING ACTIVITIES</b>		
Dividends and interests received from investments	<b>1,634,260</b>	1,663,176
Purchases of property and equipment and other intangible assets	<b>(232,144)</b>	(149,950)
Proceeds from disposal of property and equipment and other intangible assets	<b>668</b>	1,154
Capital injection to associates	<b>(159,540)</b>	(216,000)
Proceeds from disposals of partial interest in associates	<b>—</b>	52,270
Capital injection to joint ventures	<b>(127,888)</b>	—
Proceeds from disposals of partial interest in joint ventures	<b>9,779</b>	59,821
Cash inflows arising from the consolidation of asset management schemes and funds	<b>—</b>	3,353
Purchase or proceeds from disposal of financial assets at fair value through other comprehensive income, net	<b>(15,455,749)</b>	—
Purchase or proceeds from disposal of available-for-sale financial assets, net	<b>—</b>	5,590,647
Purchase or proceeds from disposal of debt instruments at amortised cost, net	<b>197,376</b>	—
Purchases of loan and receivable investments	<b>—</b>	(1,237,705)
Proceeds from disposal of loan and receivable investments	<b>—</b>	1,596,647
Payment on other investment activities	<b>—</b>	(30,000)
Proceeds from other investment activities	<b>—</b>	50,077
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(14,133,238)</b>	7,383,490

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.



## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders and non-controlling interests	(43,948)	(627,981)
Repayment of borrowings interest	(139,034)	(68,435)
Repayment of short-term financing payables and bonds interest	(1,820,126)	(2,672,207)
Repayment of long-term loans interest	(87,358)	(45,223)
Capital injection from non-controlling shareholders	122,447	—
Capital reduction by non-controlling shareholders	(12,000)	(9,408)
Proceeds from short-term financing payables and bonds issued	23,510,852	26,819,433
Repayment of short-term financing payables and bonds	(26,314,000)	(43,511,628)
Proceeds from borrowings	848,000	872,830
Repayment of borrowings	(668,561)	(130,000)
Proceeds from long-term loans	1,307,050	685,000
Repayment of long-term loans	(389,087)	(146,624)
Proceeds from sale of scrap shares	—	43
Proceeds from other financing activities	—	18,893
Repayment of other financing activities	(576)	—
Proceeds from notes payable	—	176,130
Repayment of notes payable	(9,131)	—
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(3,695,472)</b>	<b>(18,639,177)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,429,079</b>	<b>(2,372,324)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>11,729,410</b>	<b>16,917,502</b>
Effect of foreign exchange rate changes	12,435	(34,065)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>20,170,924</b>	<b>14,511,113</b>

The accompanying notes presented on page 104 to 195 form part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 1. GENERAL

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

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

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

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

The unaudited interim financial information was approved by the Board of Directors (the "Board") on August 29, 2018.

## 2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES

### Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

### Changes on accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Considerations
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IAS 40	Transfers of Investment Property
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

#### Changes on accounting policies – *continued*

##### *IFRS 9 Financial Instruments – continued*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented as at 30 June 2018 and for the six-month period then ended. Differences arising from the adoption of IFRS 9 have been recognized directly in retained profits and investment revaluation reserve as of 1 January 2018.

##### *Classification and measurement*

Except for certain accounts receivable, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (“FVTPL”), amortised cost, or fair value through other comprehensive income (“FVTOCI”). The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the “SPPI criterion”).

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

The new classification and measurement of the Group’s financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Other financial assets at amortised cost mainly includes the Group’s advances to customers, other accounts receivable, other receivables, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, pledged/restricted bank deposits, bank balances, accounts receivable, amounts due from associates and financial leasing receivables.

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

### Changes on accounting policies – *continued*

#### *Classification and measurement – continued*

- Debt instruments at FVTOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell.
- Equity instruments at FVTOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVTOCI are not subject to an impairment assessment under IFRS 9.
- Financial assets at FVTPL comprise derivative instruments and equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Upon transition the available-for-sale investment revaluation reserve relating to equity and debt securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

#### *Impairment*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

#### Changes on accounting policies – *continued*

##### *Impairment – continued*

For accounts receivable, the Group has applied the simplified approach and has calculated ECL based on lifetime expected credit loss. The Group has established a provision rate matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (advances to customers, financial assets held under resale agreements, debt instruments at FVTOCI, etc.), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under impairment requirement of IFRS9 into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When debt financial assets are first recognised, the Group recognises an allowance based on 12-month ECLs. Stage 1 debt financial assets also include facilities where the credit risk has improved and the financial assets has been reclassified from Stage 2.
- Stage 2: When debt financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.
- Stage 3: Debt financial assets considered credit-impaired. The Group records an allowance for the LTECLs.

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

### Changes on accounting policies – *continued*

#### *Impairment – continued*

- POCI: Purchased or originated credit impaired (“POCI”) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate (“EIR”). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the debt instrument has not been previously derecognised and is still in the portfolio. When estimating PD, the Group takes historical default data, internal and external rating, and forward looking adjustment and so on.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest scheduled by contract.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received for selling the asset.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

#### Changes on accounting policies – continued

##### Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

For financial assets subject to ECL impairment, the carrying amounts in accordance with IAS 39 has been remeasured upon transition to IFRS 9 on 1 January 2018. The reconciliation of carrying amount in accordance with IAS 39 and IFRS 9 is as follow:

- (1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

Ref	IAS 39		Re- classification	Remeasurement		IFRS 9	
	Category	Amount		ECL <sup>6</sup>	Other	Amount	Category
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Financial assets</b>							
	L&R <sup>1</sup>	61,750,191	—	(77,346)	—	61,672,845	AC <sup>2</sup>
	L&R	2,479,137	(2,479,137)	—	—	—	AC
	To: Financial assets at FVTPL		(58,513)				
	To: Debt instruments at amortised cost		(2,420,624)				
Other accounts receivable, other receivables and prepayments							
	L&R	3,247,283	(59,280)	(5,308)	—	3,182,695	AC
	To: Debt instruments at amortised cost		(59,280)				
Financial assets held under resale agreements							
	L&R	33,667,402	—	(40,552)	—	33,626,850	AC
Deposits with exchanges and non-bank financial institutions							
	L&R	4,700,753	—	—	—	4,700,753	AC
Clearing settlement funds							
	L&R	17,652,948	—	—	—	17,652,948	AC
Pledged/restricted bank deposits							
	L&R	164,550	—	—	—	164,550	AC
Bank balances							
	L&R	56,746,208	—	—	—	56,746,208	AC
Accounts receivable							
	L&R	3,492,553	—	(8,484)	—	3,484,069	AC
Amounts due from associates							
	L&R	17,124	—	—	—	17,124	AC
Financial leasing receivables							
	L&R	4,094,691	—	(1,834)	—	4,092,857	AC



2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – *continued*Changes on accounting policies – *continued*Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 – *continued*

- (1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows: – *continued*

	Ref	IAS 39		Remeasurement		IFRS 9		
		Category	Amount	Re-classification	ECL <sup>6</sup>	Other	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Debt instruments at amortised cost			N/A	14,158,689	(49,525)	28,352	14,137,516	AC
From: Available-for-sale financial assets	E			11,678,785	(29,996)	28,352		
From: Loan and receivable investments				2,420,624	(18,981)			
From: Other accounts receivable, other receivables and prepayments				59,280	(548)			
		<b>L&amp;R</b>	<b>188,012,840</b>	<b>11,620,272</b>	<b>(183,049)</b>	<b>28,352</b>	<b>199,478,415</b>	<b>AC</b>
Available-for-sale financial assets			92,594,399	(92,594,399)	—	—	—	
To: FVTPL	B			(15,903,143)				
To: Debt instruments at FVTOCI	C			(52,496,193)				
To: Equity instruments at FVTOCI	D			(12,516,278)				
To: Debt instruments at amortised cost	E			(11,678,785)				
		<b>AFS<sup>3</sup></b>	<b>92,594,399</b>	<b>(92,594,399)</b>	<b>—</b>	<b>—</b>	<b>—</b>	
Debt instruments at FVTOCI			N/A	52,496,193	(95,083)	95,083	52,496,193	FVTOCI <sup>5</sup>
From: Available-for-sale financial assets	C			52,496,193	(95,083)	95,083		
			<b>N/A</b>	<b>52,496,193</b>	<b>(95,083)</b>	<b>95,083</b>	<b>52,496,193</b>	<b>FVTOCI</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

#### Changes on accounting policies – continued

#### Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 – continued

- (1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows: – continued

Ref	IAS 39		Re- classification	Remeasurement		IFRS 9	
	Category	Amount		ECL <sup>6</sup>	Other	Amount	Category
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Equity instruments at FVTOCI		N/A	12,516,278	—	—	12,516,278	FVTOCI
From: Available-for-sale financial assets	D		12,516,278				
		<b>N/A</b>	<b>12,516,278</b>	<b>—</b>	<b>—</b>	<b>12,516,278</b>	<b>FVTOCI</b>
Financial assets held for trading	FVTPL <sup>4</sup>	61,739,183	—	—	(11,254)	61,727,929	FVTPL
Financial assets at FVTPL (designated)	FVTPL	1,459,532	(1,459,532)	—	—	—	FVTPL
To: Financial assets at FVTPL			(1,459,532)				
Financial assets at FVTPL		N/A	17,423,753	—	(26,030)	17,397,723	FVTPL
From: Loan and receivable investments	A		58,513				
From: Available-for-sale financial assets	B		15,903,143		(26,030)		
From: Financial assets at FVTPL (designated)			1,459,532				
From: Derivative financial assets			2,565				
Derivative financial assets	FVTPL	5,450,742	(2,565)	—	—	5,448,177	FVTPL
To: FVTPL			(2,565)				
Investment in an associate at FVTPL	FVTPL	40,208	—	—	—	40,208	FVTPL
	<b>FVTPL</b>	<b>68,689,665</b>	<b>15,961,656</b>	<b>—</b>	<b>(37,284)</b>	<b>84,614,037</b>	<b>FVTPL</b>
<b>Non-financial assets</b>		<b>7,607,735</b>	<b>—</b>	<b>52,687</b>	<b>(23,292)</b>	<b>7,637,130</b>	
<b>Total assets</b>		<b>356,904,639</b>	<b>—</b>	<b>(225,445)</b>	<b>62,859</b>	<b>356,742,053</b>	

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – *continued*Changes on accounting policies – *continued*Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 – *continued*

(1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows: – *continued*

Ref	IAS 39		Re- classification	Remeasurement		IFRS 9	
	Category	Amount		ECL <sup>6</sup>	Other	Amount	Category
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Financial liabilities</b>							
Borrowings	AC	7,349,536	—	—	—	7,349,536	AC
Short-term financing payables	AC	25,101,447	—	—	—	25,101,447	AC
Due to banks and other financial institutions	AC	4,953,656	—	—	—	4,953,656	AC
Accounts payable to brokerage clients	AC	65,026,117	—	—	—	65,026,117	AC
Other accounts payable, other payables and accruals	AC	4,679,800	—	—	—	4,679,800	AC
Other liabilities	AC	9,461,584	—	—	—	9,461,584	AC
Amount due to associate	AC	1,703	—	—	—	1,703	AC
Amount due to joint ventures	AC	122,396	—	—	—	122,396	AC
Financial assets sold under repurchase agreements	AC	55,516,408	—	—	—	55,516,408	AC
Bonds payable	AC	72,672,721	—	—	—	72,672,721	AC
Long-term loans	AC	4,525,492	—	—	—	4,525,492	AC
Accounts payable to underwriting clients	AC	54,000	—	—	—	54,000	AC
	<b>AC</b>	<b>249,464,860</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>249,464,860</b>	<b>AC</b>
Derivative financial liabilities	FVTPL	5,439,113	—	—	—	5,439,113	FVTPL
Financial liabilities held for trading	FVTPL	2,450,742	—	—	—	2,450,742	FVTPL
Other liabilities	FVTPL	2,403,257	—	—	(6,083)	2,397,174	FVTPL
	<b>FVTPL</b>	<b>10,293,112</b>	<b>—</b>	<b>—</b>	<b>(6,083)</b>	<b>10,287,029</b>	<b>FVTPL</b>
<b>Non-financial liabilities</b>		<b>8,521,085</b>	<b>—</b>	<b>—</b>	<b>2,443</b>	<b>8,523,528</b>	
<b>Total liabilities</b>		<b>268,279,057</b>	<b>—</b>	<b>—</b>	<b>(3,640)</b>	<b>268,275,417</b>	

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

#### Changes on accounting policies – *continued*

#### *Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 – continued*

- (1) A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows: – *continued*

<sup>1</sup> L&R: Loans and receivables

<sup>2</sup> AC: Amortised cost

<sup>3</sup> AFS: Available-for-sale financial assets

<sup>4</sup> FVTPL: Fair value through profit or loss

<sup>5</sup> FVTOCI: Fair value through other comprehensive income

<sup>6</sup> ECL: Expected credit loss

- A. As of 1 January 2018, the Group has classified a portion of its loan and receivable investments as financial assets measured at FVTPL as the payments did not meet the SPPI criterion. The Group did not voluntarily designate any loans or receivable investments previously measured at amortised cost as financial assets measured at FVTPL.
- B. As of 1 January 2018, the Group has classified a portion of its AFS as financial assets measured at FVTPL as the payments did not meet the SPPI criterion.
- C. As of 1 January 2018, the Group has assessed its debt instruments which had previously been classified as AFS. The Group concluded that, apart from a small portion, as described in Section B above, these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Group has classified these investments as debt instruments measured at FVTOCI.
- D. The Group has elected the option to irrevocably designate some of its previous AFS equity instruments as equity instruments at FVTOCI.
- E. As of 1 January 2018, the Group has classified a portion of its previous AFS portfolio as debt instruments at amortised cost. These instruments met the SPPI criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell.

