

# ANNUAL REPORT 2016

^ 年度報告 ^



廣發證券股份有限公司  
GF SECURITIES CO., LTD.

Stock Code: 1776.HK 000776.SZ

## Important Notice

The 2016 financial statements of the Company prepared in accordance with the International Financial Reporting Standards have been audited by Deloitte Touche Tohmatsu, who has issued a standard unqualified audit report. Unless otherwise indicated, the financial data stated in this report is denominated in RMB.

According to the profit distribution proposal of the Company passed in this Board meeting, all shareholders will be distributed a cash bonus of RMB3.5 (tax inclusive) for every 10 shares based on the number of shares held as at the record date.

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

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

## Warning About Material Risk Factors

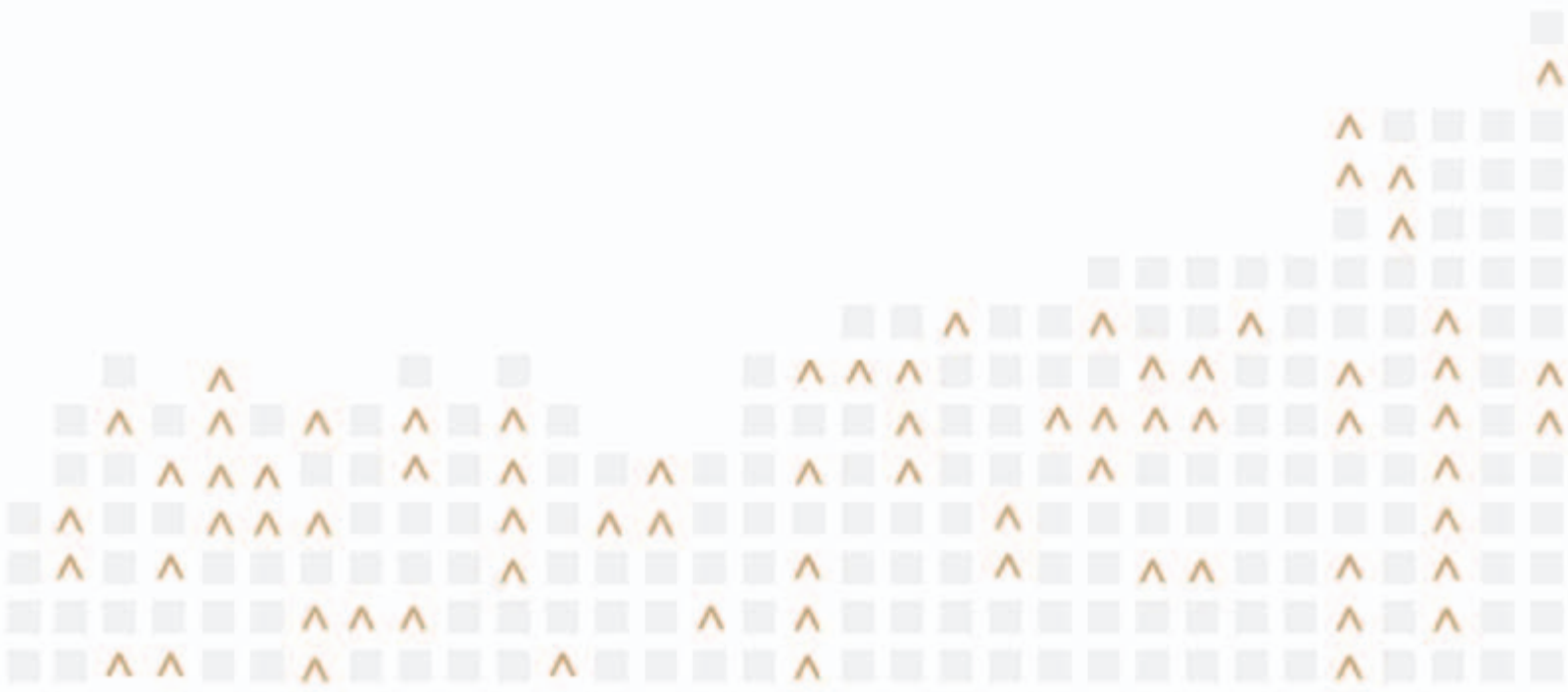
The risks faced by the Company in its operations mainly include: policy risk that may cause adverse effects to the operations of securities companies as a result of macroeconomic adjustment and control measures promulgated by the State or changes in laws and regulations, regulatory policies and trading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

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

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## Definitions

Term	Definition
Reporting Period	Year 2016 (January 1, 2016 to December 31, 2016)
The Company, Company, parent company, GF Securities	GF Securities Co., Ltd.
The Group, Group	the Company and its subsidiaries
Liaoning Cheng Da	Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司)
Jilin Aodong	Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司)
Zhongshan Public Utilities	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司)
HKSCC Nominees	HKSCC Nominees Limited
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股 (香港) 有限公司)
GF Securities (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券 (香港) 經紀有限公司)
GF Asset Management (Hong Kong)	GF Asset Management (Hong Kong) Limited (廣發資產管理 (香港) 有限公司)
GF Investments (Hong Kong)	GF Investments (Hong Kong) Company Limited (廣發投資 (香港) 有限公司)
GF Capital (Hong Kong)	GF Capital (Hong Kong) Limited (廣發融資 (香港) 有限公司)
GF Global Capital	GF Global Capital Limited (廣發全球資本有限公司)
GF Futures	GF Futures Co., Ltd. (廣發期貨有限公司)
GF Futures (Hong Kong)	GF Futures (Hong Kong) Co., Limited (廣發期貨 (香港) 有限公司)
GF Xinde	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司)
GF Qianhe	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司)

Definitions

GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司)
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
Guangdong Equity Exchange	Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
ECT	E-Capital Transfer Co., Ltd. (證通股份有限公司)
The PRC	Mainland China
CSRC	the China Securities Regulatory Commission
CIRC	the China Insurance Regulatory Commission
Guangdong Bureau of CSRC	Guangdong Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers

## Definitions

Stock Index Futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
Stock Pledged Repo Transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
Security Transactions with Repurchase Agreement	a transaction in which a qualified customer sells the subject securities at an agreed price to the securities company which is the custodian of such securities, and agrees to purchase the subject securities from the securities company at another agreed price on a future date, and the securities company will return the relevant yields generated by the subject securities during the period pending for repurchase to the customer pursuant to the agreement signed with the customer.
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as new third board (新三板)
QDII	Qualified Domestic Institutional Investors
QDLP	Qualified Domestic Limited Partner
QFII	Qualified Foreign Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
ETF	Exchange Traded Funds, an open index fund available for trading, commonly known as Exchange Traded Fund, which is an open fund listed for trading on a stock exchange with variable portions of the fund components
FICC	Fixed Income, Currencies & Commodities
PB Business	Prime Broker Business
OTC	Over The Counter
VaR	Value at Risk
PPP	Public-Private-Partnership

Definitions

ABS	Asset-backed Securities
A Share(s)	domestic shares with a nominal value of RMB1.00 each, which are listed on domestic stock exchange and traded in Renminbi
H Share(s)	foreign shares with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
CPA, auditor, Deloitte	Deloitte Touche Tohmatsu, accounting firms appointed by the Company
WIND Information	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In the 2016 annual report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.

# 公司基本情况

## BASIC SITUATION OF THE COMPANY





# Company Profile

## I. COMPANY NAME

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 Company Limited
Short Name in English:	GF Securities Co., Ltd.

## II. LEGAL REPRESENTATIVE OF THE COMPANY: SUN SHUMING

## III. GENERAL MANAGER OF THE COMPANY: LIN ZHIHAI

## IV. SECRETARY TO THE BOARD: LUO BINHUA

## V. SECURITIES AFFAIRS REPRESENTATIVE: XU YOUJUN

## VI. AUTHORIZED REPRESENTATIVES OF THE COMPANY: LIN ZHIHAI, WAN KA HUNG

## VII. JOINT COMPANY SECRETARIES: LUO BINHUA, WAN KA HUNG

## VIII. COMPANY CONTACT DETAILS:

Registered Address of the Company:	43rd Floor (Room 4301-4316), Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou
Postal Code of the Registered Address of the Company:	510620
Business Address of the Company:	5th, 7th, 8th, 18th, 19th, 38th, 39th, 40th, 41st, 42nd, 43rd and 44th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou
Postal Code of the Business Address of the Company:	510620
Company Website:	www.gf.com.cn
Company E-mail:	gfzq@gf.com.cn

## IX. THE COMPANY'S PRINCIPAL PLACE OF BUSINESS IN HONG KONG: 29-30/F, LI PO CHUN CHAMBERS, 189 DES VOEUX ROAD CENTRAL, HONG KONG

## Company Profile

**X. CONTACT PERSONS AND CONTACT INFORMATION**

Secretary to the Board	Luo Binhua 43rd Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou Tel: (86) 20-87550265/87550565 Fax: (86) 20-87553600 E-mail: lbh@gf.com.cn
Securities Affairs Representative	Xu Youjun 39th Floor, Metro Plaza, No. 183-187 Tianhe North Road, Tianhe District, Guangzhou Tel: (86) 20-87550265/87550565 Fax: (86) 20-87554163 Email: xuyj@gf.com.cn

**XI. INFORMATION DISCLOSURE AND PLACE OF INSPECTION**

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

**XII. PLACES OF LISTING, STOCK NAMES AND STOCK CODES**

A Shares: SZSE	Stock name: GF Securities	Stock code: 000776
H Shares: Hong Kong Stock Exchange	Stock name: GF SEC	Stock code: 1776

### XIII. CHANGES IN REGISTRATION INFORMATION

Organization Code	Unified social credit code: 91440000126335439C
Changes in the Principal Business of the Company since the Listing of the Company's Shares (if any)	<p>In February 2010, pursuant to the Approval for the Absorption and Merger of GF Securities Co., Ltd. by Yan Bian Road Construction Co., Ltd. through Shares Repurchase and Issue of New Shares (Zheng Jian Xu Ke No. [2010] 164) (《關於核准延邊公路建設股份有限公司定向回購股份及以新增股份換股吸收合併廣發證券股份有限公司的批覆》(證監許可【2010】164號文)) issued by the CSRC, Yan Bian Road absorbed and merged with the Original Guangfa. Upon completion of the absorption and merger, the existing company changed its name to GF Securities Co., Ltd. and undertook all the businesses of the Original Guangfa.</p> <p>The trading of the Company's shares was resumed with effect from February 12, 2010. Since then, the Company's full name was changed from "Yan Bian Road Construction Co., Ltd." to "GF Securities Co., Ltd.", and its stock name was changed from "S Yan Bian Road" to "GF Securities", with the stock code of "000776" remaining unchanged. Meanwhile, the Company's industry classification was also changed from "supporting the industry of transportation" to "integrated securities company".</p> <p>Currently, the business scope of the Company includes: securities brokerage, securities investment consultation, financial advisory business relating to securities trading and securities investment, securities underwriting and sponsorship, securities proprietary trading, margin financing and securities lending, distribution of securities investment fund, securities investment fund custodian, provision of intermediary services for futures companies, distribution of financial products and market-making business of stock options. (Businesses which require approvals according to laws shall be subject to the approval from relevant authorities before the commencement of business.)</p>

## Company Profile

## Changes in Controlling Shareholders (if any)

In January 2003, Yan Bian State-owned Assets Management Corporation, the original largest shareholder of Yan Bian Road, transferred its shares in Yan Bian Road to Jilin Aodong. Upon completion of the transfer, Jilin Aodong became the largest shareholder of Yan Bian Road. Subsequently, shares held by other shareholders were also transferred to Jilin Aodong and it also purchased certain shares in the secondary market, increasing its shareholding percentage to 46.76%. As a result, it became the controlling shareholder of Yan Bian Road.

In February 2010, prior to the absorption and merger of the Original Guangfa by Yan Bian Road, the controlling shareholder was Jilin Aodong. After the completion of the absorption and merger, GF Securities had no controlling shareholders.

## XIV. QUALIFICATIONS OF INDIVIDUAL BUSINESSES

No.	Type of License	Approval Department	Issue Date
1	Permit for Operations of Securities Business	CSRC	November 1998
2	Qualification for entry into the national inter-bank market (conducting inter-bank lending, sales and trading of bonds, spot bonds transactions and bond repurchase businesses)	PBOC	September 1999
3	Membership of the national inter-bank lending market	China Foreign Exchange Trading System & National Interbank Funding Center	November 1999
4	Qualification for online entrusted securities trading business	CSRC	February 2001
5	Qualification for entrusted investment management business	CSRC	May 2002
6	Qualification for open-end securities investment fund distribution business	CSRC	August 2002
7	Pilot securities firm to carry on relevant innovative activities	Securities Association of China	December 2004
8	Qualification as an eligible clearing participant for purchasing warrants (Qualification for warrants clearing business of China Securities Depository and Clearing Corporation Limited)	China Securities Depository and Clearing Corporation Limited	August 2005

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

## Company Profile

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

No.	Type of License	Approval Department	Issue Date
44	Qualification for ETF liquidity service provider business (博時標普500ETF, 易方達滬深300ETF, 華安上證180ETF, 華安上證黃金ETF)	SSE	September 2013
45	Membership of the Guangdong High Tech Service Zone for Financial Institution Equity Trading Centre	Securities Association of China	November 2013
46	License for part-time insurance agency	CIRC Guangdong Bureau	November 2013
47	Securities fund consumption payment services for clients	CSRC	December 2013
48	Qualification for the pilot work of comprehensive custody business of private equity	CSRC	January 2014
49	Qualification for pledged repo business	SZSE	April 2014
50	Qualification for pilot work of receipt certificates	Securities Association of China	May 2014
51	Qualification for custody business of securities investment funds	CSRC	May 2014
52	Qualification for pilot work of Internet securities business	Securities Association of China	June 2014
53	Qualification on the Dalian Equity Exchange	Securities Association of China	June 2014
54	Engagement in the business relating to the non-IPO for enterprises on the Shandong Equity Exchange	Shandong Equity Exchange	June 2014
55	Qualification for the mutual swap and central clearing of Renminbi interest rates	Shanghai Clearing House	June 2014
56	Qualification on the Gansu Equity Exchange Center	Securities Association of China	July 2014
57	Qualification for market-making business on the National Equities Exchange and Quotations	National Equities Exchange and Quotations Co., Ltd.	July 2014
58	Qualification for Hong Kong Stock Connect business authorization	SSE	October 2014

## Company Profile

No.	Type of License	Approval Department	Issue Date
59	Membership certificate of the Asset Management Association of China	Asset Management Association of China	November 2014
60	Qualification for agency services business for gold and other precious metal spot contracts and proprietary trading for spot gold contract	CSRC	January 2015
61	Qualification for stock option market-making business	CSRC	January 2015
62	Qualification for options settlement business	China Securities Depository and Clearing Corporation Limited	January 2015
63	Qualification as a stock options trading participant	SSE	January 2015
64	Qualification for the SSE 50 ETF options market-making business	SSE	January 2015
65	Qualifications for financing-oriented option exercise business and restricted securities lending business with respect to share incentive schemes of listed companies	SZSE	January 2015
66	Membership certificate of the Shanghai Gold Exchange	Shanghai Gold Exchange	April 2015
67	Membership of the China Emissions Exchange	China Emissions Exchange	June 2015
68	Opening accounts through one-way video	China Securities Depository and Clearing Corporation Limited	June 2015
69	Filing Certificate of Private Equity Outsourcing Institutions	Asset Management Association of China	June 2015

**The qualifications of individual business that the Company has obtained in 2016 include:**

1	Qualification as a market maker in the national interbank bond market	PBOC	January 2016
2	Council entity of the National Internet Finance Association of China	Shanghai Clearing House	August 2016
3	Interbank Market operations Class A clearing membership	Interbank Market Clearing House Co., Ltd.	September 2016
4	Qualification for Hong Kong Stock Connect business authorization under Shenzhen-Hong Kong Stock Connect	SZSE	November 2016



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

No.	Type of License	Approval Department	Issue Date
<b>Membership and business qualifications obtained by GF Futures and its subsidiaries</b>			
1	Qualification for commodity futures brokerage business	CSRC	March 1993
2	Membership	ICE Futures Europe	March 2005
3	Type 2: dealing in futures contracts	SFC	February 2007
4	Futures Exchange Participant	Hong Kong Futures Exchange Limited (Hong Kong)	May 2007
5	HKCC Participant	HKFE Clearing Corporation Limited (Hong Kong)	May 2007
6	Qualification for futures financial futures brokerage business	CSRC	August 2007
7	Membership	China Financial Futures Exchange	February 2008
8	Membership	Shanghai Futures Exchange	June 2008
9	Membership	ICE Clear Europe	September 2008
10	Membership	Dalian Commodity Exchange	December 2008
11	Membership	Zhengzhou Commodity Exchange	March 2009
12	Qualification for futures investment consulting business	CSRC	August 2011
13	Trading membership	Singapore Exchange Derivatives Trading Limited	August 2011
14	Membership of the Euronext London Derivatives Market	NYSE Liffe London	July 2011
15	Qualification for asset management business	CSRC	November 2012
16	Membership	Sugar Association of London	June 2013
17	Category 1, Ring dealing membership	London Metal Exchange	January 2014
18	Trading membership	Dubai Gold & Commodities Exchange	January 2014
19	Membership	London Stock Exchange	February 2014
20	Qualification for fund sales business	Guangdong Bureau of CSRC	February 2015
21	Qualification for RMB Qualified Foreign Institutional Investor (RQFII Qualification)	CSRC	April 2016
22	Asset management license	Financial Conduct Authority of London	October 2016

## Company Profile

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

No.	Type of License	Approval Department	Issue Date
1	Type 1: dealing in securities	SFC	January 2007
2	Type 6: advising on corporate finance	SFC	January 2007
3	Stock Exchange Participant	Hong Kong Stock Exchange	February 2007
4	Type 4: advising on securities	SFC	November 2007
5	Type 9: asset management	SFC	November 2007
6	Business license for securities investment	CSRC	December 2011
7	RMB Qualified Foreign Institutional Investor Qualification	CSRC	December 2011
8	Approval for RMB Qualified Foreign Institutional Investor (RQFII) investment quota Qualification	State Administration of Foreign Exchange (PRC)	January 2012
9	Account opening license	The People's Bank of China, Shenzhen Central Sub-branch (PRC)	February 2012
10	Money Lenders License	Licensing Court (Hong Kong)	February 2013
11	Qualified Foreign Institutional Investor Qualification	CSRC	January 2015
12	Approval for QFII investment quota and related account opening	State Administration of Foreign Exchange (PRC)	March 2015
13	Business license for insurance brokerage: (long term (including LLT) & general)	Professional Insurance Brokers Association (PRC)	March 2015
14	Dealer member of IIROC	Investment Industry Regulatory Organization of Canada (IIROC)	May 2015
15	Options Trading Exchange Participant	Hong Kong Stock Exchange	November 2015
16	Direct Clearing Participant	The SEHK Options Clearing House Limited	November 2015

**Membership and business qualifications obtained by GF Asset Management**

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

No.	Type of License	Approval Department	Issue Date
<b>Membership and business qualifications obtained by GF Qianhe and its subsidiaries</b>			
1	Private Investment Fund Manager Registration Certificate	Asset Management Association of China	October 2015
2	Pilot of the Qualified Domestic Limited Partners (QDLP)	Office of Shanghai Finance Services	November 2015
3	Certificate of Approval for Establishment of Enterprises with Investment of Hong Kong, Macao and Overseas Chinese	Department of Commerce of Guangdong Province	April 2016
<b>Membership and business qualifications obtained by GF Xinde and its subsidiaries</b>			
1	Private Investment Fund Manager Registration Certificate	Asset Management Association of China	April 2015
<b>Membership and business qualifications obtained by GF Fund and its subsidiaries</b>			
1	Permit for Operations of Securities and Futures Business	CSRC	July 2003
2	Client-specific asset management	CSRC	February 2008
3	Overseas securities investment management by Qualified Domestic Institutional Investor (QDII)	CSRC	January 2009
4	Entrusted Domestic Investment Manager of NSSF	NSSF	December 2010
5	Type 4: advising on securities (Hong Kong)	SFC	September 2011
6	Type 9: asset management (Hong Kong)	SFC	September 2011
7	Domestic securities investment by RMB Qualified Foreign Institutional Investor (Hong Kong)	CSRC	August 2012
8	Entrusted investment managers of insurance funds	CIRC	October 2012
9	Client-specific asset management (Rui Yuan)	CSRC	June 2013
10	Entrusted asset management investment managers of Insurance Security Fund	China Insurance Security Fund Co., Ltd.	August 2013
11	Domestic Securities Investment Management by Qualified Foreign Institutional Investor (QFII) (Hong Kong)	CSRC	September 2013
12	Financial Services Commission of South Korea - investment consulting business license (Hong Kong)	Financial Services Commission of South Korea	November 2013
13	Type 1: dealing in securities (Hong Kong)	SFC	March 2014
14	Investment advisory (Hong Kong)	U.S. Securities and Exchange Commission	May 2014
15	MiFID and UCITS businesses (UK)	Financial Conduct Authority (FCA)	October 2015
16	Domestic Securities Investment by RMB Qualified Foreign Institutional Investor (RQFII) Qualification (UK)	CSRC	December 2015
17	Basic pension insurance fund securities investment management agency	NSSF	December 2016

## Company Profile

## XV. COMPANY HISTORY AND DEVELOPMENT

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

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

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

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

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

## MAJOR INCREASES IN SHARE CAPITAL

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

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

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

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

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

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

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

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

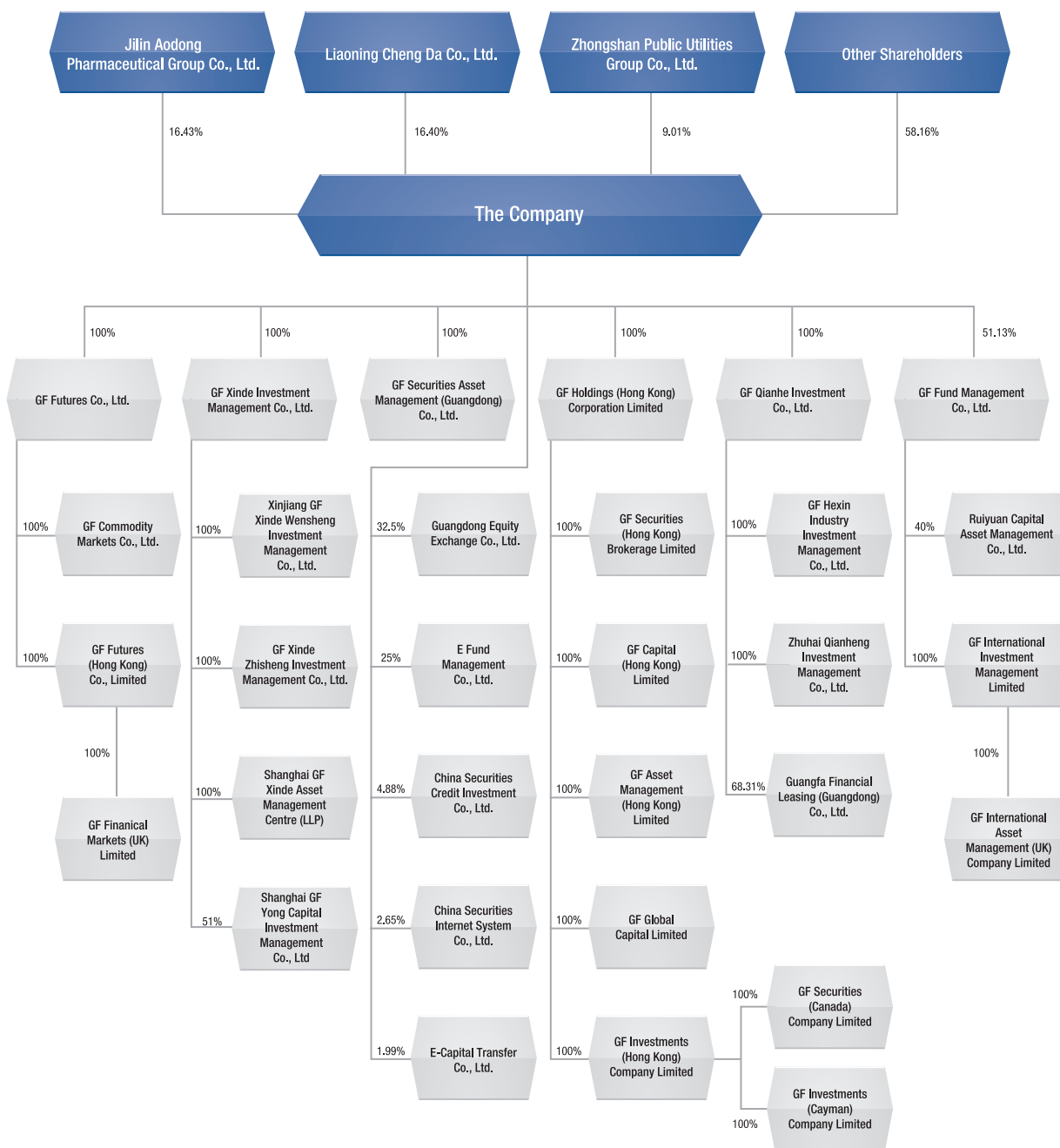
On September 17, 2012, the Company increased its share capital from RMB2,959,645,732 to RMB5,919,291,464 through the capitalization of our capital reserves on the basis of 10 shares for every 10 shares.