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – *continued*Changes on accounting policies – *continued**Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 – continued*

(2) The impact of transition to IFRS 9 on reserves and retained profits.

	<b>RMB'000</b> <b>(unaudited)</b>
<b>Investment revaluation reserve</b>	
Closing balance under IAS 39 (31 December 2017)	2,200,562
Reclassification of debt instruments from available-for-sale to amortised cost	28,352
Reclassification of debt and equity investments from available-for-sale to FVTPL	(908,503)
Recognition of expected credit losses under IFRS 9	95,083
Deferred tax in relation to the above	<u>177,421</u>
Opening balance under IFRS 9 (1 January 2018)	<u><u>1,592,915</u></u>
<b>Retained profits</b>	
Closing balance under IAS 39 (31 December 2017)	25,767,855
Reclassification of debt and equity investments from available-for-sale to FVTPL	908,503
Recognition of expected credit losses under IFRS 9	(274,446)
Others	(9,160)
Deferred tax in relation to the above	<u>(150,254)</u>
Opening balance under IFRS 9 (1 January 2018)	<u><u>26,242,498</u></u>
Non-controlling interests	<u>(25,942)</u>
Total change in equity due to adopting IFRS 9	<u><u>(158,946)</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

Changes on accounting policies – *continued*

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 – *continued*

- (3) A reconciliation between the aggregate opening impairment allowances under IAS 39 and the ECL allowances under IFRS 9.

Loans and receivables per IAS 39/financial assets at amortised cost under IFRS 9:

Impairment allowance for	Impairment allowance under IAS 39 at 31 December 2017	Re-classification	Re-measurement	ECLs under IFRS 9 at 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to customers	68,803	—	77,346	146,149
Other accounts receivable, other receivables and prepayments	6,738	(298)	5,308	11,748
Financial assets held under resale agreements	104,016	—	40,552	144,568
Accounts receivable	70,271	—	8,484	78,755
Financial leasing receivables	21,548	—	1,834	23,382
Financial investments	50,154	298	19,529	69,981
	<u>321,530</u>	<u>—</u>	<u>153,053</u>	<u>474,583</u>

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES – *continued*Changes on accounting policies – *continued**Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 – continued*

- (3) A reconciliation between the aggregate opening impairment allowances under IAS 39 and the ECL allowances under IFRS 9 – *continued*.

Available-for-sale debt investment securities per IAS 39/debt instruments at amortised cost under IFRS 9:

Impairment allowance for	Impairment allowance under IAS 39 at 31 December 2017	Re-classification	Re-measurement	ECLs under IFRS 9 at 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial investments	83,571	—	29,996	113,567

Available-for-sale debt investment securities per IAS 39/debt financial assets at FVTOCI under IFRS 9:

Impairment allowance for	Impairment allowance under IAS 39 at 31 December 2017	Re-classification	Re-measurement	ECLs under IFRS 9 at 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial investments	—	—	95,083	95,083

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 3. SEGMENT REPORTING

The Group's operating segments are consistent with the Group's consolidated financial statements for the year ended 31 December 2017.

The operating and reportable segment information provided to the chief operating decision maker for the six months ended 30 June 2018 and 2017 is as follows:

	Investment banking RMB'000	Wealth management RMB'000	Trading and institution RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
<b>Unaudited</b>								
<b>For the six months ended</b>								
<b>30 June 2018</b>								
<b>Segment revenue and results</b>								
Segment revenue	583,076	5,616,393	2,505,347	2,263,377	137,092	11,105,285	—	11,105,285
Segment other income and gains or losses	2,297	46,320	(21,778)	(134,768)	423,106	315,177	—	315,177
Segment revenue and other income	585,373	5,662,713	2,483,569	2,128,609	560,198	11,420,462	—	11,420,462
Segment expenses	(217,888)	(3,174,170)	(2,428,974)	(1,148,455)	(1,046,265)	(8,015,752)	—	(8,015,752)
Segment results	367,485	2,488,543	54,595	980,154	(486,067)	3,404,710	—	3,404,710
Share of results of associates and joint ventures	—	—	7,010	310,983	13,848	331,841	—	331,841
Profit/(loss) before income tax	367,485	2,488,543	61,605	1,291,137	(472,219)	3,736,551	—	3,736,551
<b>Unaudited</b>								
<b>As at 30 June 2018</b>								
<b>Segment assets and liabilities</b>								
Segment assets	703,816	79,476,131	116,022,697	59,770,103	135,055,896	391,028,643	(1,411,000)	389,617,643
Deferred tax assets								853,390
Group's total assets								<u>390,471,033</u>
Segment liabilities	431,481	69,871,820	60,701,896	35,659,119	135,663,886	302,328,202	—	302,328,202
Deferred tax liabilities								101,940
Group's total liabilities								<u>302,430,142</u>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 3. SEGMENT REPORTING – continued

	Investment banking RMB'000	Wealth management RMB'000	Trading and institution RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
<b>Unaudited</b>								
<b>For the six months ended</b>								
<b>30 June 2017</b>								
<b>Segment revenue and results</b>								
Segment revenue	1,345,207	5,254,408	3,299,133	3,205,243	307,784	13,411,775	—	13,411,775
Segment other income and gains or losses	1,059	43,765	(9,401)	74,363	14,915	124,701	—	124,701
Segment revenue and other income	1,346,266	5,298,173	3,289,732	3,279,606	322,699	13,536,476	—	13,536,476
Segment expenses	(588,155)	(2,826,543)	(2,048,051)	(1,261,032)	(1,217,059)	(7,940,840)	—	(7,940,840)
Segment results	758,111	2,471,630	1,241,681	2,018,574	(894,360)	5,595,636	—	5,595,636
Share of results of associates and joint ventures	—	—	—	201,889	1	201,890	—	201,890
Profit/(loss) before income tax	758,111	2,471,630	1,241,681	2,220,463	(894,359)	5,797,526	—	5,797,526
<b>Audited</b>								
<b>As at 31 December 2017</b>								
<b>Segment assets and liabilities</b>								
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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 4. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Securities brokerages business commission and fee income	1,945,992	1,988,159
Asset management and fund management fee income	1,861,162	1,811,184
Underwriting and sponsoring fees	434,544	1,112,647
Consultancy and financial advisory fee income	170,918	251,827
Futures brokerages business commission and fee income	152,233	160,587
Others	49,416	60,904
	<b>4,614,265</b>	<b>5,385,308</b>

### 5. INTEREST INCOME

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Margin financing and securities lending	2,232,449	2,093,948
Deposits with exchanges and non-bank financial institutions and bank balances	1,078,526	1,094,870
Financial assets held under resale agreements	853,355	554,857
Financial leasing	174,628	79,441
Others	45,058	40,314
	<b>4,384,016</b>	<b>3,863,430</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	44,134	—
Net realised gains from disposal of available-for-sale financial assets	—	1,004,644
Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss	(483,819)	512,464
Dividend income and interest income from financial instruments at fair value through profit or loss	1,584,499	1,279,040
Dividend income and interest income from available-for-sale financial assets	—	1,516,307
Dividend income and interest income from financial instruments at fair value through other comprehensive income	1,359,435	—
Interest income from debt instruments at amortised cost	363,264	—
Interest income and net realised gains from disposal of loan and receivable investments	—	92,729
Net realised losses from derivatives	(132,189)	(8,368)
Unrealised fair value changes of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(1,077,816)	(117,727)
– Financial liabilities at fair value through profit or loss	8,805	(71,249)
– Derivatives	440,691	(44,557)
Others	—	(246)
	<b>2,107,004</b>	<b>4,163,037</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 7. OTHER INCOME AND GAINS OR LOSSES

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Third-party interests in consolidated asset management schemes and funds	(140,931)	(245,015)
Government grants	441,986	284,293
Commission from tax withholding and remitting	9,606	18,565
Gain on disposal of associates and joint ventures	—	29,316
Others	4,516	37,542
	<u>315,177</u>	<u>124,701</u>

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

### 8. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Depreciation of property and equipment	115,339	107,968
Depreciation of investment properties	868	868
Amortisation of prepaid lease payments	4,814	4,814
Amortisation of other intangible assets	48,940	40,784
	<u>169,961</u>	<u>154,434</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 9. STAFF COSTS

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Salaries, bonus and allowances and other long-term benefits	1,926,766	2,733,723
Short-term social welfare	141,579	129,355
Defined contribution plans	241,817	229,623
Others	148,316	150,950
	<u>2,458,478</u>	<u>3,243,651</u>

## 10. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Securities and futures dealing and broking expenses	118,326	125,244
Underwriting and sponsoring fee expenses	12,244	17,109
Other service expenses	27,748	5,236
	<u>158,318</u>	<u>147,589</u>

Note: Distribution expenses for fund and asset management business amounting to RMB335.47 million (six months ended 30 June 2017: RMB314.91 million) are classified under other operating expenses described in note 12.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 11. INTEREST EXPENSES

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Borrowings	131,797	66,773
Due to banks and other financial institutions	372,564	251,454
Accounts payable to brokerage clients	94,849	114,496
Financial assets sold under repurchase agreements	1,068,665	813,122
Gold leasing	54,388	80,252
Structured notes	241,044	165,075
Corporate bonds	1,254,087	600,821
Subordinated bonds	601,885	1,006,070
Long-term loans	102,822	61,772
Others	50,043	75,140
	<b>3,972,144</b>	<b>3,234,975</b>

### 12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
General and administrative expenses	309,355	285,652
Taxes and surcharges	55,583	62,628
Operating lease rentals in respect of rented premises	205,285	192,943
Distribution expenses for fund and asset management business	335,466	314,907
Post and telecommunications expenses	83,676	86,105
Securities and futures investor protection funds	43,004	51,518
Advertisement and business development expenses	51,482	40,765
Sundry expenses	77,475	88,214
	<b>1,161,326</b>	<b>1,122,732</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

**13. IMPAIRMENT EXPENSE**

The table below shows the impairment expense for the six months ended 30 June 2018:

	<b>RMB'000</b> <b>(unaudited)</b>
Debt instruments at fair value through other comprehensive income	39,262
Advances to customers	(34,507)
Financial assets held under resale agreements	34,583
Debt instruments at amortised cost	37,890
Accounts receivable	4,679
Financial leasing receivables	10,100
Other accounts receivable, other receivables and prepayments	3,493
	<hr/>
Credit loss expense on financial assets	95,500
Impairment losses	25
	<hr/>
	<b>95,525</b>

The table below shows the impairment expense for the six months ended 30 June 2017:

	RMB'000 (unaudited)
Accounts receivable	1,688
Advances to customers	(33,684)
Financial assets held under resale agreements	34,968
Other accounts receivable, other receivables and prepayments	5,585
Financial leasing receivables	(366)
Available-for-sale financial assets	29,243
Other intangible assets	25
	<hr/>
Impairment losses	<b>37,459</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 14. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	1,020,782	1,383,621
Hong Kong Profits Tax	1,724	34,868
Subtotal	1,022,506	1,418,489
Deferred income tax (Note 31)	(294,190)	(117,485)
	<u>728,316</u>	<u>1,301,004</u>

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

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

### 15. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	<u>2,858,276</u>	<u>4,301,427</u>
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand) (Note)	<u>7,621,088</u>	<u>7,621,088</u>
Earnings per share:		
Earnings per share (RMB)	<u>0.38</u>	<u>0.56</u>

There were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2018 and 2017, thus no diluted earnings per share are presented.