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

## Company Profile

## XVI. STRUCTURE OF THE COMPANY

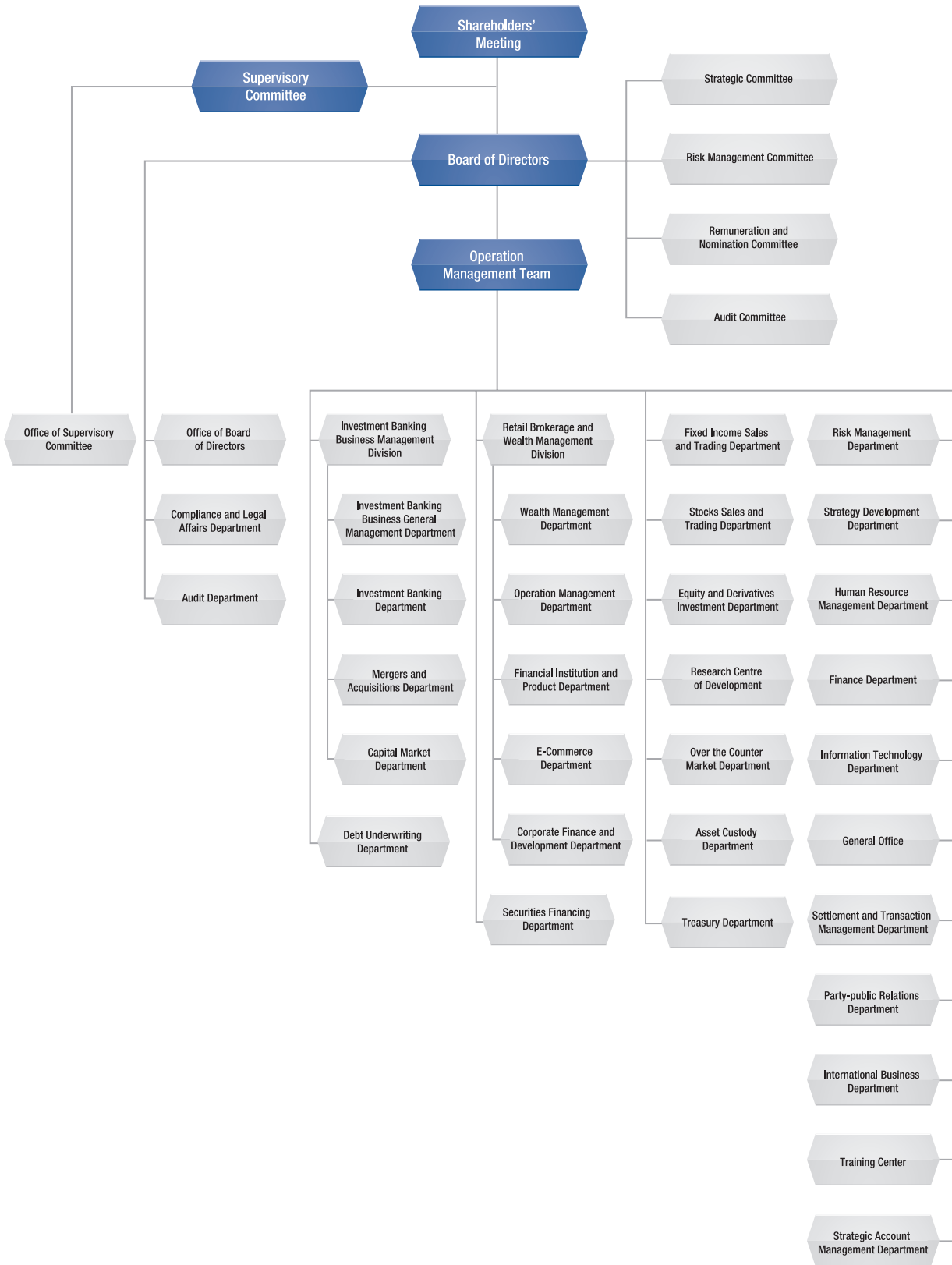
## (I) Shareholding Structure of the Company (As of 31 December 2016)



Note 1: As of December 31, 2016, the Company has signed an agreement with a third party in relation to the transfer of the entire equity interest in Guangdong Equity Exchange Co., Ltd. and is currently handling the relevant procedures.

Note 2: As of December 31, 2016, GF Investments (Hong Kong) has been holding the remaining 31.69% equity interest in Guangfa Financial Leasing (Guangdong) Co., Ltd..

(II) Organization Structure of the Company (As of the date of this report)



## Company Profile

## (III) Domestic Branch Companies

No.	Name of Branch Companies	Business Address	Date of Establishment	Responsible Person	Contact No.
1	GF Securities Co., Ltd. Shenzhen Branch	Level 20, Shum Yip Centre, 5045 Shennan East Road, Luohu District, Shenzhen	July 2009	Jing Jianguo	0755-82083898
2	GF Securities Co., Ltd. Dalian Branch	478 Zhongshan Road, Shahekou District, Dalian, Liaoning Province	July 2009	Chen Deming	0411-84335166
3	GF Securities Co., Ltd. Shandong Branch	West Wing, 10th Floor, 3 Luoyuan Street, Lixia District, Jinan, Shandong Province	July 2009	Zhang Yuqiang	0531-86993666
4	GF Securities Co., Ltd. Shanghai Branch	Room 1803, 99 Fucheng Road, Shanghai Free Trade Zone, PRC	July 2009	Mei Jiyuan	021-68818808
5	GF Securities Co., Ltd. Hebei Branch	9 Yuhua West Road, Qiaoxi District, Shijiazhuang, Hebei Province	July 2009	Huang Bin	0311-85278887
6	GF Securities Co., Ltd. Hubei Branch	3rd Floor, Guangyuan Building, 133 Yanjiang Avenue, Jiangan District, Wuhan, Hubei Province	July 2009	Peng Tao	027-82763201
7	GF Securities Co., Ltd. Guangzhou Branch	2nd Floor, Industrial Bank Plaza 101 Tianhe Road, Guangzhou, Guangdong Province	July 2009	Chen Liming	020-83863518
8	GF Securities Co., Ltd. Jiangsu Branch	Level 5, Nanqi Business Building, 68 Luxiyiing, Gulou District, Nanjing, Jiangsu Province	August 2009	Li Ping	025-86899227
9	GF Securities Co., Ltd. Chengdu Branch	Room 2210, Level 22, Unit 1, Building 1, 722 Yizhou Avenue Central, High Tech Zone,, Chengdu	August 2009	Liu Jiezhou	028-85972529
10	GF Securities Co., Ltd. Zhejiang Branch	Room A201, 41 Qianjiang Road, Shangcheng District, Hangzhou	August 2009	Chen Xiaoyu	0571-86566651
11	GF Securities Co., Ltd. Xi'an Branch	Level 9, 25 Jinhua North Road, Xincheng District, Xi'an, Shaanxi Province	August 2009	He Xiaoshe	029-82518760
12	GF Securities Co., Ltd. Beijing Branch	Level 18, Yuetan Building, 2 Yuetan North Street, Xicheng District, Beijing	August 2009	You Haiyang	010-59136868



Company Profile

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

## Company Profile

## (IV) Domestic and Overseas Principal Wholly-owned and Non Wholly-owned Subsidiaries

## 1. Domestic Wholly-owned and Non Wholly-owned Subsidiaries

Name of Subsidiaries	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio	Responsible Person	Contact No.
GF Futures	Level 9, Level 11, Level 14 and Level 15, Hongdun Building, 57 Tiyu West Road, Tianhe District, Guangzhou	1993.03	RMB130,000	100%	Zhao Guiping	020-8456937
GF Xinde	545 Kashi West Road, Urumqi Economic and Technological Development Zone, Xinjiang	2008.12	RMB280,000	100%	Zeng Hao	020-87555888
GF Qianhe	Room 206, 3 Xingfu West Street, Beifang Town, Huairou District, Beijing	2012.05	RMB375,000	100%	Zhang Shaohua	010-56571886
GF Asset Management	Room 105-285, 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2014.01	RMB100,000	100%	Fu Zhu	020-87555888
GF Fund	Room 4004-56, 3 Baozhong Road, Hengqin New District, Zhuhai, Guangdong Province	2003.08	RMB12,688	51.13%	Lin Chuanhui	020-83936666
GF Equity Exchange	1st Floor and 2nd Floor, Building 2, Phase I, Guangdong Xiaxi International Rubber & Plastics City, Nanping West Road, Guicheng Subdistrict, Nanhai District, Foshan, Guangdong Province	2013.10	RMB10,000	32.5%	Wang Wensheng	020-87555888
E Fund	Room 4004-8, 3 Baozhong Road, Hengqin New District, Zhuhai, Guangdong Province	2001.04	RMB12,000	25%	Liu Xiaoyan	020-38797888
China Securities Credit Investment Co., Ltd.	Room 201, Block A, No.1 Qianwanyilu, Shenzhen – Hong Kong Cooperation Zone, Qianhai, Shenzhen	2015.05	RMB410,000	4.88%	Niu Guanxing	0755-84362888
China Securities Internet System Co.,Ltd.	Unit B808, Level 8, Building B, 19 Finance Avenue (Lot 5 of Block B in Finance Avenue), Xicheng District, Beijing	2013.02	RMB755,024.45	2.65%	Chen Gongyan	010-83897972
ECT	Building 1, 27 Xinqiniao Road, Shanghai Free Trade Zone, PRC	2015.01	RMB251,875	1.99%	Wang Guanrong	021-20538888

Note: As of the date of this report, the Company has signed an agreement with a third party in relation to the transfer of the entire equity interest in Guangdong Equity Exchange Co., Ltd. and is currently handling the relevant procedures.

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

Name of Subsidiary	Registered Address	Date of Establishment	Registered		Responsible Person	Contact No.
			Capital (ten thousand)	Shareholding Ratio (%)		
GF Commodity Markets Co., Ltd.	Room A-1088H, 188 Yesheng Road, Shanghai Free Trade Zone, PRC	2013.4	RMB20,000	100	Zou Gongda	021-60126359

GF Xinde has four subsidiaries, namely Xinjiang GF Xinde Wensheng Investment Management Co., Ltd., GF Xinde Zhisheng Investment Management Co., Ltd., Shanghai GF Xinde Asset Management Centre (LLP) (上海廣發信德資產管理中心 (有限合夥)) and Shanghai GF Yong Capital Investment Management Co., Ltd (上海廣發永胥股權投資管理有限公司).

Name of Subsidiaries	Registered Address	Date of Establishment	Registered		Responsible Person	Contact No.
			Capital (ten thousand)	Shareholding Ratio (%)		
Xinjiang GF Xinde Wensheng Investment Management Co., Ltd.	Room 19, Western Green Valley Building, 752 Kashixi Road, Economy & Technology Development Zone in Urumqi, Xinjiang	2013.3	RMB2,050	100	Chen Chongyang	020-87555781
GF Xinde Zhisheng Investment Management Co., Ltd.	Room 105-1378, 6 Baohua Road, Hengqin New District, Zhuhai	2014.11	RMB5,000	100	Chen Chongyang	020-87555781
Shanghai GF Xinde Asset Management Centre (LLP)	Room 205, 2/F, Block 3, 146 Fu Te Dong Yi Lu, Shanghai Experimental Free-Trade Zone, PRC	2015.4	RMB1,000	100	Chen Chongyang	020-87555781
Shanghai GF Yong Capital Investment Management Co., Ltd	Room 401, 665 Zhangjiang Road, Shanghai Experimental Free-Trade Zone, PRC	2015.8	RMB500	51	Xiao Xuesheng	020-87555985

GF Qianhe has three subsidiaries, namely Zhuhai Qianheng Investment Management Co., Ltd., Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃 (廣東) 有限公司) and GF Hexin Industry Investment Management Co., Ltd. (廣發合信產業投資管理有限公司).

Name of Subsidiaries	Registered Address	Date of Establishment	Registered		Responsible Person	Contact No.
			Capital (ten thousand)	Shareholding Ratio (%)		
Zhuhai Qianheng Investment Management Co., Ltd.	Room 105-1891, 6 Baohua Road, Hengqin New District, Zhuhai	2015.3	RMB110,000	100	Jin Bo	020-87570115
Guangfa Financial Leasing (Guangdong) Co., Ltd.	No. 612, 36 Jintao West Street, Nansha District, Guangzhou	2015.6	RMB80,000	68.31	Zhang Wei	020-38880058
GF Hexin Industry Investment Management Co., Ltd.	Room 105-5649, 6 Baohua Road, Hengqin New District, Zhuhai	2015.8	RMB10,000	100	Zhang Wei	010-56571798

Note: As of December 31, 2016, GF Investments (Hong Kong) has been holding the remaining 31.69% equity interest in Guangfa Finance Lease (Guangdong) Co., Ltd..

## Company Profile

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

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
Ruiyuan Capital Asset Management Co., Ltd.	Room 4004-128, 3 Baozhong Road, Hengqin New District, Zhuhai	2013.6	RMB7,500	40	Chen Bojun	020-89188996

## 2. Overseas Wholly-owned and Non Wholly-owned Subsidiaries

Name of Subsidiary	Registered Address	Date of Establishment	Paid-up Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GFHK	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.6	HK\$560,000	100	Lin Xianghong	(852) 37191111

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

Name of Subsidiaries	Registered Address	Date of Establishment	Paid-up Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Securities (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.7	HK\$280,000	100	Wang Yue	(852) 37191111
GF Capital (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.7	HK\$13,000	100	Ye Yong	(852) 37191111
GF Asset Management (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.7	HK\$32,500	100	Lee Wilson Tsz Kin	(852) 37191111
GF Investments (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2011.9	HK\$500	100	Sha Jianyuan	(852) 37191111
GF Global Capital	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2015.11	HK\$160,000	100	Chen Lu	(852) 37191111
GF Securities (Canada) Company Limited	5911 No 3 Rd Unit 130 Richmond BC V6X 0K9, Canada	2014.3	CAD1,000	100	Wen Huiqing	(778) 2975888
GF Investments (Cayman) Company Limited	Elian Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands	2011.9	USD60	100	Sha Jianyuan	(852) 3719 1111

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

Name of Subsidiaries	Registered Address	Date of Establishment	Paid-up Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF International Investment Management Limited	Suite 3503-05, 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong Special Administrative Region	2010.12	HK\$30,000	100	Chen Huilin	(852) 36952868
GF International Asset Management (UK) Company Limited	First Floor 43 London Wall, London, United Kingdom	2014.11	GBP200.01	100	Guo Congyang	(44) 2038289888

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

Name of Subsidiaries	Office Address	Date of Establishment	Paid-up Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.5	HK\$49,500	100	Liu Boya	(852) 37191155
GF Financial Markets (UK) Limited	1 Broadgate, London, EC2M 2QS, United Kingdom	1976.2	GBP3,000	100	Andy Gooch	(44) 2073301688

**(V) Numbers and Distribution of Securities Brokerage Branches**

As of December 31, 2016, the Company has established 264 securities brokerage branches. The numbers and distribution of securities brokerage branches are set out below:

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

## Company Profile

## XVII. OTHER RELEVANT INFORMATION

## (1) Auditors engaged by the Company

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

## (2) Legal Advisors

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

## (3) Joint Compliance Advisors:

**ABCI Capital Limited**  
**GF Capital (Hong Kong)**

## (4) Share Registrars

<b>A Share Registrar</b>	<b>China Securities Depository and Clearing Corporation Limited, Shenzhen Branch</b> 18th Floor, Zhongxin Building, No. 1093, Shennan Mid Road, Shenzhen, Guangdong, PRC
<b>H Share Registrar</b>	<b>Computershare Hong Kong Investor Services Limited</b> Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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

The Company was rated as Class A Grade AA Securities Company in 2014;

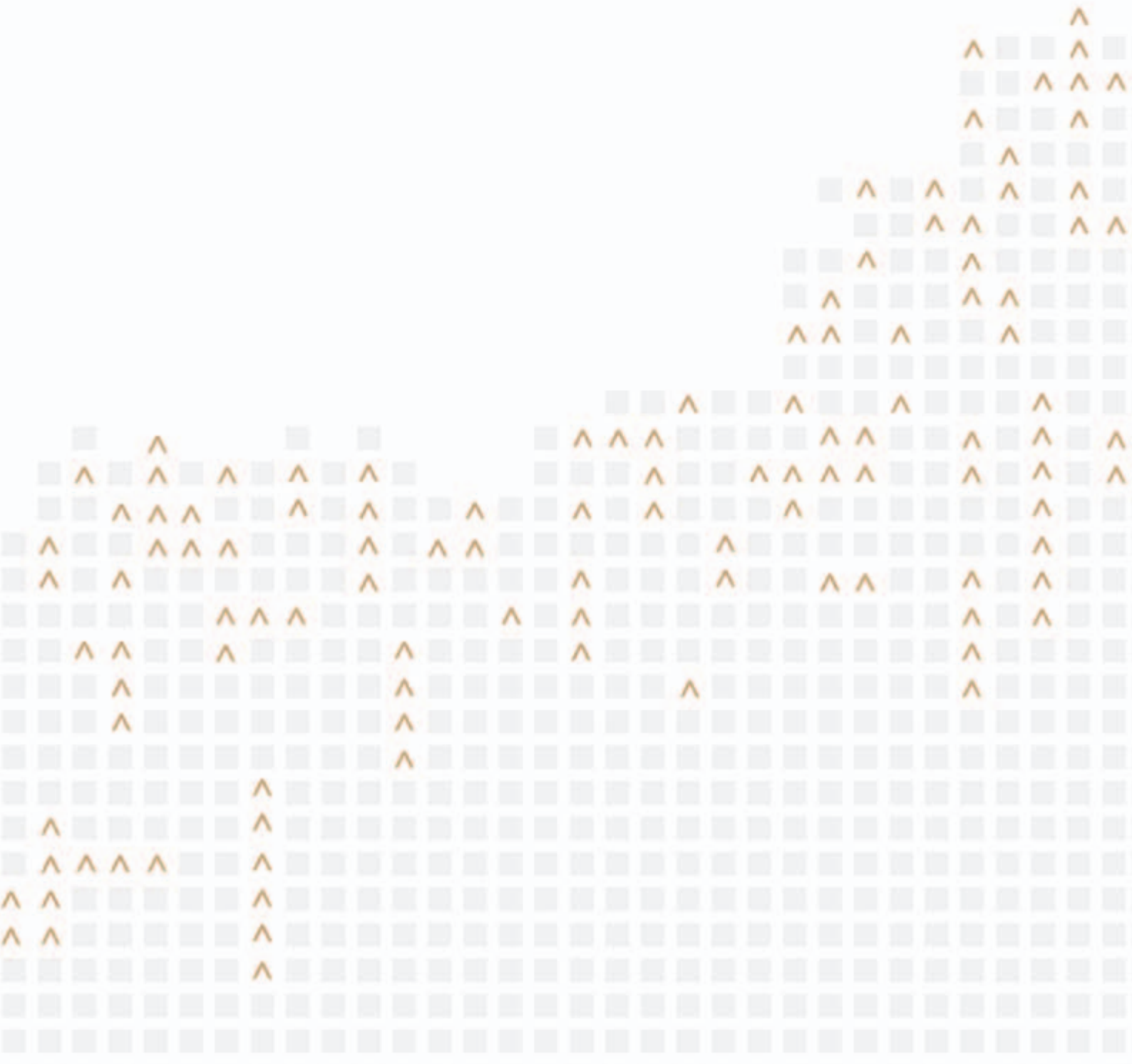
The Company was rated as Class A Grade AA Securities Company in 2015;

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

<b>(6) Registered Capital of the Company</b>	RMB7,621,087,664
<b>Net Capital of the Company</b>	RMB66,819,411,786.96

## 主要會計數據和財務指標

# KEY ACCOUNTING DATA AND FINANCIAL INDICATORS



## Key Accounting Data and Financial Indicators

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

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

Unit: RMB in millions

	2016	2015	Variance in comparison with last year	2014
Total revenue and other income	27,488	42,733	-35.67%	16,163
Profit before income tax	10,705	17,806	-39.88%	6,649
Net profit attributable to owners of the Company	8,030	13,201	-39.17%	5,023
Net cash from (used in) operating activities	11,115	-7,691	—	-15,040
Basic earnings per share (RMB/share)	1.05	1.85	-43.24%	0.85
Diluted earnings per share (RMB/share)	N/A	1.85	—	N/A
Return on weighted average net assets (%)	10.29	21.14	decrease of 10.85 percentage points	13.56

	December 31, 2016	December 31, 2015	Variance in comparison with the end of last year	December 31, 2014
Total assets	359,801	419,097	-14.15%	240,100
Total liabilities	278,448	339,276	-17.93%	198,722
Equity attributable to owners of the Company	78,530	77,519	1.30%	39,611
Total share capital	7,621	7,621	—	5,919
Net assets per share attributable to owners of the Company (RMB/share)	10.30	10.17	1.28%	6.69
Gearing ratio (%)	70.32	73.48	decrease of 3.16 percentage points	75.46

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

### II. ACCOUNTING DATA DISCREPANCY UNDER PRC GAAP AND IFRS

The net profits in the years of 2016 and 2015 and the net assets as of December 31, 2016 and December 31, 2015 as stated in the consolidated financial statements of the Company disclosed in accordance with the International Financial Reporting Standards (IFRS) are consistent with those in accordance with the PRC generally accepted accounting principles (PRC GAAP).



## Key Accounting Data and Financial Indicators

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

The Company has solid asset quality and stable operation. Each major risk control indicator is in compliance with the relevant requirements under the Regulations for Supervision and Administration of Securities Companies (《證券公司監督管理條例》) and the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC.

Item	Unit: RMB		
	December 31, 2016	December 31, 2015	Variance in comparison with end of last year
Core net capital	<b>50,219,411,786.96</b>	53,468,958,155.11	-6.08%
Supplementary net capital	<b>16,600,000,000.00</b>	10,000,000,000.00	66.00%
Net capital	<b>66,819,411,786.96</b>	63,468,958,155.11	5.28%
Net assets	<b>71,678,864,866.04</b>	72,337,308,089.64	-0.91%
Total risk capital reserves	<b>26,068,251,883.47</b>	20,516,080,458.78	27.06%
Total on- and off-balance sheet assets	<b>242,011,780,555.29</b>	281,713,307,400.40	-14.09%
Risk coverage ratio <sup>note 4</sup>	<b>256.32%</b>	309.36%	decrease of 53.04 percentage points
Capital leverage ratio <sup>note 4</sup>	<b>21.37%</b>	19.16%	increase of 2.21 percentage points
Liquidity coverage ratio <sup>note 4</sup>	<b>305.17%</b>	210.62%	increase of 94.55 percentage points
Net stable funding ratio <sup>note 4</sup>	<b>139.14%</b>	122.87%	increase of 16.27 percentage points
Net capital/Net assets	<b>93.22%</b>	87.74%	increase of 5.48 percentage points
Net capital/liabilities	<b>40.61%</b>	31.17%	increase of 9.44 percentage points
Net assets/liabilities	<b>43.57%</b>	35.53%	increase of 8.04 percentage points
Proprietary equity securities and securities derivatives/Net capital	<b>32.09%</b>	37.93%	decrease of 5.84 percentage points
Proprietary non-equity securities and securities derivatives/Net capital	<b>156.62%</b>	212.61%	decrease of 55.99 percentage points

Note 1: In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) issued by the CSRC, the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準的規定》) came into force on October 1, 2016, and the data as of 31 December 2015 in the above table has been restated according to the new standard.

Note 2: In July and September 2015, the Company and China Securities Finance Corporation Limited (“CSF”) entered into Master Agreement of OTC Derivatives Transactions on China’s Securities and Futures Market (《中國證券期貨市場外衍生品交易主協議》) and the Confirmation Letter for Return Swaps (《收益互換交易確認書》), respectively, allocating a total of RMB 13,863,790,000.00 to CSF for investment. A special account will be set up by CSF for this investment for the purpose of unified operation and the Company will share the investment risks and investment income in accordance with the investment ratio. In the ratio of the “proprietary equity securities and securities derivatives/net capital” as at the end of the year and the previous year, the Company has treated the investment amount as stock and included 100% of the closing balance in the item of “proprietary equity securities and securities derivatives” in this indicator.

Note 3: The above relevant data were based on the Administrative Measures for Risk Control Indicators of Securities Companies issued by the CSRC and PRC Accounting Standards, and expressed on a non-consolidated basis.

Note 4: Risk coverage ratio = Net capital/Total risk capital reserves × 100%;

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

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

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

## Key Accounting Data and Financial Indicators

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

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

	2016	2015	2014	2013	2012
Total revenue and other income	27,487,923	42,732,815	16,163,495	9,331,847	7,280,520
Total expenses	17,185,727	25,216,915	9,852,065	6,247,556	4,969,781
Profit before income tax	10,705,060	17,805,712	6,648,595	3,477,313	2,685,219
Net profit attributable to owners of the Company	8,030,107	13,201,014	5,022,568	2,812,501	2,191,457

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

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Total assets	359,801,354	419,097,015	240,099,776	117,292,171	89,855,806
Total liabilities	278,448,018	339,276,186	198,722,320	82,549,195	56,901,028
Equity attributable to owners of the Company	78,530,210	77,519,274	39,610,880	34,604,666	32,942,624
Share capital	7,621,088	7,621,088	5,919,291	5,919,291	5,919,291

## 3. Key financial indicators

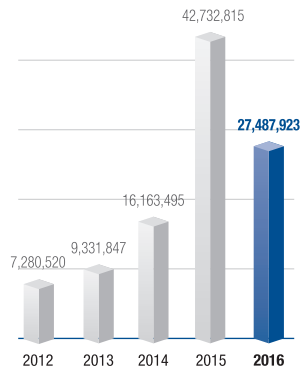
	2016	2015	2014	2013	2012
Basic earnings per share (RMB/share)	1.05	1.85	0.85	0.48	0.37
Diluted earnings per share (RMB/share)	N/A	1.85	N/A	N/A	N/A
Return on weighted average net assets (%)	10.29	21.14	13.56	8.33	6.80
Gearing ratio (%)	70.32	73.48	75.46	59.45	40.69
Net assets per share attributable to owners of the Company (RMB/share)	10.30	10.17	6.69	5.85	5.57

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

Key Accounting Data and Financial Indicators

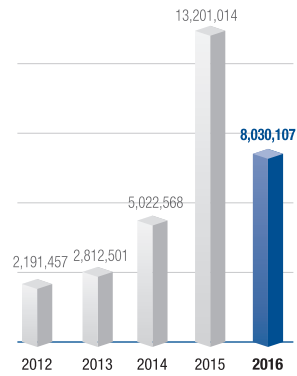
**Total revenue and other income**

(Unit: RMB'000)



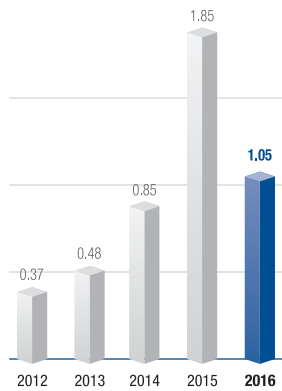
**Net profit attributable to owners of the Company**

(Unit: RMB'000)

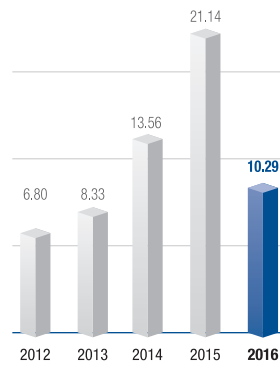


**Basic earnings per share**

(RMB/share)

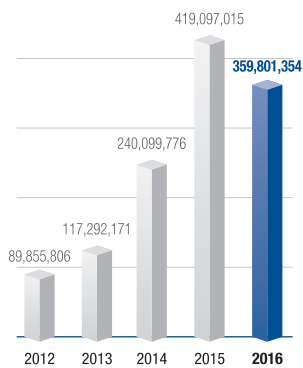


**Return on weighted average net assets (%)**



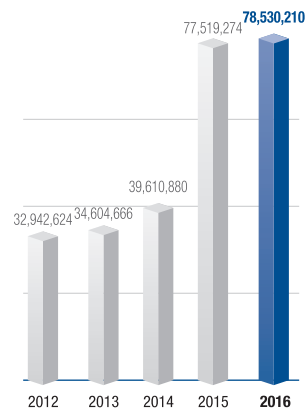
**Total assets**

(Unit: RMB'000)



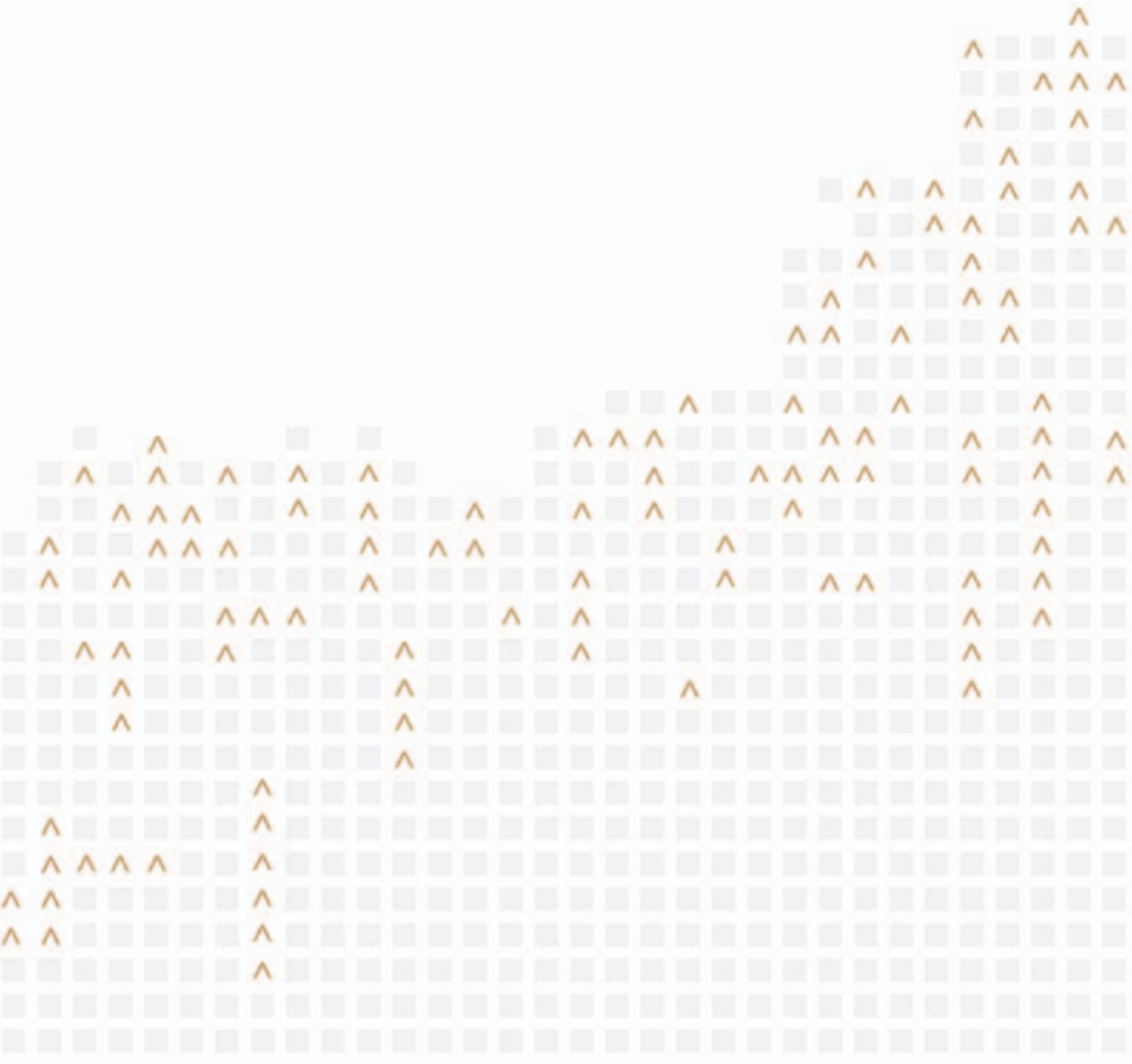
**Equity attributable to owners of the Company**

(Unit: RMB'000)



董事長致辭

# CHAIRMAN'S STATEMENT



## Chairman's Statement

In the past 2016, uncertainties were further intensified in the international financial market, casting a big shadow over the prospect of globalization. International trade has become more sluggish with direct investment slowing down and liabilities continuing on the rise. Economic globalization has been “forced” to enter a periodic adjustment stage. In 2016, the development of China’s economy showed a L-type trend under the “New Normal” of gear shifting growth with drivers and pressures interweaving featured by a clear differentiation. With the continuing and steady advancement of economy transforming by the China’s government, the supply-side structural reform has achieved periodic movement and the long-term favorable tendency in fundamentals of the national economic development has maintained unchanged and the operation and development trend of national economy was positive. After the violent and abnormal fluctuation in stock market in 2015, the regulatory administration continued to adopt various steps to minimize financial risks in capital market according to a key tone featured by law-based regulation, strict monitoring and comprehensive overseeing in 2016. It attached great importance to serving the real economy by finance, turning back to the original business and lowering leverage risks. Gradually, the market regained stability and the stock trading cooled down significantly while financing and M&A sector became active.

In 2016, the performance of the securities industry declined in the context of overall average performance in the stock market. According to the unaudited data of China Securities Industry Association (on the parent company basis, scope of statistics are securities firms and securities related subsidiaries), operating income and net profit achieved in the industry fell 42.97% and 49.57% respectively as compared with 2015, but increased 26.01% and 27.85% respectively as compared with 2014. Under the correct leadership of the board of directors, the Company’s operation management led all the staff to work hard, strive to make progress and struggle forward to comprehensively promote the Group’s risk compliance management and to resolve the various risks. The Company has achieved the second best operating results in the history of the development of GF Securities in the context of slowdown in economic growth, tighter regulation and overall average performance in the stock market, The Group’s total revenue and other income and net profit attributable to owners of the Company in 2016 were RMB27,488 million and RMB8,030 million, respectively, representing a decrease of 35.67% and 39.17% respectively as compared with 2015 and an increase of 70.06% and 59.88% respectively as compared with 2014. The Company’s performance was also significantly better than the industry.

In 2016, the main indicators of our investment banking business continued to maintain the industry-leading position and made a breakthrough in large customer development and cross-border mergers and acquisitions; the main indicators of investment management business were in the leading position; for trading and institutional client service business, it has successfully avoided the investment risk in the stock market, has achieved good performance in the fixed income investment and has obtained the best results by New Fortune (《新财富》) in its history for the industry research; for wealth management business, part of its main indicators have declined in the market ranking, but continued to maintain the leading edge and innovative advantages in the Internet finance. Achievement of such a result in 2016 was really not easy. We would like to express our heartfelt gratitude to our customers and partners for their high trust in GF Securities as well as all Shareholders and investors for their strong support. We would also like to thank all the staff for their hard work!

## Chairman's Statement

2016 was the 25th anniversary of the establishment of the Company, the 1st anniversary of the listing of H shares and also the ending year for the five-year strategic plan of the Company. In the past five years, the Company has made breakthroughs in development in various aspects: (1) The overall strength of the Company was greatly improved, with the initial appearance of the importance of the system. With its main operation indicators and financial indicators ranking at the forefront of the industry for many years consecutively, the Company became one of the most influential securities companies in the PRC capital market. The contribution made by the Company in aspects such as supporting the real economy, serving the national strategies and satisfying the demands of residents for wealth management was highly recognized by all levels of government agencies, regulatory authorities and all sectors of the community; (2) Each business line of the Company made efforts in pioneering and innovation, with the four major business segments advancing forward concurrently. The business scale and quality were significantly improved. A more balanced business structure was gradually formed. The organizational structure of the Company was increasingly optimized. The construction of the three major systems progressed steadily and the ancillary support system was constantly reinforced. The standardization level and the operational efficiency of the Company were constantly enhanced; (3) The Company continued to deepen the brand connotation and the Company's image was constantly enhanced. From 2015 to 2016, the Company ranked second among dealers in the PRC on the "Hurun Brand List" and was repeatedly awarded the Best Listed Company Prize; in terms of international image, the listing of the Company's H shares won the honour of the "Best IPO of the Year" awarded by "Asiamoney", an authoritative financial magazine in the Asia-Pacific region. The Company's cross-border merger and acquisition business and overseas funds jointly established with foreign institutions, etc. have greatly enhanced the Company's international influence; in terms of social image, the Company practiced the social responsibility of a corporate citizen. The GF Securities Social Welfare Foundation founded and established in Guangdong province in 2011 has become one of the largest public welfare foundation in the securities industry; the Company actively responded to helping the poor, and took the initiative to conduct poverty alleviation work; through continuous efforts, the Company made public welfare a long-term and systematic task, with the continuous enhancement of social reputation; (4) on the basis of inheriting the essence of the original corporate culture, the Company reached a consensus on the new corporate culture outline and issued the "GF Securities Corporate Culture Outline" (2015 edition) which has become a guiding document for leading the healthy, scientific and sustainable development of the Company. The Company conducted a series of corporate culture construction activities which formed a consensus on the medium-to-long-term development strategy of the Company and established cultural soft power.

Looking forward to 2017, the reshaping of the global political situation will intensify the economic downside risks, and no optimism is allowed for the world economic growth situation; but the long-term favorable tendency in fundamentals of the PRC economy will remain unchanged, its basic characters of good economic toughness, full potential and big maneuver room will remain unchanged. The PRC economy will show a development trend of more reasonable industry structure and higher quality economy and enter into a new normal, new pattern and new stage of development, and we anticipate that the government will make important progress in intensively promoting "three eliminations, one reduction and one improvement", intensively promoting the agricultural supply side structural reform, striving to revitalize the real economy, facilitating the steady and healthy development of the real estate market and the "One Belt, One Road" strategy in 2017. The PRC economy will enter a new development stage of higher quality, improved efficiency and greater sustainability.

## Chairman's Statement

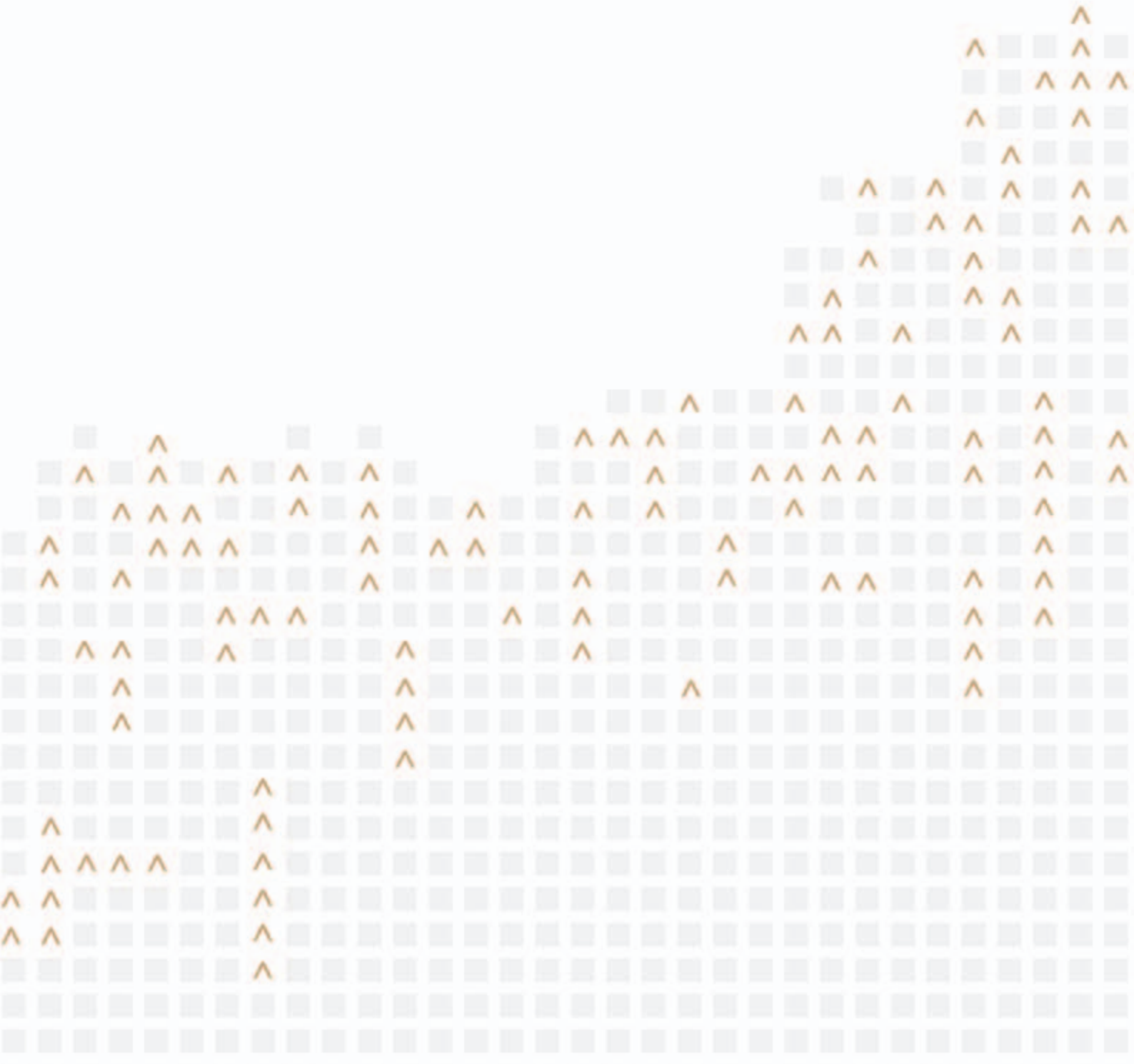
In 2017, the PRC capital market will also advance in the direction of marketization, rule of law and internationalization steadily, and we are fully confident in the development of the capital market and the securities industry in the PRC! When deploying the economic work for 2017, the Central Economic Work Conference pointed out that the prevention and control of financial risks should be placed in a more important position; a number of risk points should be tackled with determination; efforts should be exerted to prevent and control asset bubbles, enhance and improve regulatory capacity to ensure no systematic financial risks occur. In 2017, the Company shall put risk prevention and control in a more important position, put more emphasis on comprehensive risk management, firmly hold the lifeline of risk management and the bottom line of compliance and build a solid foundation to drive the operation, innovation and development of various businesses of the Company. We expect that there will be new progress, new achievements and new breakthroughs in capital market reform in 2017, which will greatly promote the long-term sustainable and healthy development of the capital market.

We have firmly believe that the PRC capital market is still in a very rare period of strategic opportunities and firmly believe in its broad prospects for development. In 2017, we will conduct the securities origin business by closely focusing on the aim of serving the real economy, uphold and practice the concept of customer focus, develop a new five-year strategic plan, continue to expand and strengthen the investment banking business and investment management business; increase investment in scientific and technological finance, improve the management mechanism, speed up the transformation and upgrading of wealth management business; enhance the main varieties of domestic asset allocation capacity, and gradually establish the investment ability covering the major global market; and enhance the revenue proportion of institutional client business and international business as soon as possible through improving service level and increasing merger and acquisition efforts. We will make unremitting efforts to build a solid foundation to advance towards the objective of a modern investment bank with international competitiveness, brand influence and systematic importance. We believe that with the assistance of the Shareholders, under the guidance of the Board and with the joint efforts of the operation management and all staff, GF Securities will have a more brilliant tomorrow by continuing to consolidate the foundation, tapping the potential, facing the challenges and seizing the opportunities.

*Chairman*  
**Sun Shuming**

# 董事長報告

## DIRECTORS' REPORT





# Directors' Report

The directors of the Company (the “Directors”) present the annual report and the audited consolidated financial statement of the Company and the Group for the year ended December 31, 2016. Contents of relevant section in this report mentioned in the cross references in the Director’s Report forms part of the Directors’ Report.

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

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

The Group is positioned as a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China’s quality SMEs and affluent individuals. The Group has built a diversified business serving the various needs of corporations, individuals (especially affluent individuals), institutional investors, financial institutions and government clients. The main business of the Group can be classified into four segments, namely investment banking, wealth management, trading and institutional client services and investment management, and the development of the respective business has ranked among forefront of the industry. Principal business of the Company and the main subsidiaries are set out in Note 68 of the Notes to the Consolidated Financial Statements.

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

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

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

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

**Trading and Institutional Client Services:** the Group earns its investment income and interest income through market services from stock, fixed income and derivatives and self-support transactions, and earning its fees and commissions through providing transaction consultation and execution, investment research services and the main broker services to institutional customers;

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

## Directors' Report

During the Reporting Period, the Group has actively carried out businesses including finance lease, QDLP and PPP. The Group has persisted in adhering to the core of securities business, integrating resources to better service 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) Development Characteristics of the Industry in which the Group Operates

The main businesses of the Group have developed steadily in light of various driving factors, which mainly include the following aspects:

1. The importance of the securities industry has been improved and will show a steady and developing trend. In the "Proposal on Formulating the 13th Five-Year Plan on National Economic and Social Development" (《中共中央關於制定國民經濟和社會發展第十三個五年規劃的建議》) passed in November 2015, for the capital markets and the securities industry, the general idea is to direct with marketization and legalization, accelerate reform of the financial system, improve the economic efficiency of financial services entities and enhance the proportion of direct financing, which plays an important guiding role for the future development of the industry and also reflects that the highest decision-makers attach great importance to the development of capital markets. There still has a remarkable space for the development of the industry. On the other hand, the securities industry has also placed the risk prevention as a more important concern under the background of cutting excessive industrial capacity and reducing leverage of the macro economy. The regulatory authorities will improve the rules and regulations and coordinate the multi-industry regulation on the basis of "lawful supervision, strict supervision and comprehensive supervision", to enhance the level of market standardization constantly, and the securities industry will show a steady and developing trend in a future period.
2. The direct financing demand of enterprises is huge, and the merger market is developing. In the process of the rapid economic growth and transformation in China, the financing requirements of the Chinese enterprises have increased continually. Compared with the overseas mature capital markets, the proportion of direct financing in China is relatively low, and China's capital market has a broad space for growth. Benefited from the government's policy to strongly encourage and support the development of real economy and direct financing, as well as China's demand of economic transformation, the financing requirements of the Chinese enterprises have increased continually, and China's capital market has a strong growth potential. Besides, China's current economy is in a transitional period of steady growth and structural adjustment. This will take place over a longer-time period; assets reorganization and mergers and acquisitions will play a special role in the economic transformation of China; in the recent years, the approval efficiency of major mergers and acquisitions by the CSRC has been greatly improved, and the mergers of equity and debt instruments have been increasing. All these will promote the development of investment banking business for securities companies.

3. The wealth of residents has been accumulated and allocation structure has changed, and there will be a huge room for development in wealth management business. With the continuous growth of China's economy and the wealth of residents, asset management industry of China has developed rapidly, which has become the sector with most dynamic and growth potential in finance sub-area. Although the economy has currently entered into a period of the new normal, accumulation of wealth of residents might not be as rapid as it was. However, according to the forecast by BCG, the asset management scale will reach RMB174 trillion by 2020. On the other hand, the wealth allocation structure of residents will also be subject to adjustment. Household asset allocation of China is currently focusing on properties, but with the rapid development phase of the real estate industry drawing to a close, the percentage of the properties in the household asset allocation will decline and that of financial assets will increase. Therefore, the development of the asset management industry is gradually standardized, and there will be a huge room for development in wealth management business for the wealth of residents.
4. The degree of participation of institutional investors has increased continuously. According to BCG Advisory Report, from the view of condition of the whole asset management industry, fund scale of the individual customer accounts for 61%, while fund scale of the long term institutional investors which include pension, enterprise annuity and insurance only accounts for 39%, which has great difference with the proportion of global market, reflecting the investment behavior of pursuing short term benefits and ignoring long term balanced allocation of assets. In fact, development of institutional investors will be of great significance on stable and healthy development of A share market, which has been a key task of the regulatory authorities. In the future, the investment scope and scale of the funds managed by professional institutional investors, such as insurance funds, enterprise annuity, pensions and offshore funds will be expanded. The degree of participation of institutional investors has increased, which will generate new income sources and diversified business opportunities for securities companies; and change of investor structure will also affect the existing transaction business and business mode of asset management.

## Directors' Report

5. The internationalization of capital market has accelerated. With the promotion of the proportion and status of the Chinese economy in the global economic system and with the steady progress of the national strategy of "One Belt, One Road", the internationalization process of capital market has also been accelerated. The launch of "Shenzhen-Hong Kong Stock Connect" business in 2016 is another important measure for the interconnection between the two capital markets following the "Shanghai-Hong Kong Stock Connect", being a major innovation of the two-way opening up for the capital market in China. Since the formal operation of the Shanghai-Hong Kong Stock Connect in November 2014, despite the severe fluctuation of the capital market in the mainland, it still maintained a smooth operation, which proved the success of the interconnection system. With the increasing internationalization of the RMB in the future, the internationalization of capital markets is expected to move further forward, and the development of securities industry will also keep up with the pace.

Benefited from China's increasing economic growth and reform and opening up and the innovation development of the capital market, the capital market of China has gradually become an important force in the financial markets in more than two decades. China's economy is now in the process of transformation and upgrading, there are sustainable needs of investment and financing and revitalizing stock assets for enterprises, and the capital market will play an important role. The Chinese government is also committed to accelerate the construction of multi-level capital market and vigorously enhance the proportion of direct financing. As an important emerging market, China's capital market and China's securities industry have a huge potential for growth.

Meanwhile, the securities business of the Group relies on and benefits from China's economic growth, accumulation of household wealth and the development and performance of China's capital market. Financial products issuance and trading volume, including stocks, bonds, and financial products and affected by the economic environment, regulatory environment, investor sentiment and the international market and other factors, have shown stronger periodic features.

## II. BUSINESS REVIEW

Business operations and business review of the Group for the year ended December 31, 2016 are set out in “Discussion and Analysis of Operations”, which forms part of the Directors’ Report, in Section 5 of this annual report.

## III. ANALYSIS ON CORE COMPETITIVENESS

### (I) Market-oriented mechanism, balanced and diversified ownership structure, and perfect corporate governance

The Company has no controlling shareholder and de facto Controller. Over the past 17 years, the top three shareholders of the Company have been Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all public listed companies) (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non registered shareholders of H Shares). As of December 31, 2016, the shareholding percentages of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 16.76%, 16.42% and 10.33%, 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.

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

## Directors' Report

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

Sound corporate culture will boost the Company's cohesion and momentum. The Company has a highly stable management team and a core business team with low turnover rate of talent. The management team members have an average of more than 17 years of managerial experience in securities and finance and relevant sectors and have served an average term of approximately 16 years. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees are 1% and 2% or so, thus greatly boosting client confidence, the continuity and stability of the various businesses.

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

### (III) 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 upheld the "stable growth" concept by firmly conforming to the compliance base line and the risk management life-line. The Company has consistently adhered to a modest risk preference, supported the steady development of the business through modest risk-bearing, effective risk management, actively responding to and disposing of risks and independent oversight of risk, and has ensured that the risks tolerated by the Company remain within the set tolerance level. On one hand, the Company carried out compliance management in close combination with business needs to adequately conduct compliance law argumentation and serve the operation of business; meanwhile, the compliant operation of business is supervised through measures such as system construction, process improvement, inspection and implementation. On the other hand, with respect to problems and risks identified, appropriate compliance management measures are promptly taken to carry out supervision and accountability, enhance the Company's internal control, properly mitigate and deal with risks, and timely adjust and improve the business process to form a long-term mechanism for ensuring compliant operations. The Company has set up a comprehensive risk management system with effective coverage of compliance and risk culture, governance structure, mechanism and practice, and infrastructure facilities to gradually realize the vertical management of branches, sub-branches and subsidiaries through compliance and risk control. Over the years, the Company's asset quality has been excellent, the main risk control indicators are continually consistent with the regulatory indicators, and the safety margin of leverage regulatory indicators is relatively huge, with a strong ability to resist risks.