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



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Unaudited</u>							
<b>Cost</b>							
As at 1 January 2018	802,945	905,533	122,558	167,645	610,730	1,072,743	3,682,154
Additions	—	20,964	5,891	4,495	15,931	154,446	201,727
Disposals/written-off	—	(21,591)	(3,687)	(4,398)	(13,329)	—	(43,005)
Effect of foreign currency exchange differences	—	(672)	49	36	53	—	(534)
As at 30 June 2018	802,945	904,234	124,811	167,778	613,385	1,227,189	3,840,342
<b>Accumulated depreciation and impairment</b>							
As at 1 January 2018	340,702	541,635	73,024	116,992	481,579	—	1,553,932
Charge for the period	14,294	60,774	6,985	9,058	24,228	—	115,339
Eliminated on disposals/written-off	—	(15,820)	(3,687)	(3,551)	(13,235)	—	(36,293)
Effect of foreign currency exchange differences	—	(624)	19	48	134	—	(423)
As at 30 June 2018	354,996	585,965	76,341	122,547	492,706	—	1,632,555
<b>Carrying values</b>							
As at 30 June 2018	447,949	318,269	48,470	45,231	120,679	1,227,189	2,207,787

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 16. PROPERTY AND EQUIPMENT – continued

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<u>Audited</u>							
<b>Cost</b>							
As at 1 January 2017	802,741	802,670	120,582	166,844	569,341	726,999	3,189,177
Additions	204	161,612	17,554	15,033	44,651	345,744	584,798
Disposals/written-off	—	(56,287)	(15,398)	(13,732)	(1,746)	—	(87,163)
Effect of foreign currency exchange differences	—	(2,462)	(180)	(500)	(1,516)	—	(4,658)
As at 31 December 2017	<u>802,945</u>	<u>905,533</u>	<u>122,558</u>	<u>167,645</u>	<u>610,730</u>	<u>1,072,743</u>	<u>3,682,154</u>
<b>Accumulated depreciation and impairment</b>							
As at 1 January 2017	312,116	495,338	75,202	112,336	432,747	—	1,427,739
Charge for the period	28,586	104,067	13,008	18,503	50,310	—	214,474
Eliminated on disposals/written-off	—	(56,167)	(15,039)	(13,554)	(223)	—	(84,983)
Effect of foreign currency exchange differences	—	(1,603)	(147)	(293)	(1,255)	—	(3,298)
As at 31 December 2017	<u>340,702</u>	<u>541,635</u>	<u>73,024</u>	<u>116,992</u>	<u>481,579</u>	<u>—</u>	<u>1,553,932</u>
<b>Carrying values</b>							
As at 31 December 2017	<u>462,243</u>	<u>363,898</u>	<u>49,534</u>	<u>50,653</u>	<u>129,151</u>	<u>1,072,743</u>	<u>2,128,222</u>

The carrying amount of 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 17. INVESTMENTS IN ASSOCIATES

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Cost of unlisted investments in associates	<b>1,741,072</b>	1,581,505
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>1,954,945</b>	1,823,014
	<b>3,696,017</b>	3,404,519
Unlisted investment in an associate at fair value through profit or loss (Note)	<b>120,187</b>	40,208
	<b>3,816,204</b>	3,444,727

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB120.19 million (31 December 2017: RMB 40.21 million) held through GF Xinde Capital Management Limited, a venture capital organization and an indirect wholly owned subsidiary, at fair value through profit or loss as the management measures the performance of this associate on a fair value basis as at 30 June 2018. Note 47 set out the valuation determination, including valuation techniques, key inputs and fair value information for the associate measured at fair value through profit or loss.

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

Name of associate	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30.6.2018	As at 31.12.2017	
易方達基金管理有限公司 E Fund Management Co., Limited. ("E Fund")	PRC 17 April 2001	<b>25.00%</b>	25.00%	Fund raising, fund selling, asset management, and other CSRC approved business

## 18. INVESTMENTS IN JOINT VENTURES

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Cost of unlisted investments in joint ventures	<b>958,950</b>	834,052
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>88,047</b>	97,910
	<b>1,046,997</b>	931,962

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

19. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Debt instruments at amortised cost</b>		
<b>Non-current</b>		
Debt securities	2,706,086	—
Entrusted loan	49,806	—
Secured loan receivables <sup>(i)</sup>	100,728	—
Asset management schemes launched by securities companies	866,610	—
	<u>3,723,230</u>	—
Less: impairment on debt instruments at amortised cost	17,391	—
	<u>3,705,839</u>	—
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(ii)</sup>	1,705,657	—
Unlisted	2,000,182	—
	<u>3,705,839</u>	—
<b>Current</b>		
Debt securities	5,196,685	—
Entrusted loan	32,552	—
Secured loan receivables <sup>(i)</sup>	1,834,525	—
Asset management schemes launched by securities companies	2,698,593	—
	<u>9,762,355</u>	—
Less: impairment on debt instruments at amortised cost	204,588	—
	<u>9,557,767</u>	—
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(ii)</sup>	5,109,725	—
Unlisted	4,448,042	—
	<u>9,557,767</u>	—
Total	<u>13,263,606</u>	—

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

19. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Debt instruments at fair value through other comprehensive income</b>		
<b>Current</b>		
Debt securities	68,164,670	—
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(ii)</sup>	26,641,086	—
Unlisted	41,523,584	—
	<u>68,164,670</u>	<u>—</u>
<b>Equity instruments at fair value through other comprehensive income</b>		
<b>Non-current</b>		
E-Capital Transfer Co., Ltd	80,000	—
China Securities Finance Co., Ltd. <sup>(iii)</sup>	10,967,461	—
	<u>11,047,461</u>	<u>—</u>
<b>Analysed as:</b>		
Unlisted	11,047,461	—
<b>Current</b>		
Jilin Aodong Pharmaceutical Group Co., Ltd.	778,759	—
LME shares	15,124	—
COMEX Seats	728	—
NYMEX Seats	1,839	—
CBOT Seats	4,472	—
	<u>800,922</u>	<u>—</u>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(ii)</sup>	793,883	—
Unlisted	7,039	—
	<u>800,922</u>	<u>—</u>
<b>Total</b>	<u><b>11,848,383</b></u>	<u><b>—</b></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

19. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Available-for-sale financial assets</b>		
<b>Non-current</b>		
Measured at fair value:		
Equity securities	—	668,839
Funds	—	70,679
Asset management schemes launched by securities companies <sup>(iv)</sup>	—	2,737,813
Others <sup>(iii)</sup>	—	11,439,925
Measured at cost less impairment:		
Equity securities <sup>(v)</sup>	—	3,222,042
	<u>—</u>	<u>18,139,298</u>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(ii)</sup>	—	668,839
Unlisted	—	17,470,459
	<u>—</u>	<u>18,139,298</u>
<b>Current</b>		
Measured at fair value:		
Debt securities	—	61,228,670
Equity securities	—	4,241,025
Funds	—	4,912,957
Asset management schemes launched by securities companies <sup>(iv)</sup>	—	3,546,718
Wealth management products launched by banks	—	48,800
Others	—	476,931
	<u>—</u>	<u>74,455,101</u>
<b>Analysed as:</b>		
Listed in Hong Kong	—	43,769
Listed outside Hong Kong <sup>(ii)</sup>	—	32,024,283
Unlisted	—	42,387,049
	<u>—</u>	<u>74,455,101</u>
<b>Total</b>	<u>—</u>	<u>92,594,399</u>

## 19. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

As at 31 December 2017, the impairment allowance for non-current available-for-sale financial assets is RMB373.90 million, among which amounted to RMB286.82 million is allowance for available-for-sale financial assets measured at cost less impairment.

As at 31 December 2017, the impairment allowance for current available-for-sale financial assets is RMB112.11 million.

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
<b>Loan and receivable investments</b>		
<b>Non-current</b>		
Secured loan receivables <sup>(i)</sup>	—	55,728
<b>Current</b>		
Asset management schemes <sup>(vi)</sup>	—	311,833
Secured loan receivables <sup>(i)</sup>	—	2,161,730
	—	2,473,563
Less: impairment on loan and receivable investments	—	50,154
	—	2,423,409
Total	—	2,479,137

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 19. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

As at 31 December 2017, the listed equity securities of the Group included approximately RMB1,770.87 million of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period.

As at 30 June 2018, the Group entered into securities lending arrangements with clients that resulted in the transfer of equity instruments at fair value through other comprehensive income with total fair values of RMB1.49 million (31 December 2017: transfer of available-for-sale financial assets with total fair values of RMB3.24 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair value of the Group's Debt instruments at FVTOCI, equity instruments at FVTOCI and available-for-sale financial assets are determined in the manner described in note 47.

- (i) As at 30 June 2018, the non-current secured loan receivables bear interest at 13% per annum and would be repaid within two years (31 December 2017: 12%), and the current secured loan receivables bear interest at 6.53% to 20% per annum and would be repaid within one year (31 December 2017: 3.5% to 13%)
- (ii) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.
- (iii) 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 (31 December 2017: RMB10,310.30 million).
- (iv) 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.
- (v) The unlisted equity investments held by the Group are issued by private companies in, among others, the manufacturing, energy technology, and medical or electronic communication sectors. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity investments are measured at cost less impairment as at 31 December 2017.
- (vi) As at 31 December 2017, the current asset management schemes bears interest at 10% per annum and would be repaid within one year.



## 19. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

### Debt instruments at amortised cost:

Movement of ECLs during the period is as follows:

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	<b>As at 31.12.2017 RMB'000 (audited)</b>
At 31 December 2017/1 January 2017	—	—
Impact on adopting IFRS 9	<b>183,548</b>	—
Impairment losses recognised	<b>48,617</b>	—
Reversal of impairment losses	<b>(10,727)</b>	—
Effect of foreign currency exchange differences	<b>541</b>	—
At 30 June 2018/31 December 2017	<b>221,979</b>	—

An analysis of the ECLs is, as follows:

	<b>As at 30.6.2018</b>			<b>Total RMB'000</b>
	<b>Stage 1 RMB'000</b>	<b>Stage 2 RMB'000</b>	<b>Stage 3 RMB'000</b>	
ECLs	<b>42,897</b>	<b>12,104</b>	<b>166,978</b>	<b>221,979</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 19. FINANCIAL INSTRUMENTS OTHER THAN THOSE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

Debt instruments at fair value through other comprehensive income:

Movement of ECLs during the period is as follows:

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
At 31 December 2017/1 January 2017	—	—
Impact on adopting IFRS 9	95,083	—
Impairment losses recognised	96,220	—
Reversal of impairment losses	(56,958)	—
Effect of foreign currency exchange differences	1,444	—
	<u>135,789</u>	<u>—</u>
At 30 June 2018/31 December 2017	<u>135,789</u>	<u>—</u>

An analysis of the ECLs is, as follows:

	<b>As at 30.6.2018</b>			<b>Total RMB'000</b>
	<b>Stage 1 RMB'000</b>	<b>Stage 2 RMB'000</b>	<b>Stage 3 RMB'000</b>	
ECLs	<u>109,315</u>	<u>—</u>	<u>26,474</u>	<u>135,789</u>

Available-for-sale financial assets:

Movement of impairment allowance during the period is as follows:

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
At 31 December 2017/1 January 2017	—	348,441
Impairment losses recognised	—	324,681
Reversal of impairment losses	—	(901)
Amounts written off as uncollectible	—	(186,575)
Effect of foreign currency exchange differences	—	361
	<u>—</u>	<u>361</u>
At 30 June 2018/31 December 2017	<u>—</u>	<u>486,007</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-Current</b>		
Financial assets held for trading and financial assets measured at FVTPL <sup>(i)</sup> :		
Listed equity securities	479,890	—
Unlisted equity instruments	4,399,415	—
Funds	184,604	—
Convertible debt instruments	320,482	—
Redeemable convertible preference shares	541,445	—
Asset management schemes launched by securities companies <sup>(ii)</sup>	1,348,253	—
	<u>7,274,089</u>	<u>—</u>
Analysed as:		
Listed outside Hong Kong <sup>(iv)</sup>	479,890	—
Unlisted <sup>(v)</sup>	6,794,199	—
	<u>7,274,089</u>	<u>—</u>
Financial asset designated at fair value through profit or loss:		
Convertible debt instruments	—	326,959
Redeemable convertible preference shares	—	193,822
Equity investments	—	758,871
	<u>—</u>	<u>1,279,652</u>
Analysed as:		
Unlisted <sup>(v)</sup>	—	1,279,652
	<u>—</u>	<u>1,279,652</u>
Total Non-Current	<u>7,274,089</u>	<u>1,279,652</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Current</b>		
Financial assets held for trading and financial assets measured at FVTPL <sup>(i)</sup> :		
Debt securities	35,914,181	39,879,976
Listed equity securities	8,326,296	4,878,587
Funds	14,137,556	10,011,710
Convertible debt instruments	91,591	—
Exchangeable debt instruments	59,078	—
Asset management schemes launched by securities companies <sup>(ii), (iii)</sup>	2,297,950	3,162,926
Wealth management products launched by banks <sup>(iii)</sup>	721,296	805,261
Other investments <sup>(iii)</sup>	3,396,132	3,000,723
	<u>64,944,080</u>	<u>61,739,183</u>
Analysed as:		
Listed in Hong Kong	1,694,877	1,018,527
Listed outside Hong Kong <sup>(iv)</sup>	21,003,651	21,275,950
Unlisted <sup>(v)</sup>	42,245,552	39,444,706
	<u>64,944,080</u>	<u>61,739,183</u>
Financial asset designated at fair value through profit or loss:		
Convertible debt instruments	—	120,000
Exchangeable debt instruments	—	59,880
	<u>—</u>	<u>179,880</u>
Analysed as:		
Unlisted <sup>(v)</sup>	—	179,880
	<u>—</u>	<u>179,880</u>
Total Current	<u>64,944,080</u>	<u>61,919,063</u>
Total	<u>72,218,169</u>	<u>63,198,715</u>

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

As at 30 June 2018, the listed equity securities of the Group included approximately RMB832.70 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 30 June 2018, the Group entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss (including equity securities and exchange traded funds) with total fair values of RMB520.65 million (31 December 2017: RMB554.48 million) to clients. These securities continued to be recognized as financial assets of the Group.