## Directors' Report

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

Adhering to the management philosophy of “**stable growth, continual innovation, performance-driven culture and business strategies**”, the Company has explored with dedication and forged ahead in the competitive and complex environment of the industry. It has withstood the test of major changes in the industry, and has been one of the securities firms with the largest influence in the Chinese market for many years. The total assets, net assets, net capital, operating revenue, net profit and other main operating indicators of the Company rank among the top in the industry for consecutive years. The details of the operating performance indicators are as follows:

**Rankings of the Main Operating Indicators of the Company from 2014 to 2016**

Items	2016/Year End	2015/Year End	2014/Year End
Total assets	4	3	4
Net assets	5	5	4
Net capital	4	4	3
Operating revenue	3	4	4
Net profit	3	5	5

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

Note 2: The 2016 indicators are based on unaudited statistical data for parent company. The 2015 and 2014 indicators are based on audited statistical data for parent company.

While seeking economic benefits and market position, both reputation and brand of the Company have been enhancing persistently. From 2015 to 2016, the Company ranked second among securities firms in China in “Hurun Brand List” for two consecutive years. The Company actively fulfilled the social responsibility, focusing on the two areas of helping the poor and providing student loan to promote education based on the “GF Securities Social Charity Foundation”. The Company took initiative practice of social responsibility. The reputation and brand influence of the Company have continued to improve.



**(V) Full licenses and establishing the ability to provide comprehensive financial services to customers**

Our Group possesses licenses for a full range of services including investment banking, wealth management, transaction and institutional client services and investment management. The various main businesses of the Company have achieved relatively balanced development and rank among the top in the industry. Meanwhile, the Company is the controlling shareholder of GF Futures, GF Fund, GFHK, GF Xinde, GF Qianhe and GF Asset Management, and also holds shares in (also as one of the largest shareholders) E Fund Management, E-Capital Transfer Co., Ltd., China Securities Credit Investment Co., Ltd. and China Securities Internet System Co., Ltd. (中證機構間報價系統股份有限公司), and actively explores and develops various businesses such as finance lease, PPP and QDLP, building a preliminary financial group structure. With a full range of business licenses of the securities industry, top-ranked main businesses and conglomerated comprehensive financial services capabilities, the Company is able to boost its core competitiveness continuously.

**(VI) 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 has been emphasizing on innovations in the field of information technology and finance. It has changed from mainly outsourcing in the past to mainly focusing on independent development of core technology. During the past three years, it has recruited 180 local leading Internet technological talents and gradually established a financial technology-based team with an engineer culture and especially with independent research and development capabilities. The Company made active explorations in areas such as brokerage O2O, financial e-commerce and securities trading, etc. Core products with independent intellectual property rights will be researched and developed in the areas of market cloud services, robot investment consultation, trading terminals, intermediate segments of transactions and financial social platform. Innovations in the technical fields of container technology, big data and high performance computation for application scenarios in the securities industry will be explored continuously. The Company was the first in the industry to launch the first robot investment advisory system in order to satisfy the diversified wealth management needs of medium and small sized investors. Applications have been made for six patents (two invention patents, three utility patents and one copyright of software). One utility patent and one copyright of software have been obtained.

## Directors' Report

**IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND**

The formulation and implementation details of the Company's cash dividends policy and the profit distribution proposal for 2016 are set out in "I. Profit Distribution of Ordinary Shares and Conversion of Capital Reserves into Share Capital of the Company" and "II. Proposals on Profit Distribution and Conversion of Capital Reserves into Share Capital during the Reporting Period" of Section 6 "Significant Events" in this report.

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

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

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

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

**VI. DIRECTORS AND SUPERVISORS OF THE COMPANY**

**(I) During the Reporting Period, the Directors and Supervisors of the Company are as follows:**

***Directors of the Company:***

Executive Directors: Mr. Sun Shuming, Mr. Lin Zhihai, Mr. Qin Li and Ms. Sun Xiaoyan

Non-executive Directors: Mr. Shang Shuzhi, Mr. Li Xiulin and Mr. Chen Aixue

Independent Non-executive Directors: Mr. Liu Jiwei, Mr. Yang Xiong, Mr. Tang Xin and Mr. Chan Kalok

***Supervisors of the Company:***

Mr. Wu Zhaoming (Employee Representative Supervisor)

Mr. Cheng Huaiyuan (Employee Representative Supervisor)

Ms. Zhan Lingzhi

Mr. Tan Yue (appointed on June 28, 2016)

Mr. Gu Naikang (appointed on June 28, 2016)

**(II) During the Reporting Period, the resignation of Directors and Supervisors of the Company are as follows:**

***Supervisors of the Company:***

Mr. Xu Xinzhong (appointed on July 21, 2015 and resigned on February 1, 2016)

During the Reporting Period, the details on the changes of Directors and Supervisors are set out in “II. Changes in the Directors, Supervisors and Senior Management” of Section 9 “Particulars about Directors, Supervisors, Senior Management and Employees” in this report.

The detailed biographies of the Directors and Supervisors of the Company are set out in “III. Particulars of Positions” of Section 9 “Particulars about Directors, Supervisors, Senior Management and Employees” in this report.

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

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

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

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

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

**IX. SHARE PURCHASE RIGHTS OF DIRECTORS AND SUPERVISORS**

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

**X. PERMITTED INDEMNITY PROVISION**

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

## Directors' Report

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

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

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

Mr. Qin Li, our Executive Director, was nominated to act as a director of E Fund, which is a fund management company in China, in which we held 25.0% equity interest as of December 31, 2016. E Fund provides asset management services to insurance companies, finance companies, corporate annuities, other institutional investors, high net worth individuals and NSSF. Since E Fund is primarily engaged in fund management business, it competes or may compete, directly or indirectly, with certain aspects of our business.

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

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

**XIII. MANAGEMENT CONTRACTS**

For the year ended December 31, 2016, no contract has been entered into for the management and administration of the entire business or any material part of the business of the Group.

**XIV. MAJOR CUSTOMERS**

The Company provides diversified businesses and services to satisfy the diverse needs of customers, such as enterprises, individuals and institutional investors, financial institutions and the government. Our major customers are based in the PRC. With further progress in internationalization and the development of international business, the Company will provide services to more overseas customers. In 2016, income generated from the five largest customers of the Company contributed 3.11% to the total revenue and other income of the Company.

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

**XV. CHARITABLE DONATIONS**

During the Reporting Period, the Group's total expenditure on social charity was RMB18,926,700. The GF Securities Social Charity Foundation in Guangdong Province (廣東省廣發證券社會公益基金會) established by the Group actively organized activities for poverty relief and provided financial support for education. The total expenditure on social charity for the full year was RMB18,976,200.

## XVI. RESERVES AND RESERVES FOR PROFIT DISTRIBUTION

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

## XVII. EMPLOYEES

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

## XVIII. PRE-EMPTIVE RIGHT

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

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

Regarding the performance of social responsibilities of the Company, please see “XV. Social Responsibilities” of Section 6 “Significant Events” in this report. For environmental policy and performance, the Company cares about environmental and ecological development, promotes low carbon environmental protection, advocates green business and green office ideas, upgrades video conferencing system, paperless meeting system, teleconferencing system, conference room reservation system etc., continues printing and copying outsourcing development, minimizes energy consumption, optimizes resources allocation, and actively contributes to the sustainable development of the society. The Company has complied with the “comply or explain” provisions as set out in the Environmental, Social and Governance Reporting Guide during the year, for details, please see “GF Securities Co., Ltd. 2016 Social Responsibility Report” published by the Company.

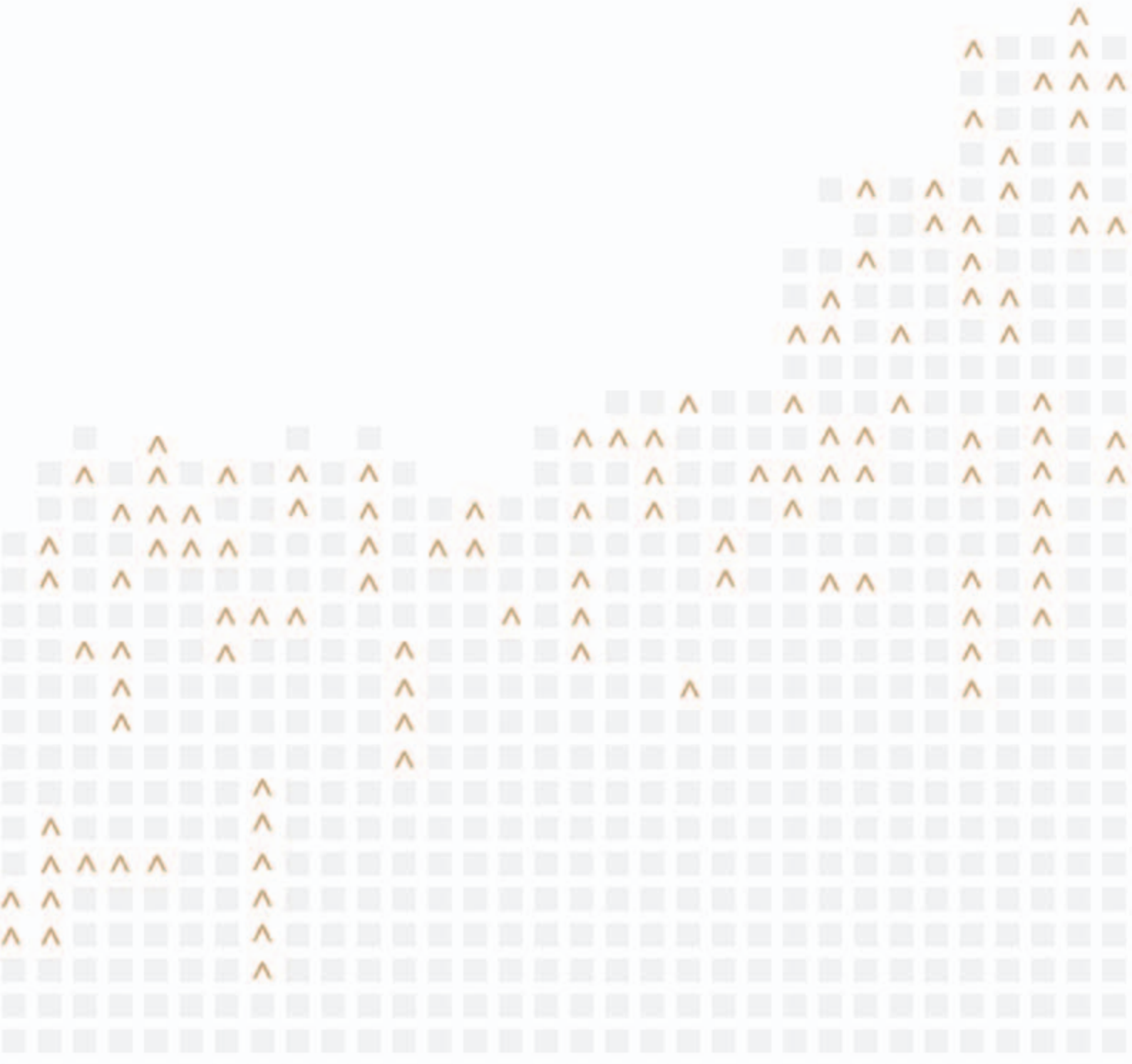
Regarding the governance of the Company, please see Section 10 “Corporate Governance” in this report. The Company has been improving the internal control management system and gradually enhancing the maturity, reasonability and effectiveness of internal control; the Company has further established and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

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

Guangzhou  
March 24, 2017

# 經營情況討論與分析

## DISCUSSION AND ANALYSIS OF OPERATIONS



# Discussion and Analysis of Operations

## I. OVERVIEW

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

During the Reporting Period, the Company observed its operation management philosophy of **“stable growth, continual innovation, performance-driven culture and business strategies”**, adapted itself to the industry development trend, enhanced compliance risk management, accelerated business transformation and management reform and deepened the development of an integrated business system. On one hand, the Company, under the industry regulatory requirements and based on its actual conditions, adopted a series of measures to strengthen risk management and compliance construction while enhancing refined management and systematic project construction to lay a solid foundation for business management and control. On the other hand, the Company, in light of the current domestic and international industry status and the future development trend, continued to deepen the comprehensive operation of its branches, explored the composite demand of strategic customers and focused on promoting the development of the cross-border business and internet finance, achieving good results.

During the Reporting Period, against the backdrop of decrease in the overall capacity and profitability of the securities industry, the Company consistently adhered to the basic principal of **“Making Progress While Maintaining Stability”** and managed to achieve good results in the market condition characterised by slower economic growth, stricter supervision and increasing competition and various major operation indicators continued to rank top in the industry, which created good returns for its Shareholders.

## II. ANALYSIS ON PRINCIPAL BUSINESS

### (I) Overview

In 2016, the economic situation in the PRC and abroad was complicated and the Chinese economic growth faced continuous downside pressure. Facing the “New Normal” characterised by slower economic growth, the government continued to promote economic transformation and made positive progress in the supply-side structural reform, which enabled the national economy to grow slowly while maintaining stable and positive and the industry structure to continue to be optimised. GDP grew by 6.7% on a year-on-year basis, while the growth rate of the tertiary sector was 7.8% (Source: National Bureau of Statistics, 2017).

## Discussion and Analysis of Operations

In 2016, the A share market was volatile and the stock market experienced ups and downs with significant decrease in trading volume as compared to the same period of last year. As of December 31, 2016, the SSE Composite Index fell by 12.31% as compared to the end of 2015, SZSE Component Index fell by 19.64%, SSESME Composite Index fell by 22.89% and Growth Enterprise Index fell by 27.71%. During the year, the turnover volume of A-shares amounted to RMB 126.51 trillion, representing a year-on-year decrease of 50.06%. The margin financing and securities lending business also experienced a moderate decline to a greater degree. As of December 31, 2016, the balance of margin financing and securities lending on the SZSE and the SSE was RMB939.249 billion, representing a decrease of 20.01% as compared to the end of 2015. Meanwhile, with the continuous expansion of the financing volume in the primary market, the equity financing size amounted to RMB1,967.25 billion (including assets), representing a year-on-year increase of 27.58%. With the continuous and rapid development of the NEEQ, the number of enterprises listed on the NEEQ was 10,163 as at the end of 2016, representing a year-on-year increase of 98.15%. Financing of enterprise bonds amounted to RMB592.570 billion, representing a year-on-year increase of 73.21%. Financing of corporate bonds amounted to RMB2,779.724 billion, representing a year-on-year increase of 167.95% (Source: WIND Information, 2017).

Based on the unaudited financial statements, the total assets, net assets, net capital, customers' transaction settlement fund amount (including the credit trading fund), market value of securities under custodianship and the total principal sum of funds under management of 129 securities firms were RMB5.79 trillion, RMB1.64 trillion, RMB1.47 trillion, RMB1.44 trillion, RMB33.77 trillion and RMB17.82 trillion as of the end of 2016, representing a decrease 9.81%, an increase of 13.10%, an increase of 17.60%, a decrease of 30.10%, a slight increase of 0.42% and an increase of 50% as compared to the end of 2015, respectively. In 2016, 124 of 129 securities firms in the industry were profitable with total operating revenue of RMB327.994 billion, representing a year-on-year decrease of 42.97%. Specifically, net income from the securities trading agency service business was RMB105.295 billion, representing a year-on-year decrease of 60.87%; net income from the securities underwriting and sponsorship business was RMB51.999 billion, representing a year-on-year increase of 32.14%; net income from the financial advisory service business was RMB16.416 billion, representing a year-on-year increase of 19.02%; net income from the investment advisory service business was RMB5.054 billion, representing a year-on-year increase of 12.86%; net income from the asset management business was RMB29.646 billion, representing a year-on-year increase of 7.85%; income from the securities investment (including changes in fair value) business was RMB56.847 billion, representing a year-on-year decrease of 59.78%; net interest income was RMB38.179 billion, representing a year-on-year decrease of 35.43%; net profit for the year was RMB123.445 billion, representing a year-on-year decrease of 49.57% (Source: Securities Association of China, 2017).

As of 31 December 2016, total assets of the Group amounted to RMB359,801 million, representing a decrease of 14.15% as compared to the end of 2015 and equity attributable to owners of the Company was RMB78,530 million, representing an increase of 1.30% as compared to the end of 2015. During the Reporting Period, total revenue and other income of the Group was RMB27,488 million, representing a year-on-year decrease of 35.67%; total expenses were RMB17,186 million, representing a year-on-year decrease of 31.85%; net profit attributable to owners of the Company was RMB8,030 million, representing a year-on-year decrease of 39.17%.



## (II) Analysis of Principal Business

The principal business of the Group can be divided into four segments, namely investment banking, wealth management, trading and institutional client service and investment management. During the Reporting Period, total revenue and other income from the investment banking business segment was RMB2,773 million, representing a year-on-year increase of 32.02%; total revenue and other income from the wealth management business segment was RMB11,835 million, representing a year-on-year decrease of 49.82%; total revenue and other income from the trading and institutional client services business segment was RMB6,074 million, representing a year-on-year decrease of 36.10%; and total revenue and other income from the investment management business segment was RMB6,051 million, representing a year-on-year increase of 6.20%.

### 1. Investment banking segment

The Company's investment banking segment mainly comprises of equity financing business, debt financing business and financial advisory services. During the Reporting Period, total revenue and other income from the investment banking business segment was RMB2,773 million, representing a year-on-year increase of 32.02%.

#### (1) Equity financing business

In 2016, the primary market of A shares experienced steady growth in issuance volume. In particular, the refinancing business continued to be active. A total of 1,030 equity financing deals were launched on A share market throughout the year, representing a slight decrease as compared with last year; the fund raised was RMB1,967.250 billion (including assets), representing a year-on-year increase of 27.58%; 227 IPOs were launched, raising RMB149.608 billion, representing a slight decrease as compared with last year in terms of the number of IPO and financing amount; 803 refinancing deals were launched, representing a slight decrease as compared with last year in terms of number of deals, raising RMB1,817.642 billion (including assets), representing a year-on-year increase of 30.95%; the size of the refinancing business significantly exceeded that of IPO business (Source: WIND Information, 2017). During the Reporting Period, the Company continued to pursue its four development strategies, namely "Customer-oriented Integrated Operation", "Resource Allocation-Type Investment Banking", "Capital Intermediary Profitability Model" and "Professional Service", which further strengthened and improved its market position and profitability. During the Reporting Period, the Company completed 54 equity financing projects, ranking 3rd in the industry; the lead underwritten amount was RMB70.046 billion, ranking 6th in the industry. Among these projects, the Company acted as a lead underwriter for 16 IPOs, ranking 2nd in the industry (Source: statistics of the Company, 2017). During the Reporting Period, the Company's commission and fee income from stock underwriting and sponsorship was RMB1,190 million, representing a year-on-year increase of 25.16%.

## Discussion and Analysis of Operations

Details of the Company's equity underwriting and sponsorship business in 2016 are shown in the table below:

Items	2016		2015	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial public offering (IPO)	70.84	16	46.16	14
Refinancing offering	629.62	38	472.49	35
Total	700.46	54	518.66	49

Source: Statistics of the Company, 2017.

## (2) Debt financing business

In 2016, benefiting from favourable factors such as offering mechanism reform, expansion of scope of offering principal and increase in review efficiency, corporate bonds continued the trend of significant expanding in 2015 and the offering size of corporate bonds throughout the market in 2016 was RMB2,779.724 billion, representing a year-on-year increase of 167.95%. Meanwhile, the enterprise bond market maintained its growth momentum and the offering size of enterprise bonds throughout the market in 2016 was RMB 592.570 billion, representing a year-on-year increase of 73.21% (Source: WIND Information, 2017).

During the Reporting Period, on the basis of release of bond reserve projects, the Company continued to optimise its resource allocation policy, continuously enhanced cooperation between branches within the Group, and achieved good results. At the same time, the Company responded rapidly to seize market opportunities in respect of parking bonds, an innovative product. In general, the Company achieved good results in respect of its bond business and made significant breakthrough in respect of large bond projects. During the Reporting Period, the Company acted as lead underwriter for 146 bonds, representing a year-on-year increase of approximately 217.39% and the total underwritten amount was RMB159,477 million, representing a year-on-year increase of approximately 225.80%. In 2016, the amount of bonds underwritten by the Company by acting as lead underwriter ranked sixth in the industry (Source: Wind Information, 2017). The Company recorded commission and fee income from the bond underwriting business of RMB893 million during the year, representing a year-on-year increase of 159.55%.

## Details of bond deals underwritten and sponsored by the Company in 2016

Items	2016		2015	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	333.20	27	76.50	9
Corporate bonds	980.92	93	293.00	22
Debt financing instruments of non-financial enterprises	141.95	18	75.00	13
Financial bonds	138.70	8	45.00	2
<b>Total</b>	<b>1,594.77</b>	<b>146</b>	<b>489.50</b>	<b>46</b>

Source: Statistics of the Company, 2017.

### (3) Financial advisory business

The Company's financial advisory business mainly comprises of, among others, M&A and restructuring of listed companies and NEEQ listings. During the Reporting Period, commission and fee income was RMB531 million, representing a year-on-year decrease of 20.07%.

In 2016, the market conditions for the development of the M&A business continued to be optimized, the state-owned enterprise mixed ownership system reform continued to be promoted, overseas M&As developed rapidly and the activeness of M&A restructuring generally continued the increasing momentum. During the Reporting Period, the Company's M&A restructuring financial advisory business maintained the growth momentum. In particular, the Company successfully provided services for large cross-border M&A deals by Bohai Financial Investment Holding Co., Ltd. and Tianjin Tianhai Investment Development Co., Ltd. in amount of USD2.555 billion and USD5.982 billion, respectively, as an independent financial advisor, which enhanced the Company's brand influence. During the Reporting Period, the Company acted as a financial advisor for 27 material assets restructurings (including the CSRC M&A and Restructuring Committee projects and non-administrative material assets restructuring projects), ranking 1st in the industry (Source: Statistics of the Company, 2017). The Company recorded commission and fee income from M&A and restructuring financial advisory of RMB299 million, representing a year-on-year decrease of 31.88%.

## Discussion and Analysis of Operations

In 2016, the NEEQ continued the rapid growth momentum since the expansion at early 2014 with the number of listings and amount of funds raised reaching a new record high. There were 5,034 new listed companies throughout the year and the total number of listed companies was 10,163 as at the end of year with the amount of funds raised throughout the year of RMB137.389 billion. During the Reporting Period, the Company continued to promote the integrated operation of its branches in order to develop NEEQ corporate customers. In 2016, the Company sponsored a total of 111 companies listed on the NEEQ. As at the end of 2016, the Company accumulatively sponsored 308 companies listed on the NEEQ, ranking 7th in the industry (Source: website of NEEQ, 2017). The Company recorded commission and fee income from the NEEQ sponsorship business of RMB222 million, representing a year-on-year increase of 14.18%.

In addition, in respect of the overseas investment banking business, the Company carried out such business primarily through its indirectly wholly-owned subsidiary, GF Capital (Hong Kong). During the Reporting Period, GF Holdings Hong Kong completed 20 deals by acting as lead underwriter (including IPO, refinancing and bond offering), financial advisers and mergers and acquisitions through its subsidiaries. During the Reporting Period, total revenue and other income was RMB118 million, representing a year-on-year decrease of 65.45%.

### 2. Wealth management segment

The Company's wealth management segment mainly comprises of retail brokerage and wealth management business, margin financing and securities lending business and repurchase transaction business. During the Reporting Period, total revenue and other income from the wealth management business segment was RMB11,835 million, representing a year-on-year decrease of 49.82%.

#### (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 the Reporting Period, the turnover of the A share market was RMB126.51 trillion, representing a significant year-on-year decrease of 50.05% (Source: WIND Information, 2017). In addition to significant decrease in stock turnover, stricter regulatory requirements in the industry, emerging of outlets established by securities firms, opening of newly established securities companies and increasing costs of cooperation with Internet enterprises resulted in the retail brokerage and wealth management business facing great challenges and the market commission rate further decreasing and increasing competition.

## Discussion and Analysis of Operations

In 2016, the Company organized comprehensive self-check in respect of Internet finance, account regulation and customer appropriateness management and enhanced compliance risk control in order to effectively prevent weaknesses and risks during the process of business and lay a solid foundation for the development of the wealth management business. In 2016, GF Securities Internet Investor Education Base (edu.gf.com.cn) constructed and operated by the Company was accredited as national securities and futures investor education base, which was the first Internet base in the industry. Meanwhile, the Company constructed and completed five major projects including Beta Bull (貝塔牛) robot investment advisory system, Points Mall (積分商城) service system, Jingubang (金股棒) investment advisory business new model, investment advisory management platform and assets allocation platform, and focused on the effective promotion of the transformation of the Company to wealth management. In respect of Internet finance, the Company continued to maintain its leading position, and continuously improved customer acquisition and transformation capacity. As at the end of the Reporting Period, the number of mobile securities users was approximately 10 million, the number of subscribers of the Company's WeChat account was approximately 3 million and the number of Golden Key (金鑰匙) system customers was over 2.3 million. During the Reporting Period, the sales and transfers on the Yitaojin (易淘金) E-commerce platform was RMB72.4 billion. In addition, the WeChat H5 webpage system of the Company commenced operation in 2016 in order to integrate various internet finance platforms.

In 2016, the turnover of stock funds of the Company was RMB11.83 trillion, ranking 5th in the industry, one place down as compared to 2015 (Source: Statistics of the Company, 2017). The Company recorded commission and fee income from securities brokerage business throughout the year of RMB4,656 million, representing a year-on-year decrease of 62.93%.

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

Unit: RMB100 million

Type of securities	Trading		Trading	
	volume in 2016	Market share in 2016 (%)	volume in 2015	Market share in 2016 (%)
Stocks	116,534.41	4.57	249,888.97	4.90
Funds	1,793.13	0.80	4,999.02	1.64
Bonds	306,001.76	6.56	146,810.88	5.73
Total	424,329.30	5.71	401,698.87	5.04

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

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

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

## Discussion and Analysis of Operations

In respect of the financial products agency sales business, the Company recorded net commission and fee income from the financial products agency sales business of RMB158 million during the Reporting Period, representing a year-on-year decrease of 56.66%.

In respect of the futures brokerage business, the Group carried out the futures brokerage business through its wholly-owned subsidiary, GF Futures, and provides trading and settlement services for customers in major international commodity market through the wholly-owned subsidiary of GF Futures, GF Futures (Hong Kong), and the wholly-owned subsidiary of GF Futures (Hong Kong), GF Financial Markets (UK) Limited. During the Reporting Period, GF Futures recorded commission and fee income from the futures brokerage business of RMB342 million, representing a year-on-year increase of 6.68%.

In regions outside of the PRC, the Group provides brokerage services for high-net-worth individuals and retail customers primarily through its indirectly wholly-owned subsidiary, GF Securities (Hong Kong), covering stocks listed on the Hong Kong Stock Exchange and other overseas exchanges. During the Reporting Period, GFHK recorded total revenue and other income from the securities brokerage business of RMB293 million, representing a year-on-year increase of 8.36%.

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

In 2016, the trading volume of the A share market significantly decreased over the same period of last year, and the margin financing and securities lending business also experienced a moderate decrease. As at the end of 2016, the balance of margin financing and securities lending in SSE and SZSE was RMB939.249 billion, representing a decrease of 20.01% as compared to the end of 2015 (Source: WIND Information, 2017).

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

As at the end of 2016, the closing balance of the Company's margin financing and securities lending business was RMB54.085 billion, representing a decrease of 19.18% as compared to the end of 2015; and the market share was 5.76%, ranking 5th in the industry on a combined basis. During the Reporting Period, the Company recorded interest income from the margin financing and securities lending business of RMB4,189 million, representing a year-on-year decrease of 44.13%.

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

During the Reporting Period, the Stock Pledged Repo Transaction business of the Company continued to grow. As at the end of 2016, the balance of the Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB13.651 billion, representing an increase of 96.05% as compared to the end of 2015. Due to the substitution diversion effect of the Stock Pledged Repo Transaction business, the scale of agreed repurchase securities trading business was relative small.

During the Reporting Period, the Company recorded interest income from the repurchase transaction business of RMB572 million, representing a year-on-year decrease of 15.19%.

## Discussion and Analysis of Operations

**3. Trading and institutional client service segment**

The Company's trading and institutional client service segment mainly includes the stock sales and trading business, fixed income sales and trading business, OTC sales and trading business, and investment research business and asset custody business. During the Reporting Period, total revenue and other income from the trading and institutional client service segment was RMB6,074 million, representing a year-on-year decrease of 36.10%.

**(1) Stock sales and trading business**

The Company mainly sells the stocks underwritten by it to institutional clients for its stock sales and trading business, as well as engages in market-making and trading of stocks, financial products related to stocks and stock derivatives. The institutional clients of the Company mainly include the National Social Security Fund, commercial banks, insurance companies, fund companies, financial companies, trust companies, listed companies, qualified foreign investors who are approved to invest in China's capital market by the CSRC and other investors. Affected by factors in the secondary stock market, revenue from the stock trading business decreased significantly.

As one of the first batch of players in the stock index futures market, the Company also uses stock index futures to hedge the risk of the stock portfolio of the Company. Due to policy adjustment, the derivatives trading business was also affected. In addition, the Company currently provides liquidity to various exchange traded funds (ETF), including single-market ETFs, cross-market ETFs, cross-border ETFs, bond ETFs, and gold ETFs.

The Company provides a channel for domestic institutional clients to invest in the international capital market, and has developed international institutional clients extensively in Hong Kong. The Company assists the international clients to invest in Chinese capital market through QFII and RQFII plans.

During the Reporting Period, the Company recorded net investment gains from the stock sales and trading business of RMB112 million and commission and fee income from the financial advisory business of RMB569 million, totalling RMB681 million, representing a year-on-year decrease of 82.45%.

**(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 Company conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market-making services, such as government bonds, policy-based financial bonds, central bank notes, medium term notes, short-term financing bonds, enterprise bonds, company bonds, treasury fund futures and interest rate swaps. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the risk arising from trading transactions and market-making activities. In addition, the Company vigorously expands the FICC business. The Company builds an overseas FICC investment platform mainly through GF Global Capital, its indirectly wholly-owned subsidiary, with the assets allocated to 18 countries and regions including Asia, Europe and the United States of America, covering the diversified investment fields including bonds and structured products. The Company is one of the two securities firms granted with market-maker qualification of the interbank bond market in 2016 and is currently planning to apply for the qualification of foreign exchange business. During the Reporting Period, the Company ranked 80th in the trading volume of bonds in China according to the statistical data in 2016, and ranked No. 6 among securities firms (Source: www.chinabond.com.cn, 2017).

During the Reporting Period, the Company accurately grasped the fixed income market information, enhanced the level of investment and achieved good results. The net investment gains from fixed income sales and trading business of the Company were RMB4,178 million, representing a year-on-year increase of 19.35%.

### (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 3,840 OTC products in aggregate with an aggregate amount of more than RMB325.0 billion. The market value of the products as at the end of the Reporting Period exceeded RMB53.0 billion. Specifically, the Company issued approximately 1,282 new OTC products with an aggregate amount of RMB100.0 billion during the Reporting Period (source: statistics of the Company, 2017). OTC products issued by it include structured notes products, financial derivatives - equity income swaps, OTC options, asset management products, specified fund products and private equity fund custodian products. In 2016, the Company actively developed counterparties of cross-border underlying assets and became the first securities firm to conduct OTC options transactions linked with overseas underlying assets under the SAC Agreement in the PRC. In addition, the integrated service nature of institutional clients in the structured notes business of the Company was apparent; institutional client customization for this year accounted for more than 90% of the total volume of new additions. Diversity of floating income products continued to increase; underlying assets of linked structured notes had coverage over various domestic and overseas markets since 2016, including overseas individual stocks, overseas indices; crude oil ETF, commodities, NEEQ indices, etc., to satisfy the customized investment demand of investors, and our product diversity was in a leading position within the industry. During the Reporting Period, the size of bilateral OTC transfer transactions was approximately RMB43.8 billion, which continued to maintain a leading advantage in the industry.

## Discussion and Analysis of Operations

The Company carries out the NEEQ market-making business. As of December 31, 2016, the Company provided market-making services for 206 NEEQ enterprises; and the industries mainly cover TMT, biological medicine, huge consumption, high-end manufacturing industry and others. In the NEEQ market-making business, the Company is committed to provide a diversified capital pattern and industrial transformation service for the high-quality NEEQ enterprises.

The net investment gains from the OTC sales and trading business of the Company for this year was RMB126 million.

### **(4) Investment research business**

The investment research business of the Group mainly comprises investment research services provided in areas such as macro economy and strategy, industry and listed companies, and financial engineering for the institutional clients. To be specific, our investment research services cover the provision of research reports and customized investment research services for the National Social Security Fund, insurance companies, fund companies, private equity funds, financial companies, securities companies and other institutional investors in Hong Kong and the PRC. The Company's equity research covers over 600 listed companies in the PRC in 25 industries, and over 70 companies listed on the Hong Kong Stock Exchange. The outstanding research capacity of the Company enjoys a high reputation in the industry. The Company's research team ranked No. 4, No. 4 and No. 2 in the "Best Local Research Team" of New Fortune from 2014 to 2016. At the 2016 selection of best analysts conducted by New Fortune, the Company ranked first in the research of the coal mining industry, automobile and automobile part, nonferrous metal, non-metallic building material, basic chemical and environmental protection industry, and ranked second in the research of the financial engineering, electronics, real estate and machinery industry.

During the Reporting Period, the total revenue and other income from the investment research business of the Company was RMB301 million, representing a year-on-year decrease of 34.07%.

### **(5) Asset custody business**

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

As at the end of 2016, the total asset scale of asset custody and fund service business provided by the Company was RMB104.391 billion, of which the scale of trust products was RMB58.087 billion, and the scale of fund service products provided was RMB46.304 billion.

During the Reporting Period, the total revenue and other income from asset custody and fund service business of the Company was RMB70 million, representing a year-on-year increase of 33.16%.

#### 4. Investment Management Segment

The Group's investment management business segment mainly covers asset management business, public fund management business, private equity management business and alternative investment business. During the Reporting Period, the total revenue and other income from the investment management business segment was RMB6,051 million, representing a year-on-year increase of 6.20%.

##### (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).

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

As at the end of 2016, GF Asset Management has managed 105 collective asset management schemes, including equity investment, fund of funds (FOF) investment, fixed income investment, monetary market and quantitative investment with a collective asset scale of RMB368.106 billion, representing a year-on-year increase of 23.91%.

As at the end of 2016, GF Asset Management has managed 440 targeted asset management schemes with an asset scale of RMB321.135 billion, representing a year-on-year increase of 47.52%. The targeted asset management schemes of GF Asset Management widely invests in assets classes, including stocks, fixed income and alternative investment (including trust products, entrusted loans and notes).

As at the end of 2016, GF Asset Management has managed 41 specific asset management schemes with an asset scale of RMB27.172 billion, representing a year-on-year increase of 69.59%. The leasing asset securitization products and asset securitization product of receivables issued by GF Asset Management in the exchange market maintained the top ranking in the industry, thus, establishing the industrial influence and leading advantages. As at the end of the Reporting Period, the total size of assets under management of GF Asset Management ranked sixth in the securities industry, and the management size of its collective schemes ranked first (Source: Asset Management Association of China, 2016).

## Discussion and Analysis of Operations

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

## Asset management scale and income in 2016

	Asset management scale (RMB 100 million)		Asset management fee income (RMB 100 million)	
	December 31, 2016	December 31, 2015	2016	2015
Collective asset management business	<b>3,681.06</b>	2,970.68	<b>17.09</b>	10.12
Targeted asset management business	<b>3,211.35</b>	2,176.93	<b>1.84</b>	1.40
Specific asset management business	<b>271.72</b>	160.22	<b>0.31</b>	0.10
<b>Total</b>	<b>7,164.13</b>	<b>5,307.83</b>	<b>19.24</b>	<b>11.62</b>

Source: Statistics of the Company, 2017.

In 2016, the total asset management fee income realized by GF Asset Management was RMB1,924 million, representing a year-on-year increase of 65.53%.

The Group carries out futures asset management business mainly through GF Futures. GF Futures was one of the first batch of companies which obtained the qualification of carrying out asset management business in November 2012 and it carries out the futures asset management business actively. As at the end of 2016, 66 asset management schemes of GF Futures were being operated, and the asset management scale was RMB4.242 billion, including 11 single asset management schemes with the asset management scale of RMB886 million and 55 collective asset management schemes with the asset management scale of RMB3.356 billion. During the Reporting Period, the total revenue and other income from the asset management business of GF Futures was RMB36 million, a year-on-year decrease of 42.53%.

In the area of overseas asset management business, the Group provides consulting services and management for various investment instruments mainly through GF Asset Management (Hong Kong), its indirectly wholly-owned subsidiary. GFHK is one of the first Sino-funded financial institutions in Hong Kong granted with RQFII qualification. GF Asset Management (Hong Kong) conducts asset management and investment operation by public equity funds, private equity funds and entrusted management accounts. As at the end of 2016, the scale of assets managed by GF Asset Management (Hong Kong) was HKD8.058 billion.

**(2) management service**

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

As at the end of 2016, the Company held 51.13% interests in GF Fund. As at the end of 2016, GF Fund managed 125 open-ended fund products. GF Fund is one of the domestic investment managers of the National Social Security Fund and Basic Person Instance Fund. GF Fund also provides asset management services for insurance companies, financial companies, and other institutional investors as well as high-net-worth individuals. In addition, GF Fund can invest the capital raised domestically in overseas capital market through QDII, and invest the capital raised from overseas markets in China's capital market through its wholly-owned subsidiary, GF International Investment Management Limited, in the form of RQFII; GF Fund has been active to take part in the mutual recognition of funds from Mainland China and Hong Kong. It has been selling the certified fund products in Hong Kong. As at the end of 2016, the publicly offered funds managed by GF Fund have reached RMB304.760 billion, decreasing by 7.66% over that at the end of 2015 and ranking eleventh in the industry (Source: Galaxy Securities Fund Research Center, 2017).

During the Reporting Period, GF Fund realized the total revenue and other income of RMB2,552 million, representing a year-on-year decrease of 14.75%; the net profit was RMB777 million, representing a year-on-year decrease of 13.07%.

As at the end of 2016, the Company held 25% interests in E Fund and became one of the three parallel largest shareholders. As at the end of 2016, E Fund managed 106 open-ended funds. E Fund is one of the investment managers of the National Social Security Fund and Basic Pension Instance Fund. E Fund also provides asset management services for insurance companies, financial companies, enterprise annuity, and other institutional investors as well as high-net-worth individuals. In addition, E Fund may invest the capital raised domestically in overseas capital market through QDII, and invest the capital raised from overseas market in China's capital market through RQFII. As at the end of 2016, the publicly offered funds managed by E Fund reached RMB428.290 billion, decreasing by 25.65% over that at the end of 2015 and ranking third in the industry (Source: Galaxy Securities Fund Research Center, 2017).

During the Reporting Period, E Fund realized the net profit of RMB1,340 million, representing a year-on-year increase of 12.57%.

## Discussion and Analysis of Operations

### **(3) Private fund management services**

The Group mainly engages in private equity investment 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 43 equity investment deals, with the investment amount up to RMB1.819 billion; as at the end of 2016, GF Xinde completed 170 equity investment projects, of which 17 projects were listed on China's A share market through initial public offering. GF Xinde exited five projects through merger of listed companies. As at the end of 2016, GF Xinde set up and managed 13 private equity funds and 4 mezzanine funds. The total size of customers' assets under management amounted to RMB6.905 billion. During the Reporting Period, GF Xinde realized the aim of one fund for each of its internal industry sector, and successfully developed the limited partnership contributors of the private equity funds including FOF of the financial institutions and the capital guided by the government, therefore laying the solid foundation for the transition of the high-end assets management.

During the Reporting Period, GF Xinde realized the total revenue and other income of RMB629 million, representing a year-on-year decrease of 25.44%.

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

### **(4) Alternative investment**

In the alternative investment field, the Group actively develops its businesses through GF Qianhe, mainly including equity investment, private placement investment and non-standard creditor's rights product investment, etc.. During the Reporting Period, GF Qianhe invested in 10 new projects with an investment amount of RMB1.128 billion. As at the end of 2016, the accumulated number of projects invested by GF Qianhe was 56, with an aggregate investment amount of RMB5.648 billion, of which 21 project investments have been fully exited.

During the Reporting Period, the total revenue and other income realized by GF Qianhe was RMB389 million, representing a year-on-year decrease of 8.55%.

III. ANALYSIS ON FINANCIAL STATEMENTS

(I) Analysis on Consolidated Statement of Profit or Loss

1. Revenue composition

Item	Unit: RMB'000			
	2016	2015	Amount of increase/decrease	Percentage of increase/decrease
Commission and fee income	13,390,788	20,046,440	-6,655,652	-33.20%
Interest income	7,830,720	12,336,200	-4,505,480	-36.52%
Net investment gains	6,510,790	10,396,215	-3,885,425	-37.37%
Other income and gains or losses	-244,375	-46,040	-198,335	—
Total revenue and other income	<u>27,487,923</u>	<u>42,732,815</u>	<u>-15,244,892</u>	<u>-35.67%</u>

In 2016, due to fluctuations in market conditions, the revenue from part of business lines was affected. Total revenue and other income of the Group was RMB27,488 million, representing a decrease of 35.67% compared with RMB42,733 million in 2015.

## Discussion and Analysis of Operations

## 2. Commission and fee income

Unit: RMB'000

Item	2016	2015	Amount of increase/decrease	Percentage of increase/decrease
Commission on securities dealing and broking and handling fee income	5,338,243	13,803,088	-8,464,845	-61.33%
Underwriting and sponsors fees	2,169,565	1,441,856	727,709	50.47%
Commission on futures and options contracts dealing and broking and handling fee income	341,544	320,170	21,374	6.68%
Asset management and fund management fee income	4,159,583	3,597,426	562,157	15.63%
Consultancy and financial advisory fee income	1,261,323	807,668	453,655	56.17%
Others	120,530	76,232	44,298	58.11%
<b>Total commission and fee income</b>	<b>13,390,788</b>	<b>20,046,440</b>	<b>-6,655,652</b>	<b>-33.20%</b>

The decrease in total revenue and other income is primarily reflected in the commission and fee income of RMB13,391 million in 2016 which has decreased by RMB6,656 million or 33.20% as compared with 2015, mainly due to (1) decreased trading volume of stock and funds by our brokerage clients which resulted in a decrease in commission on securities dealing and broking and handling fee income of RMB8,465 million in 2016 over 2015; (2) increase in securities underwriting business which resulted in an increase in underwriting and sponsors fees of RMB728 million in 2016 over 2015; (3) increased size of asset management of GF Asset Management which resulted in an increase in asset management and fund management fee income of RMB562 million in 2016 over 2015; and (4) increase in financial advisory business which resulted in an increase in consultancy and financial advisory fee income of RMB454 million in 2016 over 2015.



## Discussion and Analysis of Operations

## 3. Interest income

Unit: RMB'000

Item	2016	2015	Amount of increase/ decrease	Percentage of increase/ decrease
Interest income from deposits with exchanges and non-bank financial institutions and bank balances	2,566,290	3,852,572	-1,286,282	-33.39%
Interest income from margin financing and securities lending	4,357,854	7,593,990	-3,236,136	-42.61%
Interest income from financial assets held under resale agreements	668,061	784,046	-115,985	-14.79%
Interest income from equity return swaps	8,854	71,606	-62,752	-87.64%
Interest income from financial leasing	120,330	—	120,330	—
Interest income from restricted equity incentive financing	48,594	6,610	41,984	635.16%
Other interest income	60,737	27,376	33,361	121.86%
<b>Total interest income</b>	<b>7,830,720</b>	<b>12,336,200</b>	<b>-4,505,480</b>	<b>-36.52%</b>

The decrease in total revenue and other income is also attributable to the interest income of RMB7,831 million in 2016 which has decreased by RMB4,505 million or 36.52% as compared with 2015, mainly attributable to (1) the decrease in margin financing and securities lending business which resulted in a decrease in interest income of RMB3,236 million in 2016 over 2015; and (2) decrease in deposits from brokerage clients and our deposits which resulted in a decrease of RMB1,286 million in interest income from deposits with exchanges and non-bank financial institutions and bank balances.

## Discussion and Analysis of Operations

## 4. Net investment gains

Unit: RMB'000

Item	2016	2015	Amount of increase/decrease	Percentage of increase/decrease
Net realized gains from disposal of available-for-sale financial assets	1,216,911	4,085,008	-2,868,097	-70.21%
Dividend income and interest income from available-for-sale financial assets	2,575,867	2,032,530	543,337	26.73%
Net realized (losses) gains from disposal of financial assets at fair value through profit or loss	-371,104	1,816,335	-2,187,439	—
Dividend income and interest income from financial assets at fair value through profit or loss	2,777,056	2,320,245	456,811	19.69%
Interest income and net realized gains from loan and receivable investments	96,060	63,465	32,595	51.36%
Net realized gains (losses) from derivatives	52,202	-292,400	344,602	—
Unrealized fair value change of financial instruments at fair value through profit or loss				
– financial assets at fair value through profit or loss	-112,049	183,965	-296,014	—
– financial liabilities at fair value through profit or loss	68,218	—	68,218	—
– derivatives	207,331	187,101	20,230	10.81%
Others	298	-34	332	—
<b>Net investment gains</b>	<b>6,510,790</b>	<b>10,396,215</b>	<b>-3,885,425</b>	<b>-37.37%</b>

Net investment gains in 2016 was RMB6,511 million, representing a decrease of RMB3,885 million or 37.37% as compared with 2015, mainly attributable to (1) a decrease of the net realized gains from disposal of available-for-sale financial assets of RMB2,868 million in 2016 over 2015; and (2) a decrease of the net realized gains from disposal of financial assets at fair value through profit or loss of RMB2,187 million in 2016 over 2015.

## Discussion and Analysis of Operations

## 5. Expenses composition

Item	Unit: RMB'000			
	2016	2015	Amount of increase/decrease	Percentage of increase/decrease
Depreciation and amortization	293,417	279,485	13,932	4.98%
Staff costs	6,586,871	10,913,683	-4,326,812	-39.65%
Commission and fee expenses	375,942	461,441	-85,499	-18.53%
Interest expenses	6,542,655	8,942,914	-2,400,259	-26.84%
Other operating expenses	2,963,403	4,337,292	-1,373,889	-31.68%
Impairment losses	423,439	282,100	141,339	50.10%
Total expenses	<u>17,185,727</u>	<u>25,216,915</u>	<u>-8,031,188</u>	<u>-31.85%</u>

In 2016, total expenses of the Group was RMB17,186 million, representing a decrease of 31.85% compared with RMB25,217 million in 2015. The decrease in total expenses is mainly reflected in the decrease in staff costs and interest expenses. Staff costs in 2016 decreased by RMB4,327 million compared with 2015, and with the decrease in revenue, total payroll decreased accordingly; interest expenses in 2016 decreased by RMB2,400 million compared with 2015, which was reflected from (1) a decrease of the interest expenses of RMB1,289 million for financial assets sold under repurchase agreements, (2) a decrease of the interest expenses of RMB1,272 million for short-term financing payables, subordinated bonds, corporate bonds and structured notes.

In 2016, the Group realized net profit attributable to owners of the Company of RMB8,030 million, representing a year-on-year decrease of 39.17%; basic earnings per share of RMB1.05, representing a year-on-year decrease of 43.24%; return on weighted average net assets of 10.29%, representing a year-on-year decrease by 10.85%.

## Discussion and Analysis of Operations

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

Unit: RMB'000

	December 31, 2016	Composition	December 31, 2015	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
<b>Non-current assets</b>	<b>33,864,130</b>	9.41%	26,241,522	6.26%	7,622,608	29.05%
Of which: Available-for-sale financial assets	19,676,173	5.47%	17,850,015	4.26%	1,826,158	10.23%
Investments in associates	3,089,121	0.86%	2,552,462	0.61%	536,659	21.03%
Property and equipment	1,761,438	0.49%	1,579,745	0.38%	181,693	11.50%
Financial assets held under resale agreements	3,879,213	1.08%	1,835,232	0.44%	2,043,981	111.37%
Deferred tax assets	783,339	0.22%	269,442	0.06%	513,897	190.73%
Investment in joint ventures	681,500	0.19%	795,042	0.19%	-113,542	-14.28%
Loan and receivable investments	559,492	0.16%	499,640	0.12%	59,852	11.98%
Advances to customers	814,957	0.23%	220,837	0.05%	594,120	269.03%
Financial leasing receivables	1,713,908	0.48%	—	—	1,713,908	—
<b>Current assets</b>	<b>325,937,224</b>	90.59%	392,855,493	93.74%	-66,918,269	-17.03%
Of which: Bank balances	80,297,484	22.32%	106,250,453	25.35%	-25,952,969	-24.43%
Advances to customers	58,186,338	16.17%	68,969,706	16.46%	-10,783,368	-15.63%
Financial assets at fair value through profit or loss	61,732,121	17.16%	83,912,240	20.02%	-22,180,119	-26.43%
Available-for-sale financial assets	72,404,483	20.12%	78,732,563	18.79%	-6,328,080	-8.04%
Clearing settlement funds	21,742,626	6.04%	31,222,061	7.45%	-9,479,435	-30.36%
Financial assets held under resale agreements	18,081,989	5.03%	11,910,685	2.84%	6,171,304	51.81%
Deposits with exchanges and non-bank financial institutions	5,132,685	1.43%	5,277,796	1.26%	-145,111	-2.75%
Loan and receivable investments	1,831,243	0.51%	99,953	0.02%	1,731,290	1732.10%
<b>Total assets</b>	<b>359,801,354</b>	100.00%	419,097,015	100.00%	-59,295,661	-14.15%

Discussion and Analysis of Operations

	December 31, 2016	Composition	December 31, 2015	Composition	Amount of increase/decrease	Percentage of increase/decrease
<b>Current liabilities</b>	<b>216,572,603</b>	77.78%	263,258,470	77.59%	-46,685,867	-17.73%
Of which: Accounts payable to brokerage clients	85,726,525	30.79%	118,137,085	34.82%	-32,410,560	-27.43%
Financial assets sold under repurchase agreements	50,549,266	18.15%	85,395,761	25.17%	-34,846,495	-40.81%
Short-term financing payables	16,329,741	5.86%	21,643,800	6.38%	-5,314,059	-24.55%
Other liabilities	12,887,728	4.63%	10,515,964	3.10%	2,371,764	22.55%
Due to banks and other financial institutions	10,606,395	3.81%	1,750,000	0.52%	8,856,395	506.08%
Bonds payable	15,250,564	5.48%	6,976,681	2.06%	8,273,883	118.59%
<b>Net current assets</b>	<b>109,364,621</b>		129,597,023		-20,232,402	-15.61%
<b>Non-current liabilities</b>	<b>61,875,415</b>	22.22%	76,017,716	22.41%	-14,142,301	-18.60%
Of which: Bonds payable	58,274,033	20.93%	72,270,186	21.30%	-13,996,153	-19.37%
Long-term loans	2,568,684	0.92%	3,469,168	1.02%	-900,484	-25.96%
<b>Total liabilities</b>	<b>278,448,018</b>	100.00%	339,276,186	100.00%	-60,828,168	-17.93%
<b>Total equity</b>	<b>81,353,336</b>		79,820,829		1,532,507	1.92%

As of December 31, 2016, total assets of the Group were RMB359,801 million, representing a decrease of RMB59,296 million or 14.15% over the end of 2015; total liabilities were RMB278,448 million, representing a decrease of RMB60,828 million or 17.93% over the end of 2015. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 28.36%, the proportion of financial assets at fair value through profit or loss and available-for-sale financial assets to total assets was 42.75%, the proportion of advances to customers to total assets was 16.40%, and the proportion of financial assets held under resale agreements to total assets was 6.11%.