Fair value of the Group's financial assets at fair value through profit or loss are determined in the manner described in note 47.

- (i) During the period, the Group classifies the following financial assets at fair value through profit or loss: debt instruments that do not qualify for measurement at either amortised cost or FVTOCI; equity instruments that are held for trading, and equity instruments for which the group has not elected to recognise fair value gains and losses through OCI.

In 2017, the Group classified financial assets at FVTPL if they were acquired principally for the purpose of selling in the short term, i.e. are held for trading. The Group also designated financial assets at FVTPL if

- i) such designation eliminated or significantly reduced measurement or recognition inconsistency that would otherwise arise; or
- ii) 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
- iii) 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

- (ii) The Group has committed to hold some of its investments in asset management schemes launched and managed by the Group for specified periods or till the end of the investment period, the amount of which is RMB1,143.89 million as at 30 June 2018.
- (iii) The investments represent investments in asset management schemes and other wealth management products launched and managed by the Group and other financial institutions. The Group's interest in these asset management schemes managed by the Group is not individually significant.
- (iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.
- (v) Unlisted securities mainly comprise of unlisted funds, debt securities traded on Interbank Bond Market, unlisted equity instruments, convertible debt instruments, exchangeable debt instruments, Redeemable convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.

### 21. ADVANCES TO CUSTOMERS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-current</b>		
Restricted equity incentive financing	348,774	354,494
Less: Impairment on advances to customers	957	—
	<u>347,817</u>	<u>354,494</u>
<b>Current</b>		
Loans to margin clients	54,885,306	61,130,067
Restricted equity incentive financing	205,978	334,433
Less: Impairment on advances to customers	110,034	68,803
	<u>54,981,250</u>	<u>61,395,697</u>
Total	<u><u>55,329,067</u></u>	<u><u>61,750,191</u></u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

**21. ADVANCES TO CUSTOMERS – continued**

As at 30 June 2018, the overall advances to customers have been assessed for impairment on a forward looking approach in accordance with the policies as set out in note 2.

As at 31 December 2017, the overall advances to customers have been assessed for impairment on a collective assessment basis, which are based on the evaluation of probability of default, loss given default, risk exposure of accounts and management's judgement, including the current credit worthiness and the past collection statistics of individual accounts or a portfolio of accounts in view of the overall loan balance and economic condition.

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

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
At 31 December 2017/1 January 2017	68,803	90,629
Impact on adopting IFRS 9	77,346	—
Impairment losses recognised	—	18
Reversal of impairment losses	(34,507)	(21,835)
Effect of foreign currency exchange differences	(651)	(9)
At 30 June 2018/31 December 2017	<u>110,991</u>	<u>68,803</u>

An analysis of the ECLs is, as follows:

	<b>As at 30.6.2018</b>			<b>Total RMB'000</b>
	<b>Stage 1 RMB'000</b>	<b>Stage 2 RMB'000</b>	<b>Stage 3 RMB'000</b>	
ECLs	<u>55,061</u>	<u>19,607</u>	<u>36,323</u>	<u>110,991</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 22. ACCOUNTS RECEIVABLE

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Accounts receivable from/related to:</b>		
<b>Current</b>		
Commission and fee	1,195,800	1,208,758
Brokers	2,759,495	1,153,743
Deposit for investment funds redemption	71,200	321,200
Cash clients	297,025	177,629
Clearing house	60,792	134,460
Others	1,055,187	567,034
	<u>5,439,499</u>	<u>3,562,824</u>
Less: allowance for ECL/allowance for doubtful debts	83,224	70,271
	<u>5,356,275</u>	<u>3,492,553</u>

The following is an aged analysis of accounts receivable net of allowance for ECL/allowance for doubtful debts:

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Current</b>		
Within 1 year	5,254,625	3,392,394
Between 1 and 2 years	64,975	69,215
Between 2 and 3 years	10,949	3,993
More than 3 years	25,726	26,951
	<u>5,356,275</u>	<u>3,492,553</u>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 22. ACCOUNTS RECEIVABLE – continued

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

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
At 31 December 2017/1 January 2017	70,271	46,237
Impact on adopting IFRS 9	8,484	—
Impairment losses recognised	5,160	27,477
Reversal of impairment losses	(481)	(37)
Amounts written off as uncollectible	—	(3,406)
Effect of foreign currency exchange differences	(210)	—
	<u>83,224</u>	<u>70,271</u>

## 23. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-current</b>		
Other receivables	14,930	—
Entrusted loan	—	44,529
	<u>14,930</u>	<u>44,529</u>
Less: allowance for ECL/allowance for doubtful debts	—	222
	<u>14,930</u>	<u>44,307</u>
<b>Current</b>		
Interest receivable	3,197,197	2,934,832
Other receivables	372,477	242,326
Dividends receivables	8,061	12,145
Entrusted loan	—	15,048
Others	410,605	102,620
	<u>3,988,340</u>	<u>3,306,971</u>
Less: allowance for ECL/allowance for doubtful debts	14,202	6,516
	<u>3,974,138</u>	<u>3,300,455</u>
<b>Total</b>	<u>3,989,068</u>	<u>3,344,762</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

23. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

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

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	<b>As at 31.12.2017 RMB'000 (audited)</b>
At 31 December 2017/1 January 2017	6,738	57,669
Impact on adopting IFRS 9	5,010	—
Impairment losses recognised	3,586	6,930
Reversal of impairment losses	(93)	(675)
Amounts written off as uncollectible	(1,053)	(57,125)
Effect of foreign currency exchange differences	14	(61)
At 30 June 2018/31 December 2017	<b>14,202</b>	<b>6,738</b>

24. FINANCIAL LEASING RECEIVABLES

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	<b>As at 31.12.2017 RMB'000 (audited)</b>
Analysis as:		
Current assets	1,590,240	1,276,258
Non-Current assets	3,103,409	2,818,433
	<b>4,693,649</b>	<b>4,094,691</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 24. FINANCIAL LEASING RECEIVABLES – continued

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

	As at 30.6.2018		As at 31.12.2017	
	Minimum lease payments RMB'000 (unaudited)	Present value RMB'000 (unaudited)	Minimum lease payments RMB'000 (audited)	Present value RMB'000 (audited)
Within 1 year	1,815,415	1,602,480	1,459,339	1,282,974
1~5 years	3,425,616	3,124,651	3,115,428	2,833,265
Total	5,241,031	4,727,131	4,574,767	4,116,239
Less: unrealized finance income	513,900	N/A	458,528	N/A
Balance of financial leasing receivables	4,727,131	4,727,131	4,116,239	4,116,239
Less: allowance for ECL/allowance for impairment	33,482	33,482	21,548	21,548
Financial leasing receivables, net	4,693,649	4,693,649	4,094,691	4,094,691

As at 30 June 2018, the effective interest rate is ranging from 5% to 9% (31 December 2017: 5% to 9%) per annum.

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

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
At 31 December 2017/1 January 2017	21,548	11,961
Impact on adopting IFRS 9	1,834	—
Impairment losses recognised	10,100	9,587
At 30 June 2018/31 December 2017	33,482	21,548

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 24. FINANCIAL LEASING RECEIVABLES – continued

An analysis of the ECLs is, as follows:

	As at 30.6.2018			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
ECLs	33,482	—	—	33,482

### 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-current</b>		
Analysed by collateral type:		
Stock <sup>(i)</sup>	8,156,471	8,879,519
Bond <sup>(ii)</sup>	1,188,275	—
Less: impairment on financial assets held under resale agreements	45,669	33,414
	<u>9,299,077</u>	<u>8,846,105</u>
Analysed by market:		
Stock exchanges	8,110,802	8,846,105
Over the counter	1,188,275	—
	<u>9,299,077</u>	<u>8,846,105</u>
<b>Current</b>		
Analysed by collateral type:		
Stock <sup>(i)</sup>	19,079,314	18,776,434
Bond <sup>(ii)</sup>	10,294,214	6,115,465
Less: impairment on financial assets held under resale agreements	133,482	70,602
	<u>29,240,046</u>	<u>24,821,297</u>
Analysed by market:		
Stock exchanges	19,604,862	19,680,792
Interbank bond market	9,580,346	5,140,505
Over the counter	54,838	—
	<u>29,240,046</u>	<u>24,821,297</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – *continued*

- (i) The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The fair value of the stock collateral is amounted to RMB65,803.54 million as at 30 June 2018 (31 December 2017: RMB73,738.10 million).
- (ii) Mainly for inter-bank pledged resale agreement and inter-bank outright resale agreement, and the fair value of collateral collected and underlying assets transferred to Group is amounted to RMB12,162.75 million as at 30 June 2018 (31 December 2017: RMB6,331.81 million).

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

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
At 31 December 2017/1 January 2017	104,016	76,604
Impact on adopting IFRS 9	40,552	—
Impairment losses recognised	<u>34,583</u>	<u>27,412</u>
At 30 June 2018/31 December 2017	<u><u>179,151</u></u>	<u><u>104,016</u></u>

An analysis of the ECLs is, as follows:

	<b>As at 30.6.2018</b>			<b>Total RMB'000</b>
	<b>Stage 1 RMB'000</b>	<b>Stage 2 RMB'000</b>	<b>Stage 3 RMB'000</b>	
ECLs	<u>149,821</u>	<u>778</u>	<u>28,552</u>	<u>179,151</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 26. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30.6.2018		As at 31.12.2017	
	Assets RMB'000 (unaudited)	Liabilities RMB'000 (unaudited)	Assets RMB'000 (audited)	Liabilities RMB'000 (audited)
<b>Interest rate derivatives</b>				
– Interest rate swaps <sup>(i)</sup>	1,450,331	789,782	225,513	229,225
– Interest rate options <sup>(ii)</sup>	123	1,280	3,689	30,723
<b>Currency derivatives</b>				
– Currency swaps <sup>(iii)</sup>	7,311	2,050	—	—
– Currency forward <sup>(iv)</sup>	5,226,649	4,604,752	780	775
– Currency options <sup>(v)</sup>	12,595,689	14,793,070	5,192,191	5,113,361
<b>Equity derivatives</b>				
– Stock index futures <sup>(vi)</sup>	7,794	16,742	126	493
– Over-the-counter options <sup>(vii)</sup>	21,146	23,463	7,227	50,736
– Structured notes <sup>(viii)</sup>	—	2,308	—	2,378
– Exchange-traded options <sup>(ix)</sup>	37,819	15,635	10,661	9,954
<b>Others</b>				
– Treasury bond futures <sup>(x)</sup>	—	899	7,902	—
– Commodity futures <sup>(x)</sup>	—	—	—	—
– Credit default swaps <sup>(xi)</sup>	759	657,670	—	1,434
– Variance swaps <sup>(xii)</sup>	367,260	209,526	—	—
– Others	1,253	1,235	2,653	34
	<b>19,716,134</b>	<b>21,118,412</b>	<b>5,450,742</b>	<b>5,439,113</b>

- (i) Interest rate swaps: the notional principal amounts of the Group's interest rate swaps contracts as at 30 June 2018 were RMB346,062.81 million (31 December 2017: RMB80,625.50 million).
- (ii) Interest rate options: the notional principal amounts of the Group's interest rate option contracts were RMB25,625.73 million as at 30 June 2018 (31 December 2017: RMB74,677.52 million).
- (iii) Currency swaps: the notional principal amounts of the Group's currency swaps were RMB2,262.30 million as at 30 June 2018 (31 December 2017: nil).