As of December 31, 2016, non-current assets were RMB33,864 million, representing an increase of 29.05% over the end of 2015, which is attributable to increase in available-for-sale financial assets, financial assets held under resale agreements and financial leasing receivables; current assets were RMB 325,937 million, representing a decrease of RMB66,918 million or 17.03% over the end of 2015, of which financial assets at fair value through profit or loss and available-for-sale financial assets decreased in total by RMB28,508 million, mainly due to decrease of funds and bond investments; bank balances, clearing settlement funds and advances to customers decreased in total by RMB46,216 million, which is attributable to fluctuations in market condition, decrease in size of brokerage business and decrease in margin financing and securities lending business; current liabilities were RMB216,573 million, representing a decrease of 17.73% over the end of 2015, which is attributable to decrease in accounts payable to brokerage clients and financial assets sold under repurchase agreements; non-current liabilities were RMB61,875 million, representing a decrease of 18.60% over the end of 2015, which is attributable to the due for repayment of subordinated bonds. As of December 31, 2016, net current assets were RMB109,365 million, representing a decrease of RMB20,232 million or 15.61% over the end of 2015, mainly because the Company repaid subordinated bonds in the current period, resulting in the greater decrease of current assets than current liabilities.

## Discussion and Analysis of Operations

The Group's net assets attributable to owners of the Company as of December 31, 2016 were RMB78,530 million, representing an increase of RMB1,011 million or 1.30% over the end of 2015. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of December 31, 2016 was 70.32%, representing a decrease of 3.16 percentage points compared with the gearing ratio of 73.48% at the end of 2015, while the Group's assets and liabilities structure remained relatively stable.

***Borrowings and debt financing***

At the end of 2016, total borrowings and debt financing of the Group were RMB97,447 million. The following table sets forth details of the Group's borrowings and debt financing:

	December 31, 2016	December 31, 2015
Short-term borrowings	4,863,874	896,010
Short-term financing payable	16,329,741	21,643,800
Bonds payable	73,524,597	79,246,867
Long-term loans	2,729,250	3,469,168
Total	<u>97,447,462</u>	<u>105,255,845</u>

Unit: RMB'000

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

Apart from borrowings and debt financing instruments, the Company also raised funds through inter-bank lending as well as on-market and OTC repurchase, with balance due to banks and other financial institutions and financial assets sold under repurchase agreements amounting to RMB10,606 million and RMB50,549 million, respectively at the end of the Reporting Period. The aforesaid liabilities totaled RMB158,603 million. In the aforesaid liabilities, amounts with financing terms of more than one year and those of less than one year was RMB76,254 million and RMB82,349 million, respectively, representing 48.08% and 51.92%, respectively of the aforesaid total liabilities.

Save as disclosed in this report, as of December 31, 2016, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness or liabilities under acceptances or acceptance credits, any guarantees or other material contingent liabilities.

**(III) Analysis on the Consolidated Statement of Cash Flows**

As of December 31, 2016, cash and cash equivalents of the Group amounted to RMB16,918 million, representing a decrease of 17.00% as compared to RMB20,382 million as at the end of 2015. Of which:

Net cash flow from operating activities was RMB11,115 million in 2016 and net cash flow used in operating activities was RMB7,691 million in 2015. The change primarily reflected (1) an increase in operating cash inflow of RMB14,708 million as a result of a reduction in the size of advances to customers; (2) an increase in operating cash inflow of RMB78,630 million as a result of the decrease in size of financial assets at fair value through profit or loss of the Group. The increases were partly offset by an increase of RMB65,531 million in cash outflow arising from repurchase agreements.

Net cash flow from investing activities was RMB4,059 million in 2016 and net cash flow used in investing activities was RMB57,620 million in 2015. The change was attributable to an increase in net cash inflow of RMB61,952 million from purchase or disposal of available-for-sale financial assets.

Discussion and Analysis of Operations

Net cash flow used in financing activities was RMB18,731 million in 2016 and net cash flow from financing activities was RMB66,680 million in 2015. The change in the period was mainly attributable to the decrease in issuance and the increase in repayment of debts due.

**(IV) Investment on research and development**

**(1) Company's investment on research and development**

	2016	2015	Variance
Amount of investment on research and development (RMB)	156,260,758.42	124,089,095.27	25.93%
Investment on research and development as a percentage of total revenue and other income	0.57%	0.29%	Increase of 0.28 percentage point

Explanation: In order to support business innovations of the Company and in response to the "Internet+" Strategy of the State, as well as to enhance the autonomous control of the construction of the core business information system and to increase our operational effectiveness and management efficiency, the Company has continued to increase the investment on Internet finance, PB business, cloud computing and application of big data, and has contributed a total investment of RMB156.2608 million on the research and development of information system management platform by ways of self-development, cooperative development and entrusted development.

**(2) Number of patents in the past two years**

	Applied	Obtained	Accumulated as of the end of the Reporting Period
Invention patent	a system for heavy task of data dispatch and approaches (application no.: 201611102737.X) a system for application development of big data and approaches (application no.: 201611106304.1)	—	—
Utility model patent	an access gateway for securities dealings (application no.: 201620069721.2) a computing system for stock market (application no.: 201620068234.4)	a protocol converter system based on FIX (patent no.: ZL 2016 2 0069814.5)	a protocol converter system based on FIX (patent no.: ZL 2016 2 0069814.5)
Copy right to softwares		廣發證券至易版網上交易軟件V3.0 (registration no.: 2016SR343390)	廣發證券至易版網上交易軟件V3.0 (registration no.: 2016SR343390)

## Discussion and Analysis of Operations

**(V) Explanation of Changes in the Scope of Financial Statements Consolidation****1. Subsidiaries newly included in the scope of consolidation during the Reporting Period**

GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司) contributed into its subsidiary, namely GF Global Capital Co., Ltd. (廣發全球資本有限公司) during the current period, and established a subsidiary, namely SF Project (Cayman) Limited through GF Investments (Hong Kong) Company Limited (廣發投資(香港)有限公司), and included them in the scope of consolidation during the current period.

GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司) established subsidiaries, namely Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P. (珠海廣發信德今緣股權投資基金(有限合夥)) and Zhuhai Hengqin Jintou GF Xinde Houzhi Equity Investment Partnership Enterprise L.P. (珠海橫琴金投廣發信德厚摯股權投資合夥企業(有限合夥)) during the current period, and contributed into its subsidiaries, namely Zhuhai GF Xinde Aodong Medicine Industry Investment Center L.P. (珠海廣發信德敖東醫藥產業投資中心(有限合夥)) and Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Enterprise L.P. (中山廣發信德公用環保夾層投資企業(有限合夥)), and included them in the scope of consolidation during the current period.

GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司) established a subsidiary, namely Shanghai GF Hengjin Equity Investment Fund Management Co., Ltd. (上海廣發恒進股權投資基金管理有限公司) through Zhuhai Qianzhen Investment Management Co., Ltd. (珠海乾貞投資管理有限公司) and a subsidiary, namely Guangfa Hexin (Shandong) Industrial Investment Management Company Limited (廣發合信(山東)產業投資管理有限公司) through Guangfa Hexin Industrial Investment Management Company Limited (廣發合信產業投資管理有限公司).

The Group acquired from a third party its entire equity interest held in Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司) and gained control of Guangfa Financial Leasing (Guangdong) Co., Ltd., which was previously a joint venture and now became a subsidiary of the Company accordingly.

GF Xinde Investment Management Co., Ltd., subsidiary of the Group, acquired the entire equity interest of Shenzhen Dahe Feed Co., Ltd. (深圳市大河飼料有限公司), a company held by a third party, and included it in the scope of consolidation during the current period.

- 2.** During the current period, 17 funds and asset management schemes were newly included in the scope of consolidation, and 4 funds and asset management schemes were excluded from the scope of consolidation.

**(VI) Change of Major Accounting Policy and Accounting Estimation**

During the Reporting Period, there were no significant changes in major accounting policy and important accounting estimation of the Company. There were no significant accounting mistakes and no corrections has been made by the Company.



#### IV. ASSETS AND LIABILITIES

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

###### 1. Financing channels of the Company

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

In 2016, the Company made comprehensive use of short-term and mid- and long-term financing channels, including credit lending, bond repurchase, and issuance of four tranches of short-term corporate bonds, seven tranches of subordinated bonds of securities firms and one tranche of non-publicly issued corporate bonds.

On November 24, 2016, the Company received the Reply on the 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)) issued by the CSRC. Pursuant to the reply, the Company was approved to publicly issue corporate bonds with a total nominal value of no more than RMB19 billion to qualified investors. The Company will seek opportunities to issue the bonds based on the bond market conditions and its own capital requirement.

###### 2. Liability structure of the Company

At the end of the Reporting Period, the ratio of net assets to liabilities was 43.57%, and the ratio of net capital to liabilities was 40.61%. The Company had no outstanding debts that were due, with good operating conditions, strong profitability, abundant cash flow and lower financial risks.

For details of liability structure, please refer to “Borrowings and debt financing” in “III. ANALYSIS ON FINANCIAL STATEMENTS” in this section.

## Discussion and Analysis of Operations

### 3. Liquidity management measures and policies

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

### 4. Analysis on financing capacity

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

### 5. Contingencies and their influence

During the Reporting Period, the Company provided net capital guarantee to its wholly-owned subsidiary, GF Asset Management. For details, see “XIV. Major Contracts and Their Performance - (II) 1. Guarantees” of Section 6. “Significant Events” herein. Save for the aforesaid guarantees and commitments, the Company has no contingencies such as the provision of assets guarantee, mortgage, pledge to any related party or third party, nor any financial commitments.

V. INVESTMENT CONDITIONS

(I) General

Investment in the Reporting Period (RMB)	Investment of the same period of last year (RMB)	Change
850,000,000.00	6,942,816,000.00	-87.76%

Note: Investment in the Reporting Period is the increased capital contribution made by the Company to its subsidiary GF Qianhe Investment Co., Ltd..

(II) Significant equity investments obtained in the Reporting Period

N/A

(III) Significant non-equity investments in progress in the Reporting Period

Unit: RMB

Project name	Investment method	Fixed asset investment or not	Industry of the investment project	Investment amount of the Reporting Period	Actual accumulative investment amount as of the end of the Reporting Period	Capital source	Project progress	Estimated earnings	The accumulative earnings realized as of the end of the Reporting Period	Reasons for failing to reach the planned progress and estimate earnings	Disclosure date (if any)	Disclosure index (if any)
GF Securities Tower	Others	Yes	—	200,268,053.66	1,112,107,507.66	Self-owned	In progress	—	—	—	—	—
Total	—	—	—	200,268,053.66	1,112,107,507.66	—	—	—	—	—	—	—

## Discussion and Analysis of Operations

## (IV) Financial asset investment

## 1. Security investment condition

Unit: RMB '0,000

Securities type	Securities code	Securities short name	Investment cost	Accounting measurement mode	Book value at the beginning of the period	Profit and loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase Amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Fund source
Fund	270014	GF Money Market Fund B (廣發貨幣B)	545,180.25	Measured according to fair value	2,122,091.38	—	—	1,545,623.45	3,129,097.63	20,976.66	545,180.25	Held for trading/ Available for sale	Self-owned
Fund	002183	GF Tiantianhong B (廣發天天紅B)	308,023.99	Same as the above	186,425.72	—	—	333,134.38	205,700.00	4,113.63	308,023.99	Held for trading/ Available for sale	Self-owned
Other	119538	Rongtong-GF Securities Tongrun No.23 (融通-廣發證券通運23號)	253,100.00	Same as the above	278,743.38	12,833.29	18.10	—	—	12,833.29	291,581.87	Held for trading/ Available for sale	Self-owned
Other	GFYFD0727	E Fund- BOCOM-GF Securities No.1 Targeted Asset Management Plan (易方達-交行-廣發證券1號定向資產管理計劃)	250,000.00	Same as the above	—	255.51	—	250,000.00	—	255.51	250,255.51	Held for trading	Self-owned
Fund	200103	Great Wall Money Market Fund B (長城貨幣B)	143,908.03	Same as the above	101,291.74	—	—	192,616.29	150,000.00	2,589.02	143,908.03	Held for trading	Self-owned
Bond	019404	14 Treasury Bond 04 (14國債04)	125,229.69	Same as the above	126,687.50	—	7.81	—	—	3,413.13	125,237.50	Available for sale	Self-owned
Fund	460106	Huatai-Pinebridge Money Market Fund B (華泰瑞華貨幣B)	120,000.00	Same as the above	—	—	—	300,190.74	180,190.74	438.83	120,000.00	Held for trading	Self-owned
Fund	000662	Yinhua Live Money F (銀華活錢寶F)	107,879.04	Same as the above	—	—	—	137,879.04	30,000.00	1,889.12	107,879.04	Held for trading	Self-owned
Bond	019513	15 Treasury Bond 13 (15國債13)	105,906.77	Same as the above	72,827.00	—	-648.77	33,000.00	—	2,634.34	105,258.00	Available for sale	Self-owned
Stock	000623	Jilin Aodong	6,098.11	Same as the above	103,397.95	20.88	97,460.35	180.94	201.46	889.59	103,531.58	Held for trading/ Available for sale	Self-owned
Other securities investments held at the end of the period			12,847,561.53	—	14,858,636.88	-3,581.55	89,641.01	N/A	N/A	570,292.90	13,013,127.77	—	—
Total			14,812,887.41	—	17,850,199.55	9,528.13	186,478.50	N/A	N/A	620,326.00	15,113,983.54	—	—

- Notes: 1. This table comprises of the financial assets at fair value such as domestic and overseas shares, 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. The other securities investments refer to the other securities investments except for the top 10 securities.
4. Profit and loss of the Reporting Period include the investment income obtained by the Company in connection with its holding of the securities and the profit and loss from the fair value change during the Reporting Period.
5. Other securities investments include the investment fund allocated to China Securities Finance Corporation Limited ("CSF"). In July and September 2015, the Company and CSF entered into Master Agreement of OTC Derivatives Transactions on China's Securities and Futures Market (《中國證券期貨市場場外衍生品交易主協議》) and the Confirmation Letter for Return Swaps (《收益互換交易確認書》), respectively, allocating a total investment fund of RMB13,863,790,000.00 to CSF. A special account was set up by CSF for this investment for the purpose of unified operation and the Company would share the investment risks and investment income in accordance with the investment ratio. As of December 31, 2016, the book value was RMB13,011,021,200.80.

## 2. Derivative investment conditions

N/A

## (V) Use of proceeds

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

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

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

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

## Discussion and Analysis of Operations

As of December 31, 2016, RMB10.855 billion out of the proceeds raised from the issuance of H Shares was used for the wealth management business to mainly develop margin financing and securities lending business and build a strategic Internet financial platform and wealth management platform; RMB4.342 billion was used for the investment management business, investment banking business and transactional and institutional client services to mainly increase the asset size under the investment management, increase input into the seed funds, innovate and develop investment management products, and participate in various financial products markets as a market maker and provide liquidity support; RMB3.328 billion was used for the international business to mainly increase input into the investment management, transactional and institutional client services in Hong Kong; RMB6.552 billion was used to replenish the working capital and develop short-term investment business. The Company will apply the proceeds raised from the H Share issuance to various businesses of the Company gradually as planned according to relevant requirements in the H Share prospectus.

### VI. SALE OF MAJOR ASSETS AND SHARES

#### (I) Sale of major assets

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

#### (II) Major disposal of shares

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

VII. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND PARTICIPATING STOCK COMPANIES

The status of principal subsidiaries and participating stock companies of the Company

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 and asset management.	RMB1,300,000,000	14,074,666,758.21	1,864,434,251.47	171,238,871.54
GF Xinde	Subsidiary	Equity investment; providing financial consultancy service about equity investment and other businesses approved by the CSRC to clients.	RMB2,800,000,000	8,319,252,679.46	4,974,081,954.53	211,252,182.86
GFHK	Subsidiary	Investment holding, undertaking investment banking, securities sale and transactions, asset management, foreign equity investment and other businesses approved by the SFC through professional subsidiaries.	HKD5,600,000,000	18,844,947,997.72	5,537,889,854.16	127,245,527.41
GF Qianhe	Subsidiary	Project investment; investment management; investment consultancy; financial leasing.	RMB3,750,000,000	6,539,331,858.84	4,811,369,491.90	179,680,569.01
GF Asset Management	Subsidiary	Securities asset management.	RMB1,000,000,000	18,050,807,118.15	2,977,187,090.19	1,074,596,786.47
GF Fund	Subsidiary	Fund raising, fund sale, asset management; other businesses approved by the CSRC.	RMB126,880,000	6,654,527,605.07	4,626,673,815.46	776,570,259.48
E Fund	Participating stock company	Fund raising, fund sale, asset management; other businesses approved by the CSRC.	RMB120,000,000	10,581,230,221.00	6,658,455,241.00	1,340,098,954.00

Note: Among the above companies, GF Asset Management's net profit accounted for over 10% of the net profit attributable to owners of the Company in the consolidated statements of the Company. In 2016, the Company achieved consolidated net profit of RMB1,075 million, representing a year-to-year increase of 59.40%, accounting for 13.38% of the net profit attributable to owners of the Company in the consolidated statements of the Company. The substantial increase was mainly attributable to the significant increase in the management fee income as a result of the significant growth of the asset management scale.

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

N/A

## Discussion and Analysis of Operations

**VIII. SIGNIFICANT ISSUES OF THE COMPANY ABOUT BANKRUPTCY REORGANIZATION, MERGER, SEPARATION, ESTABLISHMENT AND DISPOSAL OF SUBSIDIARIES, BRANCH COMPANIES AND OPERATION DEPARTMENTS, ETC.****(I) Relevant matters about bankruptcy reorganization**

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

**(II) Merger or separation of the Company**

N/A

**(III) Establishment and disposal of subsidiaries, branch companies and operation departments**

During the Reporting Period, there were no establishment and disposal of branch companies and operation departments by the Company. For the establishment of subsidiaries, please see “(V) Explanation of Changes in the Scope of Financial Statements Consolidation” in “III. Analysis on Financial Statements” in this section.

**(IV) Structured entities controlled by the Company**

As at 31 December 2016, the Group consolidated 32 structured entities, which mainly comprised of asset management schemes and funds. The Group is assessing if the maximum risk exposure of the variable returns generated from the structured entities held by the Group and the management remuneration is significant enough 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 31 December 2016, the net assets of the consolidated structured entities were RMB16,591,925,878.74. The book value of the Group's interests was RMB3,356,788,685.03. The book value of the interests of the parties outside the Group was RMB13,235,137,193.71. As regards to the interests of the parties outside the Group, the Group recognized them as payables or financial liabilities at fair value through profit or loss.

**(V) Major asset disposal, acquisition, replacement and divestment**

N/A

**(VI) Restructuring of other companies**

N/A

**IX. Outlook of the Company****(I) Development trend and competitive landscape of the securities industry**

The objective of macroeconomic regulation and control in 2017 will be shifted from stimulating growth to the prevention of inflation and asset bubbles. Meanwhile, a more robust and neutral monetary policy and a proactive and effective fiscal policy will be adopted to maintain the economy growth at reasonable levels. Lawful supervision, strict supervision and comprehensive supervision will be normal in respect of industry supervision. During the crucial period of the supply-side structural reform, the keynote of the development of the securities industry in 2017 remains to be the prevention of financial risks, return to original business and serving of the real economy.



**1. Lawful, strict and comprehensive supervision will be new normal of the industry and a steady yet progressive development trend will be seen in the securities industry**

Since the abnormal fluctuations of the stock market in 2015, the intensity and scope of industry regulation have been gradually strengthened and expanded, including standardizing the business of asset management channel, reducing the leverage level, cracking down on IPO fraud, implementing the delisting system, severely punishing insider trading and market manipulation and carrying out other regulatory measures, to continuously improve the level of market standardization. Meanwhile, the regulatory authorities reduced the regulatory arbitrage effectively through the improvement of rules and regulations and coordination of cross-industry regulation. It is expected to continue with the regulatory keynote of “lawful supervision, strict supervision and comprehensive supervision” in 2017. Meanwhile, there will be new progress, new effectiveness and new breakthrough on the capital market reform. Also, key steps will be made in certain key systems and a steady yet progressive development trend will be seen in the securities industry, which will be more favorable to the development of large integrated securities companies with high level of standardization.

**2. Internationalization will become an inherent requirement for the development of industry and the level of internationalization of the securities industry will continue to improve**

Internationalization is an inherent requirement and inevitable choice for the development of industry under the national strategy and the global allocation of assets of enterprises and residents. The subsequent launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect reflect the State’s firm commitment to support the internationalization of the capital market. Chinese economy will continue to integrate deeply with the global economy in the future. The international financial system is under reconstruction, and it is an irreversible trend for the securities industry in China to integrate into the global financial system and seek for the global development. Meanwhile, the Chinese enterprises are going globally at a quick pace and the demands for global allocation of residents’ assets are increasing. The demand for the securities industry in China serving the global allocation of assets of Chinese enterprises and residents also requires Chinese securities companies to actively participate in the international market, thus the level of internationalization of the securities industry will continue to improve.

**3. Diversified capital entering into the securities field will further intensify the competition in the securities industry**

Diversified capital such as internet, foreign investment and industries obtained the securities business licenses through acquisition and new establishment. Diversified backgrounds of shareholders and different development ideas and strategies on cross-sector business will create new changes to the business model and innovative development of the industry. Taking the brokerage business as an example, before the building up of wealth management capability and differentiated services, the commission rate of the industry will continue to decline under the impact of the Internet finance and some radical brokerages, which will impose greater pressure on the brokerage business. Those brokerages without scale advantage and operating characteristics will face huge challenges for survival in the future. Meanwhile, with the overlapping of businesses, functional convergence and cooperation coexisting with competition among sub-finance industries, the competition in the securities industry will be further intensified.

## Discussion and Analysis of Operations

#### 4. ***The securities industry will emphasize more on the prevention and control of financial risks***

In 2016, the foreign Black Swan events occurred frequently and the domestic financial risks including price bubbles in real estate, exchange rate fluctuation and high leverage of bonds continued to accumulate. Under the adverse impact that the United States stepped into the interest-rate rise cycle and the global trade protectionism became popular, the outbreak of partial risk may also trigger systemic risk. When deploying the economic work in 2017, the Central Economic Working Conference stated that the prevention and control of financial risks should be put into a more important position, with the determination to dispose of a number of risk points, striving to prevent and control the asset bubble, enhancing and improving the regulatory capability, to ensure that no systemic financial risk will occur. With the changes in the business development model and profit structure of the securities industry, securities companies will have more and more types of capital-driven and capital intermediary-driven businesses with increasing scale, and the proportion of earnings from such business will also increase. Thus, the securities industry will emphasize more on the prevention and control of financial risk and the securities companies should also put the prevention and control of risk into a more important position.

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

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

The brokerage agency's business of securities sale has a very high degree of homogeneity at a low marginal cost of providing the service, and the level of commission rate shows a downward trend. Especially under the impact of new technologies like Internet account opening, single sign-on solution and the policy of one client with multiple accounts, the industry commission rate is still showing a downward trend. As the current industry regulatory tone has made it clear to go from the administrative guidance to market pricing, the securities industry will still face a challenge of competition at low commission in recent years.

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

After the industry innovation and development in recent years, the business of domestic securities companies is becoming more and more diversified. Nevertheless, in terms of income ratios, investment banking, securities trading, margin financing and stock lending, and traditional proprietary income still accounts for the major proportion. These revenues are highly related to the secondary market activity in China. Although with many years of international development and layout, domestic securities companies' source of income relies mostly on local business and is low in the international degree, which means the impact on the performance and profitability will be much more apparent once the domestic market experiences a substantial adjustment, and the fluctuations in performance cannot be balanced by the income from the international market.

**3. *Mixed financial operation and release of licenses impose challenges for the long-term development of securities business.***

At present, domestic commercial banks, insurance companies, trust companies, private equity funds, Internet companies and other institutions quickly penetrate into the securities industry through merger and acquisition, compete directly or indirectly with securities companies in the field of wealth management, equity investment, innovative ways of financing and investment management services and pose a major challenge to the development of the brokerage business. In addition, the regulatory authorities have also accelerated the pace of new brokerage approval. A number of brokerages with industrial, transnational and internet background have become new entrants of the industry, and have brought the service mode and incentive mechanism different from traditional brokerages, which has accelerated the competition in the industry.

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

The Central Economic Working Conference stressed that “the prevention and control of financial risks should be put into a more important position, with the determination to dispose of a number of risk points, striving to prevent and control the asset bubble” in 2017. The reduction of leverage may lead to the outbreak of partial risk, which will also have an impact on the capital market. Brokerages have currently entered into a time of comprehensive risk management, facing the challenges of continuous improvement of the risk management capability and level. The pressure of preventing financial risk increases significantly while carrying out business under the background of the new normal economy, capacity and leverage reduction.