**26. DERIVATIVE FINANCIAL INSTRUMENTS – continued**

- (iv) Currency forward: the notional principal amounts of the Group's currency forward were RMB238,698.01 million as at 30 June 2018 (31 December 2017: RMB895.46 million).
- (v) Currency options: the notional principal amount of the Group's currency options was RMB1,701,500.62 million as at 30 June 2018 (31 December 2017: RMB630,813.12 million).
- (vi) Stock index futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC stock index futures (including the "PRC SIF", "PRC SIH" and "PRC SIC") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2018 and 31 December 2017. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the period end date. Balances as at 30 June 2018 are the unrealized profits and losses from stock index futures in U.S, HK, Japan, Korea and Singapore. The notional principal amounts of the Group's foreign stock index futures contracts were RMB770.23 million as at 30 June 2018 (31 December 2017: RMB144.20 million).
- (vii) Over-the-counter options: the notional principal amounts of the Group's over-the-counter options contracts were RMB5,725.47 million as at 30 June 2018 (31 December 2017: RMB14,104.34 million).
- (viii) The amount represents the fair value of embedded derivatives of structured notes, details set out in note 33 and 40.
- (ix) Exchange-traded options: the notional principal amounts of the Group's exchange-traded options contracts were RMB5,796.60 million as at 30 June 2018 (31 December 2017: RMB1,090.87 million).
- (x) 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 position in treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2018 and 31 December 2017. Accordingly, the net position of the treasury bond future contracts and commodity futures contracts in PRC was nil at the period end date. Balances as at 30 June 2018 are the unrealized losses from treasury bond futures in Hong Kong.
- (xi) Credit default swaps: the notional principal amounts of the Group's credit default swaps were RMB855.80 million as at 30 June 2018 (31 December 2017: RMB1,306.88 million).
- (xii) Variance swaps: the notional principal amounts of the Group's variance swaps were RMB63,993.64 million as at 30 June 2018 (31 December 2017: nil).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 27. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
Deposits with stock exchanges:		
Shanghai Stock Exchange	297,675	299,480
Shenzhen Stock Exchange	97,262	94,336
Hong Kong Stock Exchange	36,795	22,313
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	127,305	49,393
Shanghai Futures Exchange	1,023,961	1,255,636
Zhengzhou Commodity Exchange	470,363	307,447
Dalian Commodity Exchange	772,802	728,371
China Financial Futures Exchange	1,430,089	1,178,446
Intercontinental Exchange, Inc.	135,730	119,465
China Securities Finance Corporation Limited	1,585,811	40,857
Shanghai Clearing House	106,959	97,983
Guarantee fund paid to China Financial Futures Exchange	20,115	20,114
China Beijing Equity Exchange	2,906	3,893
LME Clear Limited	163,295	138,666
Brokers	672,884	342,469
Others	26,636	1,884
	<b>6,970,588</b>	<b>4,700,753</b>

### 28. CLEARING SETTLEMENT FUNDS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
Clearing settlement funds held with clearing houses for:		
House accounts	3,662,266	3,339,656
Clients	15,241,466	14,313,292
	<b>18,903,732</b>	<b>17,652,948</b>

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



## Notes to the Condensed Consolidated Financial Statements

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## 29. BANK BALANCES

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Bank balances:		
House accounts	<b>16,508,658</b>	8,389,754
Cash held on behalf of customers <sup>(i)</sup>	<b>46,328,096</b>	48,356,454
	<b><u>62,836,754</u></b>	<b><u>56,746,208</u></b>

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

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

## 30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Bank balances - house	<b>16,508,658</b>	8,389,754
Clearing settlement funds - house	<b>3,662,266</b>	3,339,656
	<b><u>20,170,924</u></b>	<b><u>11,729,410</u></b>

Cash and cash equivalent includes bank deposits with original maturity of more than three months held by the Group. As at 30 June 2018, bank deposits with original maturity of more than three months, which can be withdrawn on demand without prior notice to banks, held by the Group were RMB2,355.00 million (31 December 2017: RMB1,497.00 million).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 31. DEFERRED TAXATION

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

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Deferred tax assets	<b>853,390</b>	428,496
Deferred tax liabilities	<b>(101,940)</b>	(88,441)
	<b>751,450</b>	340,055

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

	Financial instruments at fair value through profit or loss/ derivatives RMB'000	Financial instruments at fair value through other comprehensive income RMB'000	Accrued staff cost RMB'000	Available- for-sale financial assets RMB'000	Allowance for impairment losses RMB'000	Property and equipment RMB'000	Others RMB'000	Total RMB'000
Audited								
At 1 January 2017	(190,745)	—	1,091,382	(370,442)	107,276	(20,117)	34,705	652,059
Charge/(credit) to profit or loss	97,982	—	(172,191)	30,279	59,077	984	21,724	37,855
Charge/(credit) to other comprehensive income	236	—	—	(350,099)	—	—	4	(349,859)
At 31 December 2017	<u>(92,527)</u>	<u>—</u>	<u>919,191</u>	<u>(690,262)</u>	<u>166,353</u>	<u>(19,133)</u>	<u>56,433</u>	<u>340,055</u>
Unaudited								
At 31 December 2017	(92,527)	—	919,191	(690,262)	166,353	(19,133)	56,433	340,055
Impact on adopting IFRS 9	(151,916)	(477,279)	—	690,262	(34,115)	—	—	26,952
At 1 January 2018	(244,443)	(477,279)	919,191	—	132,238	(19,133)	56,433	367,007
Charge/(credit) to profit or loss	264,795	—	18,724	—	24,003	492	(13,824)	294,190
Charge/(credit) to other comprehensive income	(3,433)	90,893	—	—	—	—	2,793	90,253
At 30 June 2018	<u>16,919</u>	<u>(386,386)</u>	<u>937,915</u>	<u>—</u>	<u>156,241</u>	<u>(18,641)</u>	<u>45,402</u>	<u>751,450</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 32. BORROWINGS

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Secured short-term bank loans <sup>(i)</sup>	<b>1,073,891</b>	2,098,537
Unsecured short-term bank loans <sup>(ii)</sup>	<b>6,504,806</b>	5,250,999
	<b><u>7,578,697</u></b>	<u>7,349,536</u>

- (i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 30 June 2018, the total market value of securities pledged amounted to RMB3,460.89 million (31 December 2017: RMB4,276.24 million) and the credit facilities utilised is RMB337.94 million (31 December 2017: RMB1,853.54 million) which bear interest rates of HIBOR+1.00% or cost of fund rate of lending bank+1.10% (31 December 2017: HIBOR+1.15% to HIBOR+1.25% or cost of fund rate of lending bank+1.25%) per annum.

The Group obtained several short-term loans amounted to RMB535.95 million (31 December 2017: RMB245.00 million) secured by rights and interests in financial leasing receivables. The loans bear fixed interest rates ranging from 6.00% to 7.00% (31 December 2017: 6.00% to 6.41%).

- (ii) As at 30 June 2018, the Group's unsecured short-term bank loans bear fixed interest rates ranging from 2.00% to 6.96% (31 December 2017: 4.79% to 5.66%), or variable interest rates ranging from HIBOR+1.30% to HIBOR+1.70% or LIBOR+0.65% to LIBOR+1.70% or cost of fund rate of lending bank+1.40% or prime rate+8.00% (31 December 2017: HIBOR+1.30% to HIBOR+2.09% or LIBOR+0.65% to LIBOR+1.60% or cost of fund rate of lending bank+1.40%).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 33. SHORT-TERM FINANCING PAYABLES

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Unsecured and unguaranteed:		
Short-term bond payables (Note 1)	<b>18,200,000</b>	17,600,000
Principals of structured notes (Note 2)	<b>7,323,240</b>	7,501,447
	<b><u>25,523,240</u></b>	<u>25,101,447</u>

Note 1: Short-term bond payables

The details of short-term bond payables as at 30 June 2018 are as follow:

Name	Issue amount RMB'000	Issue date	Maturity date	Coupon rate
GF1706	3,000,000	11/09/2017	13/09/2018	4.85%
GF1707	2,200,000	03/11/2017	07/11/2018	5.07%
GF1801	3,000,000	08/03/2018	12/03/2019	5.30%
GF1802	3,000,000	17/05/2018	21/05/2019	4.85%
GF1803	5,000,000	25/05/2018	24/04/2019	4.83%
GF1804	2,000,000	08/06/2018	08/05/2019	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 condensed consolidated financial statements after being bifurcated from their respective host contracts.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 34. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-Current</b>		
Financial liabilities held for trading		
Equity return swaps	478,857	456,168
Analysed as:		
Unlisted	478,857	456,168
<b>Current</b>		
Financial liabilities held for trading		
Bonds	—	1,659,502
Stocks	324,258	183,235
Funds	60,433	151,837
	384,691	1,994,574
Analysed as:		
Listed in Hong Kong	262,672	136,774
Listed outside Hong Kong	122,019	198,298
Unlisted	—	1,659,502
	384,691	1,994,574
Total	863,548	2,450,742

Fair value of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 47.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

35. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

As at 30 June 2018, accounts payable to brokerage clients of approximately RMB6,599.83 million (31 December 2017: RMB5,554.65 million) were related to margin deposits and cash collateral received from clients for margin financing and securities lending arrangements.

36. ACCRUED STAFF COSTS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-Current</b>		
Other long-term benefits	<u>2,597,404</u>	<u>2,597,404</u>
<b>Current</b>		
Salaries, bonus and allowances	2,130,205	4,384,765
Short-term social welfare	871	1,037
Defined contribution plans	2,948	2,257
Others	<u>53,887</u>	<u>64,850</u>
	<u>2,187,911</u>	<u>4,452,909</u>
Total	<u><u>4,785,315</u></u>	<u><u>7,050,313</u></u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 37. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-current</b>		
Deposits of financial leasing business	120,910	80,050
<b>Current</b>		
Interest payable	2,278,786	1,937,695
Payables for open-ended fund clearing and other clearing	2,150,281	947,043
Payable to R&F <sup>(i)</sup>	692,518	692,518
Other taxes	396,872	382,514
Commission payable and related accrued expenses for sale of funds	406,394	341,550
Accrued expenses	156,622	174,263
Futures risk reserve	122,565	117,391
Block trade deposits	100,000	100,000
Funds risk reserve	119,934	98,319
Payables for equipment purchases	71,509	70,219
Payables for securities investor protection fund and futures investor protection fund	41,599	57,432
Project quality deposits <sup>(ii)</sup>	40,000	40,000
Deposits of equity return swaps	48,020	13,821
Dividends payable	3,080,456	—
Others	281,900	169,877
	<b>9,987,456</b>	<b>5,142,642</b>
<b>Total</b>	<b>10,108,366</b>	<b>5,222,692</b>

- (i) The balance represents the construction expenditure of GF Securities Tower which was paid by Guangzhou R&F Properties Corporation Co., Ltd. ("R&F") on behalf of the Company.
- (ii) The balances represent the project quality deposits from R&F which is the construction agent of the GF Securities Tower, to ensure the construction quality of the GF Securities Tower.

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38. OTHER LIABILITIES

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-current</b>		
Third-party interests in consolidated asset management schemes	<u>547,583</u>	<u>226,291</u>
<b>Current</b>		
Third-party interests in consolidated asset management schemes and funds	<u>9,874,222</u>	<u>11,638,550</u>
Total	<u><b>10,421,805</b></u>	<u><b>11,864,841</b></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.



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## 39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-Current</b>		
Analysed by collateral type:		
Rights and interests in financial leasing receivables	—	41,250
Analysed by market:		
Over the counter	—	41,250
<b>Current</b>		
Analysed by collateral type:		
Bonds <sup>(i)</sup>	64,797,867	51,850,051
Rights and interests in financial leasing receivables	99,750	58,500
Gold leasing <sup>(ii)</sup>	823,470	3,415,840
Others	120,980	150,767
	<b>65,842,067</b>	<b>55,475,158</b>
Analysed by market:		
Stock exchanges	33,537,045	28,015,069
Interbank bond market	29,633,520	23,985,749
Shanghai gold exchange	823,470	3,415,840
Over the counter	1,848,032	58,500
	<b>65,842,067</b>	<b>55,475,158</b>
<b>Total</b>	<b>65,842,067</b>	<b>55,516,408</b>

- (i) As at 30 June 2018, included in the balance is an amount of RMB18,130.89 million (31 December 2017: RMB13,249.61 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 RMB18,928.26 million (31 December 2017: RMB14,719.53 million).
- (ii) As at 30 June 2018, the fair value of gold transferred which is from leasing and is not recognised in the consolidated financial statements, is RMB802.14 million (31 December 2017: RMB3,336.06 million).

## Notes to the Condensed Consolidated Financial Statements

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### 40. BONDS PAYABLE

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
Unsecured and unguaranteed:		
<b>Non-current</b>		
Corporate bonds (Note 1)	37,985,596	33,485,127
Subordinated bonds (Note 1)	18,500,000	28,500,000
Structured notes (Note 2)	289,121	162,751
	<u>56,774,717</u>	<u>62,147,878</u>
<b>Current</b>		
Corporate bonds (Note 1)	—	2,999,503
Subordinated bonds (Note 1)	10,000,000	5,000,000
Structured notes (Note 2)	2,744,353	2,525,340
	<u>12,744,353</u>	<u>10,524,843</u>
<b>Total</b>	<u><u>69,519,070</u></u>	<u><u>72,672,721</u></u>

Note 1: Details of bonds as of 30 June 2018 are as follows:

Name	Issue amount RMB'000	Issue date	Maturity date	Coupon rate
Corporate bonds				
13GF03	9,000,000	17/06/2013	17/06/2023	5.10%
16GF08	3,000,000	16/11/2016	18/11/2019	3.45%
17GF01	6,000,000	09/05/2017	11/05/2020	4.60%
17GF02	6,000,000	24/07/2017	26/07/2020	4.50%
17GF03	3,500,000	11/08/2017	15/08/2020	4.84%
17GF04	3,000,000	24/08/2017	28/08/2020	4.95%
17GF05	3,000,000	21/09/2017	25/09/2019	5.00%
18GF01	4,500,000	25/04/2018	27/04/2021	4.60%
Subordinated bonds				
16GF03	5,000,000	20/06/2016	21/06/2021	3.70%
16GF04	5,000,000	15/07/2016	19/07/2018	3.35%
16GF05	5,000,000	15/08/2016	17/08/2018	3.03%
16GF06	4,000,000	25/08/2016	29/08/2019	3.30%
16GF07	4,000,000	12/09/2016	14/09/2019	3.50%
17GFC1	3,500,000	18/10/2017	20/10/2020	5.09%
17GFC2	2,000,000	26/10/2017	30/10/2019	5.10%

Note 2: Structured notes

The amounts represent principals received from investors for subscription of structured notes issued by the Company. As at 30 June 2018, the undue structured notes bear fixed interest rate ranging from 4.45% to 5.10% per annum (31 December 2017: 4.65% to 5.35%). Structured notes maturing within one year as at 30 June 2018 amounted to RMB2,744.35 million (31 December 2017: RMB2,525.34 million) are classified under current liability.

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## 41. LONG-TERM LOANS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Non-Current</b>		
Unsecured long-term loans <sup>(i)</sup>	2,384,440	2,275,160
Secured long-term loans <sup>(ii)</sup>	1,833,441	1,502,957
	<u>4,217,881</u>	<u>3,778,117</u>
<b>Current</b>		
Unsecured long-term loans <sup>(i)</sup>	186,000	116,000
Secured long-term loans <sup>(ii)</sup>	1,056,854	631,375
	<u>1,242,854</u>	<u>747,375</u>
<b>Total</b>	<u><u>5,460,735</u></u>	<u><u>4,525,492</u></u>

- (i) As at 30 June 2018, the syndicated loan amounting to RMB2,023.44 million (31 December 2017: RMB2,006.16 million) carries interest at variable interest rate of HIBOR+2.09% (31 December 2017: HIBOR +2.09%) per annum, and the interest is repayable monthly and the principal is repayable within two years. The remaining unsecured loans amounted to RMB547.00 million (31 December 2017: RMB385.00 million). The loans bear fixed interest rate from 4.75% to 6.00% (31 December 2017: 4.75% to 4.85%) per annum, with principals amounted to RMB186.00 million (31 December 2017: RMB116.00 million) due within one year, principals amounted to RMB216.00 million (31 December 2017: RMB131.00 million) due within two years, and the remaining due within five years.
- (ii) As at 30 June 2018, the Group obtained several long-term loans amounting to RMB2,890.29 million (31 December 2017: RMB2,134.33 million) which are secured by rights and interests in financial leasing receivables. The loans bear fixed interest rate ranging from 4.75% to 7.36% (31 December 2017: 4.75% to 6.65%) per annum, with principals amounted to RMB1,056.85 million (31 December 2017: RMB631.38 million) due within one year, principals amounted to RMB897.20 million (31 December 2017: RMB544.79 million) due within two years, and the remaining due within five years.

## 42. DIVIDENDS

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
Dividends recognised as distribution	<u>3,048,435</u>	<u>2,667,381</u>

Pursuant to the resolution of the shareholders meeting held on 29 June 2018, the Company distributed cash dividends of RMB4.0 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB 3.05 billion in total for the year ended 31 December 2017.

Pursuant to the resolution of the shareholders meeting held on 10 May 2017, the Company distributed cash dividends of RMB3.50 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB 2.67 billion in total for the year ended 31 December 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

43. RELATED PARTY TRANSACTIONS

(1) Shareholders

**Holding equity interest in shareholders and their subsidiaries**

	As at 30.6.2018		As at 31.12.2017	
	Number of shares /bonds RMB'000 (unaudited)	Carrying amount RMB'000 (unaudited)	Number of shares /bonds RMB'000 (audited)	Carrying amount RMB'000 (audited)
<b>Available-for-sale financial assets - stocks</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	—	—	43,312	974,531
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
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	—	—	86	1,447
<b>Available-for-sale financial assets - bonds</b>				
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	—	—	1,000	97,914
<b>Financial assets as FVTPL - stocks</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	118	2,121	118	2,655
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	—	—
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	59	890	59	1,037
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	3,958	62,136	3,641	61,284

43. RELATED PARTY TRANSACTIONS – *continued*(1) Shareholders – *continued***Holding equity interest in shareholders and their subsidiaries – *continued***

	As at 30.6.2018		As at 31.12.2017	
	Number of shares /bonds RMB'000 (unaudited)	Carrying amount RMB'000 (unaudited)	Number of shares /bonds RMB'000 (audited)	Carrying amount RMB'000 (audited)
<b>Financial assets as FVTPL - bonds</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	1,028	100,378	—	—
<b>Financial assets as FVTOCI - stocks</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	43,312	778,759	—	—
<b>Financial assets as FVTOCI - bonds</b>				
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	1,000	98,539	—	—

\* English translated name is for identification purpose only.

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

**Cash dividends arising from equity interests in shareholders and their subsidiaries**

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.	13,029	10,022
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.	1,828	3,690

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 43. RELATED PARTY TRANSACTIONS – continued

#### (1) Shareholders – continued

##### Transactions with a shareholder

中山公用事業集團股份有限公司  
– Zhongshan Public Utilities Group Co., Ltd.

##### Six months ended 30 June

2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>3,642</b>	—

#### (2) Other related parties

##### Transactions with associates/joint ventures

##### **Commission and fee income**

易方達基金管理有限公司  
– E Fund Management Co., Ltd. **21,163** 14,766  
中證信用增進股份有限公司  
– China Securities Credit Investment Co., Ltd. \* — 858  
珠海廣發信德環保產業投資基金合夥企業 (有限合夥)  
– Zhuhai GF Xinde Environment Protection  
Industry Investment Fund Partnership L.P.\* **5,447** 5,606  
廣州廣發信德一期互聯網改造傳統產業投資企業 (有限合夥)  
– Guangzhou GF Xinde Internet Reforming  
Traditional Industry Investment Partnership L.P. No.1\* **1,368** 1,368  
廣州廣發信德一期健康產業投資企業 (有限合夥)  
– Guangzhou GF Xinde Healthcare Industrial  
Investment Partnership L.P. No.1\* **2,849** 2,849  
廣發信德 (珠海) 醫療產業投資中心 (有限合夥)  
– GF Xinde (Zhuhai) Medical Industrial  
Investment Center L.P.\* **8,395** 8,395

##### Six months ended 30 June

2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>21,163</b>	14,766
—	858
<b>5,447</b>	5,606
<b>1,368</b>	1,368
<b>2,849</b>	2,849
<b>8,395</b>	8,395

\* English translated name is for identification purpose only.

43. RELATED PARTY TRANSACTIONS – *continued*(2) Other related parties – *continued***Transactions with associates/joint ventures – *continued***

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>Commission and fee income (continued)</b>		
廣發信德匯金 (龍岩) 股權投資合夥企業 (有限合夥) – GF XindeHuijin (Longyan) Equity Investment Partnership L.P. *	11,050	—
廣州信德創業營股權投資合夥企業 (有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P. *	3,532	—
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. *	1,544	—
珠海廣發信德工場文化傳媒產業股權投資基金 (有限合夥) – Zhuhai GF Xinde Factory Culture Media Industry Equity Investment Fund L.P. *	920	—
珠海廣發信德科技文化產業股權投資基金 (有限合夥) – Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.*	5,283	3,999
廣州南鑫珠海港股權投資合夥企業(有限合夥) – Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.*	943	—
廣東金融高新區股權交易中心有限公司 – Guangdong Equity Exchange Co., Ltd.*	96	199
珠海中兵廣發投資基金管理有限公司 – Zhuhai Norinco GF Investment Fund Management Co. Ltd.*	—	474
	<b>404</b>	<b>—</b>
<b>Interest expense</b>	<b>83</b>	<b>—</b>
– Global Health Science Fund I, L.P.		
– Horizon Partners Fund, L.P.		

\* English translated name is for identification purpose only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

43. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

**Transactions with associates/joint ventures – *continued***

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Other operating expenses</b>		
廣發鈞策海外投資基金管理 (上海) 有限公司		
– GF-Persistent Overseas Investment Fund Management (Shanghai) Co., Ltd. *	1,543	—
珠海盈米財富管理有限公司		
– Zhuhai Yingmi Fortune Management Co., Ltd. *	2,950	—
	<u>2,950</u>	<u>—</u>

**Balances with associates/joint ventures**

	As at	As at
	30.6.2018	31.12.2017
	RMB'000	RMB'000
	(unaudited)	(audited)
<b>Commission receivable from exchange trading units and distributing financial products</b>		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	8,406	8,659
	<u>8,406</u>	<u>8,659</u>
<b>Receivables from Custodian Fee</b>		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	200	—
	<u>200</u>	<u>—</u>



43. RELATED PARTY TRANSACTIONS – *continued*(2) Other related parties – *continued***Balances with associates/joint ventures – *continued***

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	<b>As at 31.12.2017 RMB'000 (audited)</b>
<b>Receivables from asset and fund management fee income</b>		
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. No.1*	<b>6,421</b>	3,230
廣發信德匯金 (龍岩) 股權投資合夥企業 (有限合夥)		
– GF Xinde Huijin (Longyan) Equity Investment Partnership L.P. *	<b>837</b>	1,491
	<hr/> <hr/>	<hr/> <hr/>
<b>Amount due to a joint venture - notes payable and interest</b>		
– Global Health Science Fund I, L.P.	<b>100,860</b>	122,396
	<hr/> <hr/>	<hr/> <hr/>
<b>Amount due to associates - notes payable and interest and other payables</b>		
– Horizon Partners Fund L.P.	<b>13,233</b>	—
珠海盈米財富管理有限公司		
– Zhuhai Yingmi Fortune Management Co., Ltd. *	<b>1,246</b>	253
	<hr/> <hr/>	<hr/> <hr/>

\* English translated name is for identification purpose only.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 43. RELATED PARTY TRANSACTIONS – continued

#### (2) Other related parties – continued

##### Balances with associates/joint ventures – continued

	As at 30.6.2018 RMB'000 (unaudited)	As at 31.12.2017 RMB'000 (audited)
<b>Amount due to associates - fund management fee income</b>		
廣州廣發信德一期互聯網改造傳統產業投資企業 (有限合夥)		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	—	1,450
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. *	3,314	—
珠海廣發信德高成長現代服務業股權投資企業 (有限合夥)		
– Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P. *	1,784	—
珠海廣發信德科技文化產業股權投資基金 (有限合夥)		
– Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P. *	5,283	—
廣州南鑫珠海港股權投資合夥企業(有限合夥)		
– Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P. *	943	—
	<u>943</u>	<u>—</u>

\* English translated name is for identification purpose only.