**5. *Institutional investors are becoming the main market players in the growing tendency while the overall capacity of the industry to serve the institutional client needs to be improved***

Whether from the current trends and needs of the domestic market’s evolution of the structure of investors or the regulator’s policy guidance or other factors, the main part of domestic capital market will gradually evolve with the structural changes from the current retail investor dominance to increasing proportion of institutional investors, which will require securities companies to gradually straighten out the organization structure to deal with institutional clients and business, to strengthen collaboration across businesses and to enhance the professional comprehensive financial service ability. Adjusting the product structure, business structure and client structure around the institutional service is the direction of the transformation of the brokerage business while improving five core competencies of client relationships, pricing sales, investment transactions, risk management and assets and liabilities are keys for the brokerages to obtain competitive advantages in the future.

## Discussion and Analysis of Operations

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

As a securities financial institution in China, and benefiting from various driving forces such as the increasing importance of the securities industry in China, large demand for direct financing, accumulation of residents' wealth and demand for assets allocation, the current development environment of the securities industry is a very important period of strategic opportunities for the Company. The Company will seize the opportunity, uphold the historical sense of mission and steadily march towards the strategic vision of becoming "a modern investment bank with international competitiveness, brand influence and system importance".

The Company will firmly grasp the historic opportunity of industry change, accelerate the transformation of traditional business, establish the leading edge of business innovation and promote the Company's development to a new historical stage.

- (1) Strategic guiding ideology: adhere to the business management philosophy of "stable operation, continuous innovation, performance oriented, collaboration and efficiency", make great efforts to change the mode of growth, continue to optimize the business structure and strive to become China's leading financial securities group equipped with international competitiveness and being able to provide comprehensive financial services for the clients.
- (2) Strategic vision: become a modern investment bank with international competitiveness, brand influence and system importance.
- (3) Strategic path: focus on internal and extensive growth simultaneously; based on consolidating the traditional advantage, realize the change from the traditional low-value channel service model to the comprehensive, integrated and international financial service model that provides higher value through the innovation of business model and product leading strategy, integrated internal and external coordination strategy, collectivized financial services strategy and internationalization strategy, making the Company's comprehensive strength rank in the industry forefront.
- (4) Strategic support: led by the strategy, establish the innovative organizational structure, resource allocation system, comprehensive risk management ability, information technology construction and brand system which match with the Company's strategic objectives and its business developing plans; perform the strategy of performance management and comprehensively enhance the strategy execution.

The strategic goals in development of the top four business segments of the Company are detailed as follows:

- (1) Strategic goal in development of investment banking business: speed up the transformation of investment banking business to the specialization of industry chain and the diversification of profit models, improve the ability of client service, grow with the clients and further consolidate the Company's dominant position in high-quality small and medium-sized enterprise client groups in China, as well as establish the ability and competitiveness to serve large clients.

- (2) Strategic goal in development of wealth management business: achieve steady growth in revenue by enhancing service capability with respect to affluent clients, especially high-net-worth individuals, and expanding coverage of and deepening product penetration among affluent clients.
- (3) Strategic goal in development of service for institutional clients: grasp the growth trend of service for institutional clients, strengthen the capability of comprehensive financial solutions and establish a leading position among market makers, increase capability for asset allocation and develop investment ability in overseas markets.
- (4) Strategic goal in development of investment management business: build a multi-layer investment management platform system, strengthen and expand the advantages of the products, strengthen investment with self-owned funds, increase management scale, improve investment performance, and establish a leading investment management brand in the industry.

**(IV) Annual business plan in 2017**

The goals of the Company in 2017 are to prevent risks, consolidate the advantages, enhance the business level, step up the transformation and make a breakthrough in key areas such as the wealth management, science and technology finance, capital intermediary and internationalization; and optimize the allocation of resources, enhance the Company's market competitiveness in the input and output efficiency on the basis of maintaining the advantage of business scale. The mainline of the Company's work is to improve quality and efficiency, optimize the layout, and create competitive advantage of full business chain.

**1. *Maintain and enhance the current status in the industry***

The wealth management business will improve the operational mechanism, consolidate and strengthen the advantages of the Internet finance platform, reinforce the wealth management system, deepen the integrated management, maintain and enhance the Company's market position. Investment banking business shall remain in quantitative superiority in respect of IPOs of SMEs, refinancing and M&A projects and increase the number of projects which have market influence; further expand the overall scale, focus on expanding large scale project, make good the business weakness, and enhance the status in the industry; the equity investment business will, subject to risk control, grasp market opportunities to increase revenue; research on sellers will maintain market-leading position; and the institutional and custodial business will further consolidate the Company's resources to strengthen team building and mechanism construction, in order to promote significant business growth.

## Discussion and Analysis of Operations

**2. Optimize strategic layout and business structure**

In 2017, the Company will further optimize the business and the layout in light of the market, focus on promoting the layout of international business, derivatives business and subsidiary. For internationalization, we will promote the transformation and upgrading of GFHK, the establishment of business structure and operating system to adapt to the development of Hong Kong capital market, creating a first-class modern investment banks. The Company's derivatives business will further optimize the business structure to form the advantages by centralizing the resources and making breakthrough at key points; for subsidiaries, we will research on relevant development strategies based on external regulatory policy guidance, and further review the positioning and business boundaries to promote division of labor based on specialization and dislocation development.

**3. Foster the ability to service medium and high end customers**

Investment banking business will gradually increase the proportion of large and medium-sized projects to promote optimization of customer structure, enhance the ability to service medium and high end customers. At the same time we will form a new industry team in business segments with project base. As the consolidated financial needs of institutional and high net worth customers continuously increase, the Company will integrate resources to enhance consolidate service capabilities to meet the full range of needs from customers, improve product innovative capabilities, expand trading functions; take advantage of the buyer's business, expand the network of counterparties and scale of investment advisory business; strengthen the introduction of the customers' customized products and the private banking products, improve the wealth management product system; continue to improve the full service system for private equity firms, and actively foster core competitiveness in commercialization of private equity data and risks control outsourcing sectors.

**4. Promote the construction of the three systems**

By linking and integrating the three systems, i.e. CRM, cross-selling and management and accounting as bases, we will achieve the upgrade of the Company's management information system and support cross-departmental mobility of customer information to realize effective coordination between accounts managers and product managers, so as to increase our capabilities for providing comprehensive financial services to customers. Meanwhile, the Company will gradually improve the allocation of resources and assessment mechanisms to promote the development of customer comprehensive value in business lines based on the three systems.

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

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

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

##### 1. *Various risk factors affecting the Company's business operations during the Reporting Period and their performance*

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

##### (1) Policy risk

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

## Discussion and Analysis of Operations

## (2) Liquidity risk

Liquidity risk refers to the risk of our failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay our debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out our businesses in the ordinary course. Liquidity risk and incidents include but are not limited to: mismatch of asset and liability structures, difficulty in asset realization, operating loss, deferred payment or breach of contract by counterparties, as well as liquidity risks transformed from credit risk, market risk, operational risk, reputation risk and other categories of risks. As the Company's capital strength increases and the asset allocation is increasingly enriched, the products represent a diversified, complicated and international developing tendency and the risk type and the term structure faced by the asset end becomes more complicated. On the one hand, the Company needs to actively expand the financing channels to meet the demand for internal liquidity; on the other hand, the Company needs to ensure that its asset and liability term structures match with each other through reasonable arrangement of the liability term structure. In addition, with the promulgation and enforcement of the new regulations of risk control indicators and the Guidelines for the Liquidity Risk Management of Securities Firms (《證券公司流動性風險管理指引》) in 2016, the supervision requirements of liquidity risk are further strengthened and the challenges to the liquidity risk management are increasing.

## (3) Market risk

Market risk refers to the risk of loss in the Company's businesses resulting from adverse changes in the market price (price of equity securities, interest rate, exchange rate or commodity price, etc.). Market risks include equity price risk, interest rate risk, exchange rate risk and commodity price risk, etc., which respectively refers to risk arising from change in equity price, interest rate, exchange rate or commodity price, etc. The market risks faced by the Company mainly concentrate on equity price risk and interest rate risk, which are mainly reflected in the Company's proprietary investment in equity security, proprietary investment in fixed-income security and transactions of derivatives in exchange-traded and OTC markets, etc. During the Reporting Period, the business scope of the direct and indirect wholly-owned subsidiaries of the Company expanded rapidly and the Company's course of internalization continued to promote, thus other types of price risks to be borne by the Company such as the commodity price risk and exchange rate risk are increasing. In addition, during the Reporting Period, the bond market has successively experienced a huge volatility in credit debt in the second quarter, booming in the third quarter and sharply rising in interest rate in the fourth quarter and the market volatility increased significantly; coupled with the macroeconomic background of expected rising global inflation, the continuing depreciation of the RMB and internal and external shocks arising from de-leverage in the bond market and increasing yield of US bonds, fixed-income securities investment is facing more complex market risk. Finally, due to an increase in the external uncertainty facing in domestic and international financial markets, the global financial market is more volatile, and the Black Swan events occur frequently. During the Reporting Period, the correlation and linkage between all kinds of assets at home and abroad were obviously enhanced, the difficulty in management of market risks exposed to the Company further increased.



## Discussion and Analysis of Operations

## (4) Credit risk

Credit risk refers to the potential losses resulting from the failure of an issuer or counterparty to perform its obligations under a contract, or arising from variations in the market value of debts due to changes in credit ratings or inability to perform contractual obligations. The credit risk faced by the Company at present mainly concentrate on credit bond investment, OTC transactions of derivatives, margin trading, agreed repurchase business, repurchase business on stock pledge, other innovative financing business, investment in credit product as well as other businesses that the Company shall bear or have payment commitment. With the promotion of leverage and continuous development of innovative businesses in the security companies, the credit risks to be borne by them become more and more complicated and the credit risk exposure increases day by day. During the Reporting Period, the default rate in the credit market remained high and risk events occurred frequently due to the downturn of the prosperity in certain industries, which brought about greater challenges to the credit risk management of the securities companies in the future.

## (5) Compliance risk

Compliance risk refers to the risk of legal sanctions, regulatory measures, loss of property or damage to our reputation because of the violation of laws, regulations, industry standards and relative criteria formulated by self-regulatory organizations and standards of behavior suitable for business activities of the securities companies.

## (6) Operational risk

Operational risk refers to the risk of loss resulting from inadequacy or defect of internal process, personnel or systems, or from external events. The operational risk of a securities company runs through each department and business line of the Company, featuring wide coverage and diversity. As the Company's businesses constantly increase, the business process becomes increasingly complicated and the comprehensive operation is further carried out. If the Company fails to timely identify the key risk points in each of its business lines and daily operations and to take effective mitigation measures, it may suffer great loss due to improper management of operational risk.

## (7) Risk of information technology

The securities companies depend on and adopt advanced technology represented by information technology, which has enhanced the operational efficiency and core competency of the enterprise. The Company's investment, asset management, brokerage and many other 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 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 risk. The safety of the system may be affected by the failure of the information technology system, operation errors of the information technology system, virus and hacker attack, and data loss and exposure, thereby causing losses to the Company.

## Discussion and Analysis of Operations

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

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

**① Risk culture**

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

## ② Risk management governance framework

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

- 1) The Board of Directors is the highest decision-making institution, and is ultimately responsible for the effectiveness of the Company's risk management. Specific duties and responsibilities include: promoting the Company's risk culture construction, considering and approving basic system of the Company's comprehensive risk management, considering and approving the Company's risk preference, risk tolerance and significant risk limits, considering the Company's regular risk assessment reports, appointing and dismissing and assessing a chief risk officer and determining his/her remuneration package, establishing direct communications with chief risk officer and other duties and responsibilities of risk management specified in the Articles of Association. Under the authorization of the Board of Directors, the risk management committee would evaluate and supervise the overall risk status of the Company, and perform its relevant authorized risk management duties and responsibilities.

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- 2) The general manager of the Company shall be responsible for the Board of Directors, who shall also be mainly responsible for the effectiveness of the overall risk management. The senior management shall be fully responsible for the risk management of the Company's operating management level within the scope authorized by the Board of Directors, be responsible for formulating the Company risk management system, structure of the risk-management organization and job responsibilities, risk preference, risk tolerance, risk management policy, procedure, measures and limit, establishing performance evaluation system containing effectiveness of risk management, perfect information technology system and data quality control mechanism, and managing various types of risks that the Company faces. The Company's risk control committee shall assist the senior management to determine and adjust the Company's risk tolerance and business risk limit, evaluate and make decisions on major risk matters, and supervise the risk management status of the Company. The internal review committee of investment banking business is mainly responsible for approving internal review system and mechanism of the Company's investment banking business, determining member lists of internal review group, supervising and guiding the implementation of the Company's internal review, and establishing internal review group of various investment banking business that responsible for internal review of specific project. The Company's assets allocation committee shall assist the senior management to determine the category assets allocation plan and assets and liability structure.
- 3) The Supervisory Committee of the Company shall be responsible for supervising comprehensive risk management, and supervising the performance of duties of the Board of Directors and senior management in respect of risk management and supervising rectification.
- 4) The Company put in place a chief risk officer system. The chief risk officer shall be responsible for the overall risk management work of the Company as a senior managerial personnel of the Company, and report the risk management execution status to the Chairman of the Board and general manager. The Company shall provide sufficient guarantee for the chief risk officer to perform his duty and guarantee his right to be informed, which is essential for him to fully perform his duties, to participate in or attend such meetings related to his performance of duties, access to relevant documents and obtain requisite information. Shareholders and directors of the Company are prohibited from directly giving instructions to the chief risk officer or intervening with his work in violation of the procedures as prescribed by certain provisions.
- 5) The business departments of the Company is the first defensive line of the Company risk control, which shall perform direct risk management responsibilities and shoulder the primary liability of risk management of the department. The responsible persons of all related business departments shall fully understand and consider various risks relating to their respective businesses in decision making, and timely identify, evaluate, deal with, and report relative risks, and shall be directly responsible for the effectiveness of the risk management.

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- 6) The Company's compliance and law affairs department and risk management department are the main functional departments of the second defensive line. Both departments shall assist with relative risk implementation management work within their job responsibilities and professional advantages, and thus guaranteeing the coherence and effectiveness of the Company's risk management policy.
- 7) The auditing department is the third defensive line of risk control. It is responsible for the check, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedure, and operating management performance.
- 8) The Company implements vertical management on the risk management of its subsidiary. The subsidiary shall establish its own risk management system, organizational structure and personnel, information technology system, risks index system and coping mechanism within the system framework of comprehensive risk management of the Company according to business scale and actual risk-taking condition. Responsible person of the subsidiary shall be the main person responsible for the effectiveness of the overall risk management of the subsidiary. Responsible persons of all levels of departments shall be the primary person responsible for the risk management of the respective departments and perform direct risk management on business and management activities. The risk management responsible person of the subsidiary, which is appointed by the parent company, shall be responsible for the risk management status of the subsidiary, and shall perform its job responsibilities of risk identification, evaluation, measuring, supervising, and reporting, as well as reporting the subsidiary risk management status periodically to the parent company according to its authorization under the coordination of relative support and control departments. The subsidiary and its departments of all levels shall fully identify and assess various risks in business and management link, formulate corresponding policies and systems and business specifications, so as to manage various risks exposure comprehensively, effectively and continuously.

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

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

③ Risk management mechanism and practice

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

④ Risk management infrastructure

The Company has independently developed and constructed various risk management system, supported various risk management functions such as risk control index, market risk, credit risk, liquidity risk, penetrates the identification, measurement, alert and report of various risks in risk management; risk system basic data include main investment

business data and internal and external data such as customer data, contract data, finance and information with credit risk exposure, and segments fine grit and multi-dimensions and aggregates, which effectively support the implementation of risk management of the Company.

(2) Specific management for various risks

① Policy risk management

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

② Liquidity risk management

The Company implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under normal situation and pressure state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about liquidity risk index to prevent liquidity risk. Specific measures for liquidity risk management include: 1) The Company implements centralized management for financing and liabilities. The fund management department will manage the source of funds of the Company and formulate and implement financing strategy within the scope of authorization in accordance with the asset-liability structure and business development planning of the Company; 2) The Company implements daytime liquidity management and reasonably arranges fund demand to guarantee that the Company has sufficient daytime liquidity cash and corresponding financing arrangement; 3) The Company establishes layering high-quality liquid asset management system, sets corresponding risk limit for scale and structure of high-quality liquid assets of the Company and conducts daily monitoring for relevant indexes; 4) The Company establishes liquidity risk limit system including liquidity risk supervision index, liquidity risk supervision index limit, financing and liability limit, high quality liquid asset limit and combined limit of liquidity in accordance



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with requirements for liquidity risk supervision and internal liquidity risk management; 5) The Company implements active liquidity combination management mechanism, the fund management department of the Company will conduct liquidity combination investment within the authorization scope of liquidity combination under the premise of guaranteeing high liquidity and high safety of self-owned funds of the Company in accordance with liquidity combination risk limit management systems; 6) The Company regularly or irregularly evaluates cash gap and liquidity risk index of the Company under circumstances of internal and external liquidity pressure and formulates corresponding liquidity management strategies; 7) The Company regularly or irregularly carries out liquidity risk drill and optimizes and perfects liquidity risk emergency disposal processes and mechanism of the Company based on drill condition.

### ③ Market risk management

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

### ④ Credit risk management

The Company implements management of credit risk for the whole process by means of effective risk identification, cautious risk evaluation and decision-making, 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



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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 and compliance accountability etc.. The Company focuses on the construction of three lines of defense of “business control and self-check, risk monitoring and internal control and audit” to manage operational risks. The operational risk generation units, including various departments and branches at all levels, assume first responsibility for the management of their operational risk, and are responsible for the construction of management systems and procedures and the daily management, monitoring and report for operational risks of their business; the control and supporting departments, within their terms of reference, conduct operational risk management works related to their professional division and provide guidance and support to other departments; the risk management department is responsible for establishment and implementation of operational risk management system and cooperating with all departments to manage operational risks; the compliance department and legal department is responsible for the management of operational risks relating to compliance and legality; the information technology department is responsible for coordinating the management of operational risks related to information technology; the audit department conducts review, monitoring and assessment for the operational risk management system and its operation. The Company has improved the level and effect of operational risk control through the following measures: 1) The Company strengthened the establishment of operational risk management team of various departments and branches at all levels, and enhanced the direct management of operational risk by the first defense line through gradually clarifying operational risk management personnel and duties of each unit; 2) The Company established three-tool system for operational risk management, and set up operational risk identification, evaluation, monitoring and reporting mechanism through continuous improvement and gradual promotion of risk and control self-assessment, key risk indicators and loss data collection; 3) The Company attached importance to operability of systems and standardization of procedures and consolidated business procedures to reduce potential hazards of operational risk by continuously strengthening construction of core management system.

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## ⑥ Compliance Risk Management

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

## ⑦ Information Technology Risk Management

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

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

### (I) Establishment of the Company's dynamic risk control indicator controlling mechanism during the Reporting Period

The Company has established and implemented risk control index dynamic monitoring mechanism, and has continuously upgraded and optimized risk control indicators monitoring system as per adjustment of regulatory standard and implementation situation of innovative business. On June 16, 2016, the CSRC issued amendments to Administrative Measures for Risk Control Indicators of Securities Companies and Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies, which were effective from October 1, 2016. The Company has successfully completed personnel training, system

development and self-development of new risk control indicators system during the transition period. The risk control indicators system of the Company is able to cover the business activities that affect the net capital and other risk control indicators. The Company calculates various risk control indicators daily and prepares full-set calculation form for relevant risk control indicators according to the relevant new regulations. The Company also sets up automatic warning for risk control indicators according to the preset thresholds and monitoring standards. The risk management department of the Company is responsible for monitoring and reporting daily operation situation of each risk control indicator and timely remind the Company of risks. Risk control indicators data and compliance situation will be regularly reported to the regulatory department in accordance with regulatory requirements; as for negative risk control indicators variation and situation of early warning and non-conformance, basic situation, causes and solutions will be timely reported to the local bureau of the CSRC in accordance with requirements of the “Measures for Management of Risk Control Indicators of Securities Companies”.

#### **(II) Establishment of sensitivity analysis and pressure test mechanism during the Reporting Period**

The Company regards pressure test tools as significant tools of risk assessment and management of the Company and regularly and irregularly carries out comprehensive and special pressure test evaluations to provide support for business decision making and operation management in accordance with requirements of “Guidelines for Pressure Test of Securities Companies (Trial Implementation)” and in combination with business development situation and risk management demand. In 2016, the Company has carried out comprehensive pressure test and submitted reports in accordance with requirements of the Securities Association of China. The Company has carried out special pressure test analysis for carrying out innovative business, significant market fluctuation, major business scale adjustment and important decision of the Company and continuously improved risk factor and scenario design, optimized model and method of parameter setting to optimize the effectiveness of pressure test results.

#### **(III) Establishment of net capital complement mechanism during the Reporting Period**

The Company has established sound capital complement mechanism in accordance with the “Guidelines for Capital Complement of Securities Companies” issued by the Securities Association of China, to broaden capital complement channels, improve capital quality and strengthen capital constraints. The Company has selected representative integrated index as the measurement index for internal capital adequacy level of the Company from four aspects including coverage level of overall risk, liquidity risk level, assets-liabilities structure and adequacy level of business development capital. When the capital adequacy evaluation index of the Company presents a warning, the risk management department of the Company will send risk warning promptly to the management level, business department and relevant functional departments of middle and back offices. The Company will analyze and evaluate the relevant index warning situation, taking into account of external market environment and internal business planning, and will start corresponding capital complement plan after going through an internal decision making procedure of the Company, including limiting the development of capital-intensive businesses, adopting risk mitigation measures, deciding capital instruments type, issuance size, market, investor base and pricing mechanisms and formulating solutions for policy related issues. H Shares of the Company have been successfully issued and listed in 2015, which has greatly complemented the

## Discussion and Analysis of Operations

capital of the Company. In 2016, the Company further supplemented its net capital through the issuance of subordinated debts. During the Reporting Period, all capital adequacy indicators of the Company performed well.

**(IV) Compliance with risk control indicators during the Reporting Period**

In 2016, operation of core risk control indicators of the Company, such as net capital and liquidity, was good and in compliance with regulatory standards. As of December 31, 2016, net asset of the parent company was RMB71.679 billion, representing an decrease of RMB658 million compared with that at the end of 2015. Net capital was RMB66.819 billion, of which the total amount of subordinated debt that was included into net capital was RMB16.6 billion. Net capital increased by RMB3.350 billion compared with that at the end of 2015, which was mainly due to an increase in amount of subordinated debt that was included into net capital. As at the end of 2016, there are great safety margin for various risk control indicators of the Company, which have reserved spacious room for business development.