#### (3) Key management personnel

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Short-term benefits		
– Salaries, allowance and bonuses	20,849	27,454
Post-employment benefits		
– Employer's contribution to pension schemes/annuity schemes	750	837
Total	<u>21,599</u>	<u>28,291</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

## 44. CAPITAL COMMITMENTS

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	<b>652,368</b>	714,808

## 45. OPERATING LEASE COMMITMENTS

	<b>As at 30.6.2018 RMB'000 (unaudited)</b>	As at 31.12.2017 RMB'000 (audited)
Within one year	<b>274,478</b>	244,051
In the second to fifth years inclusive	<b>358,493</b>	324,454
Over five years	<b>35,255</b>	32,296
Total	<b>668,226</b>	600,801

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.

## 46. FINANCIAL RISK MANAGEMENT

## 46.1 Risk management policies and organisation structure

## (1) Risk management policies

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 46. FINANCIAL RISK MANAGEMENT – *continued*

#### 46.1 Risk management policies and organisation structure – *continued*

##### (1) *Risk management policies – continued*

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

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

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

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

## 46. FINANCIAL RISK MANAGEMENT – *continued*

### 46.2 Credit risk

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

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

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

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

The credit risk of financing business of the Group is mainly managed through the following measures: 1) the establishment of a strict business due diligence requirements, credit facilities management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conducting of business, and the preliminary identification and assessment of business credit risks; 2) the research and development of business review process, guarantees and other elements of transactions, and the adoption of tailored risk mitigating measures; 3) the continuous post-transaction tracking and management on counterparties, guarantees and the actual performance of transaction agreements, the collection of transaction-related information on a regular basis and assessment of risks, as well as timely actions adopted upon the occurrence of risk events.

During the period, the Group's impairment assessment are based on an expected credit loss model. The Group applies simplified approach to measure ECL on accounts receivable and general approach to measure ECL on advances to customers, other accounts receivable, other receivables and prepayments, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, pledged/restricted bank deposits, bank balances, accounts receivable, amounts due from associates and financial leasing receivables. accounted for at amortised cost, debt instruments accounted for at FVTOCI as well as loan commitments. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-months ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

The Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information when determining whether the risk of default has increased significantly since initial recognition.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 46. FINANCIAL RISK MANAGEMENT – *continued*

#### 46.3 Market Risk

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

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

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

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

#### *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.

46. FINANCIAL RISK MANAGEMENT – *continued*46.3 Market Risk – *continued**Sensitivity analysis*

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Profit before income tax for the period</b>		
Increase by 100bps	<b>(842,663)</b>	(737,336)
Decrease by 100bps	<b>876,691</b>	766,476
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive income before income tax</b>		
Increase by 100bps	<b>(651,396)</b>	(653,699)
Decrease by 100bps	<b>672,380</b>	669,476

*Currency risk*

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries.

At the end of the period, the Group's assets and liabilities denominated in foreign currencies were mainly held by its overseas subsidiary GF Hong Kong (Holdings) Co., Ltd. Hence, the Group's overseas operating assets and liabilities were subject to currency risk due to exchange rate fluctuations. The Group's overseas net operating assets and the net profit derived from which only account for a small proportion of the Group's total asset and net profit, the directors are of the opinion that the overall currency risk of the Group is relatively small and manageable.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 46. FINANCIAL RISK MANAGEMENT – *continued*

#### 46.3 Market Risk – *continued*

##### *Price risk*

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instruments prices, and commodity prices that cause financial loss during the Group's on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss, the financial assets at fair value through other comprehensive income and the available-for-sale financial instruments. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, risk sensitivity indicators, stress testing indicators calculated by Risk Management Department in daily risk monitoring.

##### *Sensitivity analysis*

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Profit before income tax for the period</b>		
Increase by 10%	<b>1,109,298</b>	413,163
Decrease by 10%	<b>(1,135,576)</b>	(423,796)

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive income before income tax</b>		
Increase by 10%	<b>1,176,838</b>	1,984,701
Decrease by 10%	<b>(1,176,838)</b>	(1,984,701)



## 46. FINANCIAL RISK MANAGEMENT – *continued*

### 46.4 Liquidity Risk

Liquidity risk of the Group is the risk that stems from the lack of marketability of a financial instrument that cannot be bought or sold in a short time to prevent or minimize loss. According to the current policy, financing channels are relatively limited. During the normal course of business, the Group may face liquidity risk caused by changes in macroeconomic policy and market conditions, poor operations and credit downgrades, mismatch of assets and liabilities and low turnover rate of assets, large underwriting of investment banking business, significant proprietary trading position, or high ratio of long term investment, resulting insufficient of cash flows. If the Group fails to address any liquidity risk by adjusting the asset structure, the consequences of such non-compliance with regulatory requirements on risk indicators could be costly. The regulatory body could penalise the Group by imposing restrictions on the Group's business operation. In severe cases, the Group could lose one or more business qualifications, leading an adverse impact on the Group's operation and reputation.

As at 30 June 2018 and 31 December 2017, cash and bank deposits held by the Group amounting to RMB62.84 billion and RMB56.74 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounting to RMB16.20 billion and RMB22.59 billion, respectively, providing a strong capability of quick liquidation to meet foreseeable financing commitments or clients' withdrawal demands on maturity. Therefore, the Group considers the exposure to liquidity risk as insignificant.

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 30 June 2018 and 31 December 2017.

	As at 30 June 2018 (unaudited)			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
Bonds payable - corporate bonds	37,985,596	38,116,932	131,336	Level 2
Bonds payable - subordinated bonds	28,500,000	28,321,614	(178,386)	Level 2
	As at 31 December 2017 (audited)			
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	Fair value hierarchy
Bonds payable - corporate bonds	36,484,630	36,138,260	(346,370)	Level 2
Bonds payable - subordinated bonds	33,500,000	32,868,488	(631,512)	Level 2

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

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
1) <b>Financial assets at fair value through profit or loss</b>						
Debt instruments						
– Traded on stock exchanges	15,624,977	18,336,589	Level 1	Quoted bid prices in an active market	N/A	N/A
– Unlisted	185,482	—	Level 2	Recent transaction prices	N/A	N/A
– Traded on inter-bank market	20,289,204	21,543,387	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	285,669	506,839	Level 3	Discounted cash flows with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of counterparty, and the value of the option	Credit risk spread  Value of option	The higher the credit risk spread, the lower the fair value  The higher the fair value of option the higher the fair value

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
<b>1) Financial assets at fair value through profit or loss – continued</b>						
Equity instruments						
– Traded on stock exchanges	5,288,862	2,905,158	Level 1	Quoted bid prices in an active market	N/A	N/A
– Traded on stock exchanges (inactive)	146	2,119	Level 2	Adjusted quoted prices for stocks suspended for trading	N/A	N/A
– Traded on national equities exchange and quotations	1,134,677	1,075,375	Level 2	Bid prices made by market dealers	N/A	N/A
– Unlisted	625,380	—	Level 2	Recent transaction prices	N/A	N/A
– Traded on national equities exchange and quotations	1,265,954	—	Level 3	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
– Traded on national equities exchange and quotations	—	895,935	Level 3	Adjusted quoted prices	N/A	N/A
– Unlisted	—	487,870	Level 3	Adjusted recent transaction prices	N/A	N/A
– Unlisted	4,315,480	464,823	Level 3	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
– Restricted shares	1,116,547	—	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability	Discount for lack of marketability	The higher the discount, the lower the fair value

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
1) <b>Financial assets at fair value through profit or loss – continued</b>						
Funds						
– Funds with quoted bid prices	13,677,523	9,594,114	Level 1	Quoted bid prices in an active market.	N/A	N/A
– Other funds	644,637	417,596	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
Other investments						
– Collective asset management products launched by financial institutions	2,593,611	3,217,898	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and equity securities (included listed in exchanges and listed in Interbank Bond Market) in each portfolio	N/A	N/A
– Other asset management products/wealth management products	4,573,040	3,751,012	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	13,537	—	Level 3	Discounted cash flows with future cash flows that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty	Credit risk spread	The higher the credit risk spread, the lower the fair value
– Other asset management products/wealth management products	583,443	—	Level 3	Discounted cash flows with future cash flows that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty	Credit risk spread	The higher the credit risk spread, the lower the fair value
	<b>72,218,169</b>	<b>63,198,715</b>				

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
<b>2) Financial assets at fair value through other comprehensive income</b>						
Debt securities						
– Traded on stock exchanges	26,641,086	—	Level 1	Quoted bid prices in an active market	N/A	N/A
– Traded on interbank market	41,523,584	—	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	778,759	—	Level 1	Quoted bid prices in an active market	N/A	N/A
– Traded on stock exchanges (inactive)	15,124	—	Level 2	Adjusted quoted prices for stocks suspended for trading	N/A	N/A
– Unlisted	80,000	—	Level 3	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Other investments						
– Other asset management schemes/wealth management products	10,967,461	—	Level 2	Calculated based on the fair value of the underlying investments in each portfolio	N/A	N/A
– Trading seats	7,039	—	Level 2	Recent transaction prices	N/A	N/A
	<b>80,013,053</b>	<b>—</b>				

47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
<b>3) Available-for-sale financial assets</b>						
Debt instruments						
– Traded on stock exchanges	—	28,270,103	Level 1	Quoted bid prices in an active market	N/A	N/A
– Traded on inter-bank market	—	32,958,567	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	Level 1	Quoted bid prices in an active market	N/A	N/A
– Traded on stock exchanges (inactive)	—	15,223	Level 2	Adjusted quoted prices for stocks suspended for trading	N/A	N/A
– Traded on national equities exchange and quotations	—	386,166	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 multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
– Restricted shares	—	1,911,663	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability	Discount for lack of marketability	The higher the discount, the lower the fair value

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
<b>3) Available-for-sale financial assets – continued</b>						
Funds						
– Funds with quoted bid prices	—	4,887,272	Level 1	Quoted bid prices in an active market	N/A	N/A
– Other funds	—	96,364	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	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	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	Level 2	Recent transaction prices	N/A	N/A
– Collective asset management schemes launched by financial institutions	—	113,700	Level 3	Discounted cash flows with future cash flows that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty	Credit risk	The higher the credit risk spread, the lower the fair value
– Other asset management schemes/wealth management products and others	—	4,391,962	Level 3	Discounted cash flows with future cash flows that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty	Credit risk	The higher the credit risk spread, the lower the fair value
	—	89,372,357				



47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
4) Derivative financial instruments						
Interest rate derivatives						
– Interest rate swaps - assets	1,450,331	225,513	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	(789,782)	(229,225)	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 options - assets	123	3,689	Level 2	Bid prices made by market dealers	N/A	N/A
– Interest rate options - liabilities	(1,280)	(30,723)	Level 2	Bid prices made by market dealers	N/A	N/A
Currency derivatives						
– Currency swaps - assets	7,311	—	Level 2	Bid prices made by market dealers	N/A	N/A
– Currency swaps - liabilities	(2,050)	—	Level 2	Bid prices made by market dealers	N/A	N/A

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
<b>4) Derivative financial instruments – continued</b>						
– Currency forward - assets	5,226,649	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	(4,604,752)	(775)	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	12,595,689	5,192,191	Level 2	Bid prices made by market dealers	N/A	N/A
– Currency options - liabilities	(14,793,070)	(5,113,361)	Level 2	Bid prices made by market dealers	N/A	N/A
Equity derivatives						
– Stock index futures - assets	7,794	126	Level 1	Quoted bid prices in an active market	N/A	N/A
– Stock index futures - liabilities	(16,742)	(493)	Level 1	Quoted bid prices in an active market	N/A	N/A
– Over-the-counter options - assets	21,146	7,227	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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
4) Derivative financial instruments – continued						
– Over-the-counter options - liabilities	(23,463)	(50,736)	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	(2,108)	(526)	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	(200)	(1,852)	Level 3	Calculated based on the default probability (the probability of the underlying asset does not achieve an agreed result), loss given default and expected loss	Default probability	The higher the probability, the lower the fair value
– Exchange-traded options - assets	37,819	10,661	Level 1	Quoted bid prices in an active market	N/A	N/A
– Exchange-traded options - liabilities	(15,635)	(9,954)	Level 1	Quoted bid prices in an active market	N/A	N/A

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
<b>4) Derivative financial instruments – continued</b>						
Others						
– Treasury bond futures - assets	—	7,902	Level 1	Quoted bid prices in an active market	N/A	N/A
– Treasury bond futures - liabilities	(899)	—	Level 1	Quoted bid prices in an active market	N/A	N/A
– Credit default swaps - assets	759	—	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 probability the lower the fair value
– Credit default swaps - liabilities	(657,670)	(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 probability the lower the fair value
– Variance swaps - assets	367,260	—	Level 2	Bid prices made by market dealers	N/A	N/A
– Variance swaps - liabilities	(209,526)	—	Level 2	Bid prices made by market dealers	N/A	N/A
– Commodity options - assets	1,253	88	Level 2	Bid prices made by market dealers	N/A	N/A
– Commodity options - liabilities	(1,235)	(34)	Level 2	Bid prices made by market dealers	N/A	N/A
– 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 instruments, the higher the fair value
	<b>(1,402,278)</b>	<b>11,629</b>				

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
<b>5) Financial liabilities at fair value through profit or loss</b>						
Bonds	—	1,659,502	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	324,258	183,235	Level 1	Quoted bid prices in an active market	N/A	N/A
Funds	60,433	151,837	Level 1	Quoted bid prices in an active market	N/A	N/A
Equity return swaps	478,857	456,168	Level 3	Calculated based on the fair value of the underlying equity instruments	The fair value of the underlying equity instruments	The higher the fair value of the underlying equity instruments, the higher the fair value
	<u>863,548</u>	<u>2,450,742</u>				
<b>6) Designated at fair value through profit or loss</b>						
Investment in an associate	120,187	40,208	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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)				
<b>7) Other liabilities</b>						
Third-party interests in funds	<b>843,017</b>	330,990	Level 1	Quoted bid prices in an active market	N/A	N/A
Third-party interests in funds	<b>1,884</b>	—	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
Third-party interests in consolidated asset management schemes	<b>1,316,659</b>	2,072,267	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
	<b>2,161,560</b>	<b>2,403,257</b>				

Note: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures, treasury bond futures, gold futures and part of interest rate swaps were settled daily in PRC, the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2018 and 31 December 2017. Accordingly, the net position of the derivative financial instruments mentioned above was nil at the end of each reporting period.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

47. 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*

There were no significant transfers between Level 1 and 2 as at 30 June 2018 and 31 December 2017.

**As at 30 June 2018**

(unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets:</b>				
Debt instruments at fair value through other comprehensive income:				
– Debt securities	26,641,086	41,523,584	—	68,164,670
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	778,759	15,124	80,000	873,883
– Other investments	—	10,974,500	—	10,974,500
Financial assets at fair value through profit or loss				
– Equity instruments	5,288,862	1,760,203	6,697,981	13,747,046
– Debt instruments	15,624,977	20,474,686	285,669	36,385,332
– Funds	13,677,523	644,637	—	14,322,160
– Other investments	—	7,166,651	596,980	7,763,631
Designated at fair value through profit or loss				
– Unlisted investment in an associate under FVTPL	—	—	120,187	120,187
Derivative financial assets	45,613	19,670,521	—	19,716,134
<b>Total</b>	<b>62,056,820</b>	<b>102,229,906</b>	<b>7,780,817</b>	<b>172,067,543</b>
<b>Financial liabilities:</b>				
Financial liabilities at fair value through profit or loss	(384,691)	—	(478,857)	(863,548)
Derivative financial liabilities	(33,276)	(21,084,936)	(200)	(21,118,412)
Other liabilities	(843,017)	(1,318,543)	—	(2,161,560)
<b>Total</b>	<b>(1,260,984)</b>	<b>(22,403,479)</b>	<b>(479,057)</b>	<b>(24,143,520)</b>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

47. 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

(audited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets:</b>				
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
<b>Total</b>	<b>66,487,004</b>	<b>82,637,720</b>	<b>8,937,298</b>	<b>158,062,022</b>
<b>Financial liabilities:</b>				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	(10,447)	(5,426,814)	(1,852)	(5,439,113)
Other liabilities	(330,990)	(2,072,267)	—	(2,403,257)
<b>Total</b>	<b>(676,509)</b>	<b>(9,158,583)</b>	<b>(458,020)</b>	<b>(10,293,112)</b>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

## Reconciliation of Level 3 fair value measurements

For the six months ended 30 June 2018

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Derivative financial assets RMB'000	Derivative financial liabilities RMB'000
At 31 December 2017	2,355,466	6,539,058	(456,168)	2,565	(1,852)
Impact on adopting IFRS 9	5,436,230	(6,459,058)	—	(2,565)	—
At 1 January 2018	7,791,696	80,000	(456,168)	—	(1,852)
Total gains/losses	(64,074)	—	(21,662)	—	(373)
– Profit or loss	(64,074)	—	(21,662)	—	(373)
– Other comprehensive income	—	—	—	—	—
Purchases (issues)	317,104	—	(1,027)	—	(3,500)
Settlements/disposals	(207,681)	—	—	—	5,525
Transfers into level 3	222,777	—	—	—	—
Transfers out of level 3	(479,192)	—	—	—	—
As at 30 June 2018	<u>7,580,630</u>	<u>80,000</u>	<u>(478,857)</u>	<u>—</u>	<u>(200)</u>
Total unrealized gains/losses for the period for assets/liabilities held as at 30 June 2018					
– included in profit or loss	<u>(62,690)</u>	<u>—</u>	<u>(21,662)</u>	<u>—</u>	<u>—</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

#### Reconciliation of Level 3 fair value measurements – *continued*

For the year ended 31 December 2017

	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Derivative financial asset RMB'000	Derivative financial liabilities RMB'000
At 1 January	1,486,559	472,404	6,328,947	—	(1,946)
Total gains/losses	(10,410)	(16,236)	587,700	2,565	3,431
– Profit or loss	(10,410)	(16,236)	136,148	2,565	3,431
– Other comprehensive income	—	—	451,552	—	—
Purchases (issue)	496,819	—	3,541,788	—	(3,574)
Settlements/disposal	(241,811)	—	(3,624,214)	—	237
Transfers into level 3	744,350	—	282,660	—	—
Transfers out of level 3	(120,040)	—	(577,823)	—	—
As at 31 December 2017	<u>2,355,467</u>	<u>456,168</u>	<u>6,539,058</u>	<u>2,565</u>	<u>(1,852)</u>
Total gains for the year for assets/liabilities held as at end of the year					
– included in net investment gains	<u>8,858</u>	<u>(16,236)</u>	<u>(126,299)</u>	<u>2,565</u>	<u>148</u>

Note: The equity securities traded on stock exchanges with lock-up periods and targeted asset management plans holding listed shares with lock-up periods were transferred from Level 3 to Level 1 when the lock-up periods lapsed and they became unrestricted.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity instruments which are categorized into Level 3 of the fair value hierarchy.

## 48. CHANGE OF SCOPE OF CONSOLIDATION

### 48.1 Newly consolidated subsidiaries

The Company's wholly owned subsidiary GF Holdings (Hong Kong) Corporation Limited controlled GF Canada Holdings Company Limited, a newly incorporated company during the new period, thus consolidated in the condensed consolidated financial statements.

GF Holdings (Hong Kong) Corporation Limited's wholly owned subsidiary GF Canada Holdings Company Limited controlled GF Asset Management (Canada) Company Limited, a newly incorporated company during the new period, thus consolidated in the condensed consolidated financial statements.

GF Holdings (Hong Kong) Corporation Limited's wholly owned subsidiary Guangfa Xinde Capital Management Limited controlled Ever Glory Limited, a newly incorporated company during the new period, thus consolidated in the condensed consolidated financial statements.

GF Holdings (Hong Kong) Corporation Limited's wholly owned subsidiary Ever Glory Limited controlled Ever Alpha Fund L.P., a newly incorporated company during the new period, thus consolidated in the condensed consolidated financial statements.

### 48.2 Newly consolidated structured entities

During the reporting period, GF Holdings (Hong Kong) Corporation Limited, a wholly owned subsidiary of the Company, holds significant financial interests in the GFEC Proton Equity Fund SP. The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entities mentioned above is consolidated in the condensed consolidated financial statements.

During the reporting period, GF Fund Management Limited ("GF Fund"), a wholly owned subsidiary of the Company, is appointed as investment manager and holds significant financial interests in the GF Quantitative Multifactor Flexible Allocation Hybrid Fund (廣發量化多因子靈活配置混合型證券投資基金), GF Huiping Yearly Open Bond Fund (廣發匯平一年定期開放債券型證券投資基金), GF High-end Manufacturing Initiating Equity Fund (廣發高端製造股票發起式證券投資基金), GF Tianli Money Market ETF (廣發添利交易型貨幣市場基金) and GF Multifactor Flexible Allocation Hybrid Fund (廣發多因子靈活配置混合型證券投資基金). The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entities mentioned above is consolidated in the condensed consolidated financial statements.

During the reporting period, GF Future Co., Ltd ("GF Future"), a wholly owned subsidiary of the Company, is appointed as investment manager and holds significant financial interests in the GF Huihaibao Asset Management Scheme (廣發匯海寶資產管理計劃), GF Qiheng Increasing Profit Around the Clock Asset Management Scheme No.2 (廣發期恒全天候安心增利2期資產管理計劃), GF Future Qisheng Asset Management Scheme No.1 (廣發期貨期勝一期資產管理計劃), GF Qixin Value Growth Asset Management Scheme No 2 (廣發期鑫價值成長2期資產管理計劃), GF New Qizhi Asset Management Scheme No.6 (廣發新期智6期資產管理計劃), GF New Qizhi Asset Management Scheme No.10 (廣發新期智10期資產管理計劃) and GF Future QiYing Multi-strategy Asset Management Scheme No.5 (廣發期盈多策略5期資產管理計劃). The directors of the Company are of the opinion that the Group has significant variable interest in the entities mentioned above and the Group is able to exercise control over their operations, thus the entities mentioned above are consolidated in the condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

### 48. CHANGE OF SCOPE OF CONSOLIDATION – *continued*

#### 48.3 Deconsolidated structured entities

During the reporting period, the Group has liquidated GF Golden Majordomo Financial Management Quantitative Hedge Collective Asset Management Scheme Series 1 (廣發金管家理財法寶量化對沖集合資產管理計劃1期) and disposed its equity interest in GF Asset Management Xizhi Lugangtong Zhixuan No.2 Collective Asset Management Scheme (廣發資管璽智陸港通智選2號集合資產管理計劃), which were managed by GF Securities Asset Management (Guangdong) Co., Ltd.

During the reporting period, the Group has liquidated GF Shuangwu Selective Asset Management Scheme (廣發雙武精選資產管理計劃), reduced its equity interest in Ruiyuan Capital Subject Structured Asset Management Scheme No.2 (瑞元資本主題投資2號資產管理計劃) and GF Resource Optimization Stock-based Securities Investment Fund (廣發資源優選股票型發起式證券投資基金), which were managed by GF Fund and Ruiyuan Capital Asset Management Co., Ltd., a non-wholly owned subsidiary of GF Fund.

During the reporting period, the Group has liquidated GF Qizhi Quantitative hedging Asset Management Scheme No.29 (廣發期智量化對沖29期資產管理計劃), GF Qizhi Quantitative hedging Asset Management Scheme No.28 (廣發期智量化對沖28期資產管理計劃), Guanfeng GF Quantitative hedging Asset Management Scheme No.1 (冠豐廣發量化對沖1號資產管理計劃), GF Future QiYing multi-strategy Asset Management Scheme No.3 (廣發期盈多策略3期資產管理計劃), GF Qiwen No.1 Asset Management Scheme (廣發期穩一期資產管理計劃) and GF Huisheng No.1 Asset Management Scheme (廣發匯盛期明1期), which were managed by GF Future.

During the reporting period, the Group has liquidated GF Xinde Heying Private equity fund No.1 (廣發信德合贏1號私募投資基金(分級)), GF Xinde Xinye solar energy Special Asset Management Scheme (廣發信德興業太陽能專項資產管理計劃) and GF Xinde Hexing Packaging Oversea M&A Asset Management Scheme (廣發信德合興包裝海外並購專項資產管理計劃), which were managed by GF Xinde Investment Management Co., Ltd.

The above structured entities were not consolidated at the end of the reporting period.

#### 49. OUTSTANDING LITIGATIONS

As at 30 June 2018 and 31 December 2017, the Group involved as defendant in certain lawsuits with claim amounts of approximately RMB16.68 million and RMB23.20 million, respectively. Based on the court rulings, advices from legal representatives and management judgement, the Group has accrued RMB3.29 million for provision. 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.

#### 50. EVENTS AFTER THE END OF REPORTING PERIOD

As at 10 July 2018, the Company has completed the issuance of a short-term corporate bond (5th), with a period of 360 days, amounting to RMB6.00 billion and annual interest rate of 4.70%.

As at 24 August 2018, the Company has completed the issuance of a 3-years corporate bond 18GF02 (Security Code: 112751), amounting to RMB1.90 billion and annual interest rate of 4.30%.

## Section 11 Documents Available for Inspection

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



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