**XI. RECEPTION OF ACTIVITIES SUCH AS RESEARCH, COMMUNICATION AND INTERVIEW****(I) Registration form for reception of activities such as research, communication and interview during the Reporting Period**

The Board and business managers of the Company value investor relationship management and information disclosure, emphasize on the timely and fair disclosure of information, actively protect the interest of medium and small investors, listen and reply to proposals and consultative opinions of medium and small investors in the ordinary course of work. The Company maintains smooth integrative communication with individual investors and institutional investors by means of telephone, email, website of the Company or the Shenzhen Stock Exchange, regular or irregular referral conference or roadshow, interview and research. During the Reporting Period, the Company has organized 41 activities, including receptions for survey and research activities from institutional investors and roadshows. The details are as follows:

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
January 1, 2016 to December 31, 2016	Telephone communication	Individual	Individual	Operation and development conditions of the Company
January 12, 2016	Field research	Institution	Huatai Securities, Golden Eagle Fund, Jinyang Investment, Qianhai Equity Fund	Operation and development conditions of the Company
March 21, 2016	Performance road show	Institution	Analysts invited by GF Securities 2015 Analyst Conference	Company strategies and business development conditions
March 21, 2016	Performance road show	Institution	Investors invited by GF Securities 2015 Investor Referral Conference	Company strategies and business development conditions

Discussion and Analysis of Operations

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
April 1, 2016	Field research	Institution	China Investment Securities, Dongguan Securities, Golden Eagle Fund	Operation and development conditions of the Company
April 1, 2016	Telephone communication	Institution	Turiya Fund	Operation and development conditions of the Company
April 5, 2016	Field research	Institution	Changjiang Securities, First Seafront Fund	Operation and development conditions of the Company
April 6, 2016	Performance road show	Institution	Investors invited by Credit Suisse Annual Asian Investment Conference	Company strategies and business development conditions
April 21, 2016	Performance road show	Institution	Investors invited by DBS Vickers to Lunch & Presentation for POA	Company strategies and business development conditions
April 26, 2016	Performance road show	Institution	Investors invited by Haitong Securities to the Spring Exchange Meeting of listed companies	Company strategies and business development conditions
April 29, 2016	Performance road show	Institution	2016 First Quarter Results Announcement of GF Securities – Analysts invited to the Analyst Teleconference	Company strategies and business development conditions
April 29, 2016	Field research	Institution	Macquarie Funds, Allianz Global Investors, AMP Capital, BNP	Operation and development conditions of the Company
May 13, 2016	Performance road show	Institution	Investors invited by Citigroup to the investors' meeting on listed companies	Company strategies and business development conditions
May 13, 2016	Company research	Institution	Macquarie Funds	Operation and development conditions of the Company
May 17, 2016	Performance road show	Institution	Investors invited to the HSBC China Seminar	Company strategies and business development conditions
May 17, 2016	Field research	Institution	Mirabaud, BOCI	Operation and development conditions of the Company
May 19, 2016	Field research	Institution	Fuh Hwa Securities Investment Trust, Invesco, Schroders, Tristar Capital, HSBC	Operation and development conditions of the Company

## Discussion and Analysis of Operations

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
May 26, 2016	Performance road show	Institution	Investors invited to the Morgan Stanley China Summit	Company strategies and business development conditions
May 31, 2016	Field research	Institution	Bank of Communications Asset Management Business Centre, Asset Management Business Centre (Hong Kong)	Operation and development conditions of the Company
June 15, 2016	Field research	Institution	BOC International (UK) Co., Ltd., BOCI Securities Limited, City National Rochdale	Operation and development conditions of the Company
June 15, 2016	Performance road show	Institution	Investors invited by JP Morgan Chase 2016 China Summit	Company strategies and business development conditions
July 18, 2016	Field research	Institution	CITIC Securities	Wealth management business development of the Company
August 29, 2016	Teleconference and field research	Institution	Analysts and institutional investors invited to the 2016 Interim Results Announcement of GF Securities	Company strategies and business development conditions
September 2, 2016	Teleconference	Institution	Macquarie Funds	Operating results and business development of the Company
September 6, 2016	Performance road show	Institution	Investors invited to the 2016 Chinese Investor Forum of Nomura	Operating results and business development of the Company
September 8, 2016	Teleconference	Institution	Tengyue Partners L.P. of New York, U.S.	Operating results and business development of the Company
September 21, 2016	Field research	Institution	CITIC Securities	Business development of the Company
September 27, 2016	Field research	Institution	Shanxi Securities	Business development of the Company
October 12, 2016	Field research	Institution	Greenland Group	Business development of the Company
October 24, 2016	Teleconference	Institution	Analysts invited to the 2016 Third Quarter Results Announcement of GF Securities	Company strategies and business development conditions
October 28, 2016	Teleconference	Institution	Cinda Sinorock	Business development of the Company

Discussion and Analysis of Operations

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
November 2, 2016	Performance road show	Institution	Investors invited to the 2016 Bank of America Merrill Lynch Investors' Summit	Operating results and business development of the Company
November 4, 2016	Performance road show	Institution	Investors invited to the Citigroup China Investors' Summit	Operating results and business development of the Company
November 11, 2016	Teleconference	Institution	Oriental Patron Financial Group	Business development of the Company
November 18, 2016	Performance road show	Institution	Investors invited to the 15th Asia Pacific Area Investors' Summit of Morgan Stanley	Operating results and business development of the Company
November 22, 2016	Field research	Institution	HSBC	Business development of the Company
November 30, 2016	Performance road show	Institution	Investors invited to the 2016 Asian Financial Forum of Credit Suisse	Operating results and business development of the Company
December 1, 2016	Field research	Institution	Henderson Global, Jupiter Asset Management, MCSL (Europe)	Business development of the Company
December 7, 2016	Performance road show	Institution	Investors invited to the J.P.Morgan Corporate Day	Operating results and business development of the Company
December 7, 2016	Field research	Institution	Mizuho Securities Asia Limited	Business development of the Company
December 15, 2016	Field research	Institution	China Galaxy Securities	Business development of the Company

Note: The record chart of investor relationship activities regarding the reception of investors of the above institutions by the Company is disclosed on the website of Shenzhen Stock Exchange ([www.szse.cn](http://www.szse.cn)) and the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

## Discussion and Analysis of Operations

**(II) Registration form for reception of activities such as research, communication and interview from the end of the Reporting Period to the date of this report**

Reception time	Reception method	Type of participants	Participants	Index for basic particulars of the research
January 5, 2017	Performance road show	Institution	Investors invited by DBS Vickers "Pulse of Asia" Exchange Meeting	Company strategies and business development conditions
January 6, 2017	Field research	Institution	Haitong Securities	Operation and development conditions of the Company
January 18, 2017	Telephone communication	Institution	JP Morgan	Operation and development conditions of the Company
January 18, 2017	Field research	Institution	Huatai Securities, Guosen Securities, Ping An Securities, Essence Securities, Northeast Securities, China Merchants Securities, Orient Securities, Galaxy Fund, GFHAM, Zhonghai Fund, Wanjia Fund, Life Asset Management, CITIC Asset Management, China Reinsurance, Foresea Life Insurance, SWS MU, CS Richland, Minsheng Jinfu, Shanghai Right Share, Zhanbo Investment	Operation and development conditions of the Company
February 23, 2017	video conference	Institution	Wellington	Operation and development conditions of the Company

Note: The record chart of investor relationship activities regarding the reception of investors of the above institutions by the Company is disclosed on the website of Shenzhen Stock Exchange ([www.szse.cn](http://www.szse.cn)) and the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)).



## XII. TAX CONCESSION

### (I) Holders of A-shares

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

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

Listed companies will withhold and remit enterprise income tax at the tax rate of 10% for qualified foreign institutional investors (QFII) in accordance with provisions of the “Notice of State Administration of Taxation on Relevant Issues Regarding the Withholding and Payment of Enterprise Income tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII” (GSH2009 No. 47). If dividends and bonus obtained by QFII shareholders need to enjoy tax convention (arrangement) treatment, they can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

## Discussion and Analysis of Operations

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

### (II) Holders of H Shares

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

## Discussion and Analysis of Operations

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

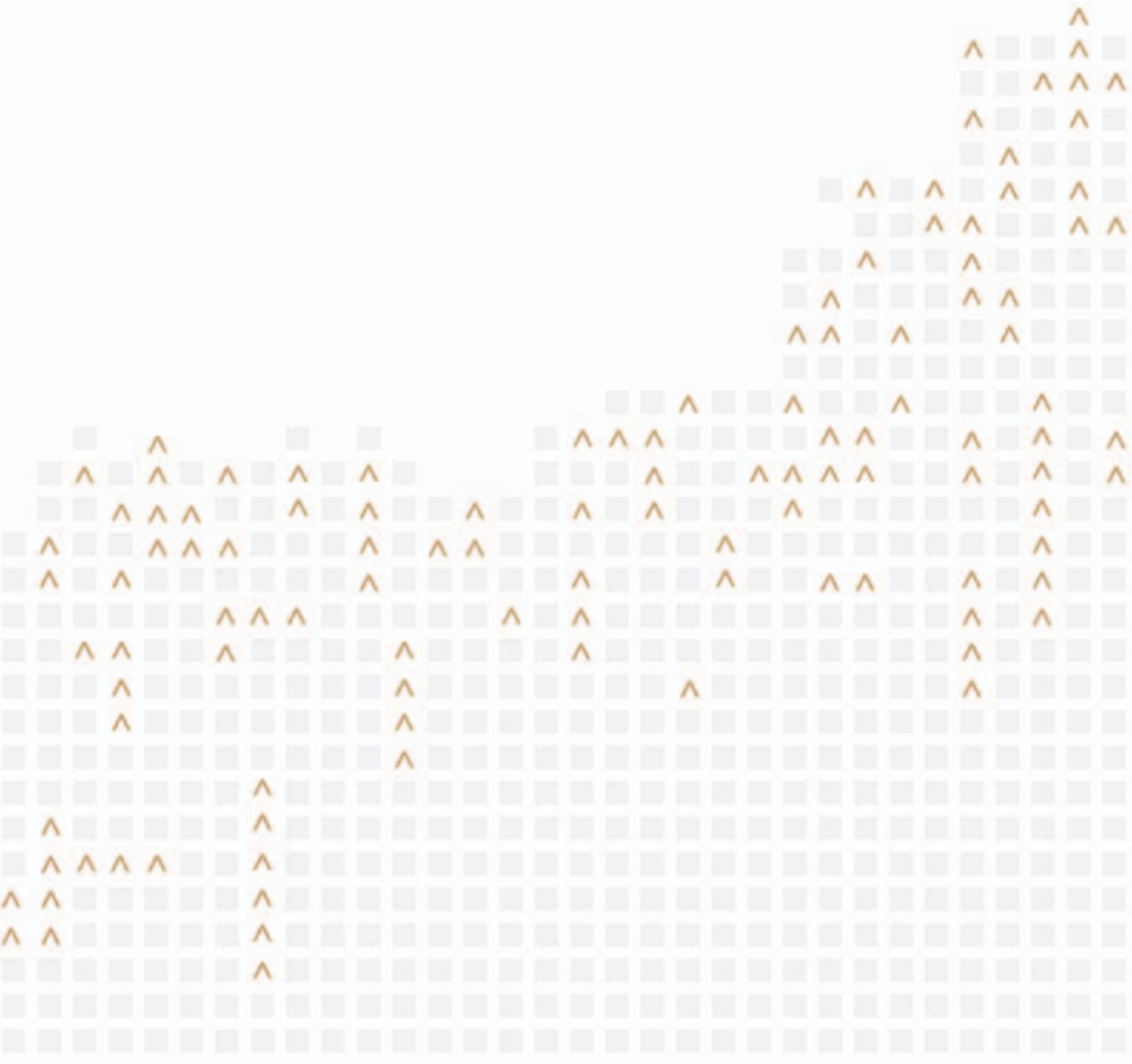
In accordance with provisions of the “Notice of the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism” (CS [2016] No. 127 《財政部國家稅務總局證監會關於深港股票市場交易互聯互通機制試點有關稅收政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

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

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

重要事項

## SIGNIFICANT EVENTS



## Significant Events

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

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

The Company consistently pays attention to reasonable returns on investment to shareholders and scientifically makes dividends plan to benefit the shareholders strictly in accordance with the Articles of Association, with development strategy planning, industry developing trend, social capital cost and external financing environment taken into consideration. During the Reporting Period, the Company strictly executed the profit distribution policy without any renewals or changes.

#### Special Description of Cash Dividends Policy

Whether the policy complied with the provisions of the Articles of Association or the requirements of the Resolution of Shareholders' Meeting?	Yes
Whether the standard and proportion of distribution of dividends were definite and clear?	Yes
Whether the relevant decision-making procedure and mechanisms were well-established?	Yes
Whether the independent Directors performed their duties and carried out their responsibilities?	Yes
Whether the small and medium shareholders had sufficient opportunity to express their opinions and appeal and whether their legitimate rights and interests are fully protected?	Yes
Whether conditions and procedures are compliant and transparent, in the case that the cash dividends policy is to be adjusted and changed?	Yes

## Significant Events

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

**Cash Dividends of Ordinary Shares in the Latest Three Years  
(including the Current Reporting Period) of the Company**

Unit: RMB

Year of Dividends	Amount of Cash Dividends (tax inclusive)	Amount of Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements of the year of Dividends	Percentage of Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in Consolidated Statements	Amount of Cash Dividends Otherwise Distributed	Percentage of Cash Dividends Otherwise Distributed
2016	2,667,380,682.40	8,030,106,628.93	33.22%	—	—
2015	6,096,870,131.20	13,201,014,064.72	46.18%	—	—
2014	1,183,858,292.80	5,022,567,778.39	23.57%	—	—

3. During the Reporting Period, the Company Made Profit and the Profit Available for Distribution to the Ordinary Shares Shareholders of the Parent Company was Positive, but No Proposals on Ordinary Shares Cash Dividends Distribution was Made

N/A

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

Bonus shares (shares) presented per every 10 shares	0
Dividends (RMB) (tax inclusive) presented per every 10 shares	3.5
Converted shares per every 10 shares (share)	0
Equity base (share) for distribution proposal	7,621,087,664
Total cash dividends (RMB) (tax inclusive)	2,667,380,682.40
Distributable Profit (RMB)	16,963,763,242.24
Proportion of cash dividends of total profit distribution	100%

### The Current Distribution of Cash Dividends

Based on the Company's existing share capital of 7,621,087,664 shares as at the record date of shareholdings entitled to dividend distribution, it was proposed that a cash dividend of RMB3.5 (tax inclusive) be distributed for every 10 shares, amounting to a total cash dividend of RMB2,667,380,682.40, and the remaining undistributed profit of RMB14,689,154,502.63 would be carried forward to the next year. Cash dividends of H shares are distributed in Hong Kong dollars, the actual amount of which is based on the average benchmark exchange rate for conversion between RMB and Hong Kong dollar issued by the People's Bank of China on the fifth working day before the convening date of the annual general meeting (namely Tuesday, May 2, 2017 to Tuesday, May 9, 2017).

If our Shareholders approve the 2016 final dividend at the annual general meeting, the Company's final dividend ended December 31, 2016 will be paid to H Shareholders before Wednesday, July 5, 2017. The 2016 final dividend will be paid to those H Shareholders whose names appear on the Company's register of members at the close of business on Sunday, May 21, 2017. To determine the identity of the Shareholders entitled to receive the final dividend, the Company's register of members will be closed from Tuesday, May 16, 2017 to Sunday, May 21, 2017 (both days inclusive), during which period no transfer of H Shares will be registered.

Time arrangements of the record date, ex-dividend date, final dividend payment date for SZSE investors are consistent with those for A Shareholders of the Company. Cash dividend of A Shares of the Company will be paid based on the time table as below: the equity registration date is on Tuesday, July 4, 2017, the ex-dividend date and cash dividend payment date are on Wednesday, July 5, 2017.

Time arrangements of the record date, ex-dividend date, final dividend payment date for Southbound Trading investors are consistent with those for H Shareholders of the Company.

Operating management shall be authorized at the annual general meeting to deal with, including but not limited to, opening and operating dividend accounts and other specific matters that related to profit distribution fulfillment.

### Particulars of Profit Distribution or Proposal on Conversion of Capital Reserves

According to the figures in the Company's consolidated statements in 2016 audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP., the net profit attributable to owners of the parent company was RMB8,030,106,628.93; the net profit of the parent company was RMB6,178,219,362.16; and the distributable profit for the year was RMB19,210,354,266.54.

Having considered the requirements under the Company Law, the Securities Laws, the Financial Rules for Financial Enterprises, the Articles of Association of the Company and the Document (No. [2007] 320) issued by the CSRC, the Company proposed the following profit distribution for the year of 2016 in the interest of the Shareholders and the development of the Company:

In 2016, the parent company of GF Securities achieved a net profit of RMB6,178,219,362.16, and in accordance with the provisions of the Articles of Association of the Company, each of the statutory surplus reserve, the general risk reserve, and the transaction risk reserve was credited with 10% of the net profit, amounting to RMB617,821,936.22 for each of the reserves. According to the Provisional Measures on Supervision and Administration of Risk Reserve of Public Offering of Securities Investment Funds (《公開募集證券投資基金風險準備金監督管理暫行辦法》), a fund custodian should appropriate no less than 2.5% of the income from fund custodian fees to the risk reserve on a monthly basis. A sum of RMB353,272.85 was appropriated to the general risk reserve for asset custodian business, and the remaining distributable profit amounted to RMB17,356,535,185.03.

According to the Document (No. [2007] 320) issued by the CSRC, securities firms shall not utilize the gains arising from fair value changes included in distributable profits to distribute cash dividends. After deducting the gains arising from fair value changes included in distributable profits, the distributable profit for cash dividends for the year amounted to RMB16,963,763,242.24.

## Significant Events

## III. IMPLEMENTATION OF COMMITMENTS

## (I) Commitments Performed during the Reporting Period or Not Yet Performed as of the End of the Reporting Period by the de facto Controller of the Company, Shareholders, Related parties, Purchasers and the Company

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	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>	February 6, 2010	Nil	All undertaking parties have strictly performed their commitments.



Significant Events

Commitments	Undertaking Party	Undertaking Type	Details of the Commitments	Date of Commitments	Term of Commitments	Performance
			<p>3. To avoid peer competition with the surviving company after share conversion and merger by absorption and regulate possible related transactions, Liaoning Cheng Da and Jilin Aodong have made the following undertakings: 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.</p> <p>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>			
Undertakings made in initial public offering or refinancing	Nil	Nil	Nil	Nil	Nil	Nil

## Significant Events

Commitments	Undertaking Party	Undertaking Type	Details of the Commitments	Date of Commitment	Term of Commitments	Performance
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 on-going basis.	September 29, 2015	From the notice date of the Board Resolution (September 29, 2015) until its net capital is able to satisfy the requirements of the regulatory authority on an on-going basis.	GF Securities strictly performed the undertakings.
Net capital guarantee undertakings provided to GF Asset Management	GF Securities	Others	In order to support GF Asset Management, a wholly-owned subsidiary of the Company, for its continuous compliance with the regulatory requirements on risk indicators, the Company has provided GF Asset Management with additional net capital guarantee undertakings of up to RMB3 billion (RMB3 billion incl.), among which, net capital guarantee undertakings of RMB2.5 billion were provided for a term from the date on which the same was considered and approved by the board of directors until September 30, 2016; and net capital guarantee undertakings of RMB0.5 billion were provided for a term until its net capital was able to satisfy the requirements of the regulatory authority on an ongoing basis.	July 18, 2016	Net capital guarantee undertakings of RMB2.5 billion were provided for a term from the date on which the same was considered and approved by the board of directors until September 30, 2016; and net capital guarantee undertakings of RMB0.5 billion were provided for a term until its net capital was able to satisfy the requirements of the regulatory authority on an ongoing basis.	GF Securities strictly performed the undertakings
Whether the undertakings are performed timely?	Yes					

- (II) If there are profit forecasts for the assets or projects of the Company and the Reporting Period is within the period of the profit forecasts, particulars of the Company's assets or projects reaching the earlier profit forecasts and its reasons

N/A

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

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

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

N/A

## Significant Events

## VI. APPOINTMENT AND REMOVAL OF ACCOUNTANTS

## Currently Appointed Accounting Firm

PRC Accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of PRC accounting firm	RMB2.1 million
Continuous auditing service term of PRC accounting firm	9 years
Name of the certified public accountant(s) of the PRC accounting firm	Li Weihua, Hong Ruiming
International accounting firm	Deloitte Touche Tohmatsu
Remuneration of international accounting firm	RMB1.1 million
Continuous auditing service term of international accounting firm	Two year
Name of the certified public accountant(s) (if any) of the international accounting firm	N/A

Note: The above is the audit fee of the Company, which does not include the audit fees for subsidiaries of the Company included it in the scope of consolidation.

## Appointment of Accounting Firms for Internal Control Audit, Financial Advisor or Sponsor

In 2016, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as accounting firm for internal control audit with auditing fee of RMB350,000.

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

N/A

## VIII. SIGNIFICANT LITIGATIONS AND ARBITRATIONS

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

As of 31 December 2016, the Company was involved in 41 litigation and arbitration (including those initiated by and against the Company) cases where final judgment has not been obtained, with a total principal amount of RMB442 million.

## IX. PENALTY AND RECTIFICATION

1. On May 18, 2016, the Company was imposed corrective measure of interviews and order of rectification by the NEEQ because the submission of the NEEQ listed company market-making application and the due diligence conducted by the Company did not comply with the requirements of its share transfer rules.

The Company attaches huge importance to this case. It has promptly organized and deployed implementation of rectification and has submitted the rectification reports to the NEEQ as scheduled. Together with the experience from this risk incident, the Company has organized adjustment and improvement of the working procedures and internal control system for due diligence and continuous supervision, and has further adjusted and strengthened the management of quality control and continuous supervision, clarified the duties of the quality control department and the persistent supervisory personnel, so that full-process risk control will be performed well for projects on a continuous basis.

2. On September 12, 2016, Jidong Road Brokerage Branch in Zhuji of the Company received the Notice of Administrative Penalty Decision (Shao Yin Fa [2016] No.4) from the Shaoxing Center Branch of the PBOC, imposing a fine of RMB210,000, in relation to the violation of related anti-money laundering regulations by Jidong Road Brokerage Branch, such as the failure to register customer information, re-verify customer identity and classify customer risk levels according to relevant requirements while establishing business relationship with customers through opening accounts. Meanwhile, the anti-money laundering specialist of the branch was imposed a fine of RMB10,000 as administrative penalty.

The Company attaches huge importance to this case. It has promptly organized analysis of problems identified in the inspection on individual basis and guide self-examination and rectification of the Branch on anti-money laundering organization structure, internal control system construction, customer identity verification, customer risk classification and other aspects, and timely submitted a report on the implementation of the rectification to the Shaoxing Center Branch of the PBOC.

3. On November 26, 2016, the Company received the Notice of Administrative Penalty Decision ([2016] No.128) from the CSRC in relation to the violation of laws and regulations by the Company, such as the failure to review and verify the client's identity, pursuant to which, the CSRC made the decisions of ordering GF Securities to rectify, issuing a warning to it, confiscating its illegal income of RMB6,805,135.75 and imposing a fine of RMB20,415,407.25. Upon receiving the Advance Notice of Administrative Penalty in September 2015, the Company immediately initiated rectification on the clean-up and standardized management of system access by third party, the improvement of program transaction management and the strengthening of customer fitness management. Such rectification was completed. The Company timely paid the fine upon receipt of the punishment judgement and re-examined all rectification work. At present the Company has completed the rectification and reported to the CSRC and the relevant regulatory agencies.

## Significant Events

4. On November 28, 2016, the Company received the Notice of Rectification Measures on Xuefu Road Brokerage Branch in Yingkou of GF Securities Co., Ltd. (《關於對廣發證券股份有限公司營口學府路證券營業部採取責令改正措施的決定》) ([2016] No. 10), from Liaoning Branch of the CSRC, ordering Xuefu Road Brokerage Branch to implement rectification measures, in relation to various non-compliances, such as the failure to provide comprehensive, fair and accurate information of financial products, failure to fully demonstrate the main risk characteristics of financial products, failure to ensure that the marketing personnel possess full knowledge of relevant financial products and insufficient disclosure of risks in the process of proxy sale of Baoying New Power (寶盈新動力) Nos. 3, 7 and 15.

The Company attaches huge importance to this case. The Company has timely conveyed the spirit of the regulations to the branch, organized review of specific problems identified and rectification on individual basis and submitted a report to Liaoning Branch of the CSRC.

As of the end of the Reporting Period, the Company did not have a controlling shareholder and de facto controller. In 2016, none of the board of directors, Directors, Supervisors, senior management or shareholders holding more than 5% of the shares of the Company were subject to punishment by competent authorities or were summoned by judicial authorities or liable to criminal offence, or were prohibited from market entry by the CSRC, were declared as an improper person, or were punished by other administrative authorities, and were not subject to open criticism or reprimanded by the Securities Association of China or by the stock exchanges.

### X. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

Please refer to “XIV. Qualifications of Individual Businesses” in Section 1 “Company Profile” of this report.

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

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

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

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

N/A

### XIII. MAJOR RELATED TRANSACTIONS

#### (I) Related Transactions Relating to Day-to-day Operations under the SZSE Listing Rules

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

The continuing related/connected transaction in respect of day-to-day operation are for investment banking, wealth management, trading and institutional client services and investment management services provided by us to the related/connected party.

In 2016, our day-to-day related transactions were executed subject to the Proposals on Estimates of Annual Day-to-day Related/Connected Transactions in Year 2016 of the Company passed by the Annual General Meeting of 2015 upon deliberation.

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

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

#### (II) Related Transactions in Respect of Acquisition and Sale of Assets or Equity

N/A

#### (III) Related Transactions in Respect of Joint External Investment

During the Reporting Period, the Company have made several related party/connected transactions arising from joint external investment.

At the end of the Reporting Period, the continuing connected transactions with related/connected persons arising from joint external investment as disclosed by the Company are as follows:

## Significant Events

Zhuhai GF Xinde Aodong Fund Management Co., Ltd. was established on July 21, 2015, and GF Xinde has completed its capital contribution RMB12 million. Zhuhai GF Xinde Aodong Pharmaceutical Industry Investment Center (limited partnership) was established on October 28, 2015. During the year, GF Xinde has completed its capital contribution of RMB294 million and the Fund Management Company has completed its capital contribution of RMB10 million. Jilin Aodong Innovative Industry Fund Management Center (limited partnership) was established on August 7, 2015. As of the end of the Reporting Period, the Fund Management Company has completed capital contribution of RMB10 million in 2015, all the funds being in place.

GF Xinde is a wholly-owned subsidiary of the Company, and Jilin Aodong, a substantial shareholder holding more than 10% of the Company's total number of shares, held approximately 16.33% of the issued share capital of the Company as of the date of the signing of the cooperation agreement with GF Xinde, and is a connected/related person of the Company. As such, the aforesaid transaction regarding the co-investment in establishing the Fund Management Company and the "Pharmaceutical Industry Fund", constitutes a related party transaction and also a connected transaction under Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

60% of the total number of shares of the Fund Management Company are held by GF Xinde, therefore it is a subsidiary of GF Xinde, and 40% of the total number of shares are held by Jilin Aodong, making the Fund Management Company a connected subsidiary of the Company. The aforesaid transaction made for the initiation of the establishment of the "Innovative Industry Development Fund" constitutes a related party transaction and also a connected transaction under Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules. The total size of the fund is expected to be RMB300 million, of which not more than RMB200 million will be contributed by Jilin Aodong and relevant enterprises, accounting for 66.67% of the total size of the fund, thus, making the fund a more than 30% controlled entity (i.e. associate) of Jilin Aodong (i.e. connected person) and a connected person of the Company. Where the relevant Innovative Industry Development Fund (connected person) pays the Fund Management Company (connected subsidiary of the Company) management fee and performance bonus for services provided by the Fund Management Company, a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules is constituted pursuant to the Cooperation Agreement. During the Reporting Period, No management fee or performance bonus has been paid based on the progress of the project, i.e. no continuing connected transaction occurred during the Reporting Period.



For related party transactions based on the relevant accounting principles during the Reporting Period, please refer to “Related Party Transactions” in Note 63 of the Notes to the Consolidated Financial Statements. The aforesaid, which constitutes a connected transaction and continued connected transaction under Chapter 14A of the Hong Kong Listing Rules, is included in “(4) Other Transactions entered with Shareholders” under “Related Party Transactions” in Note 63 of the Notes to the Consolidated Financial Statements.

All the relevant percentage ratios of the aforesaid connected transaction and continuing connected transaction were lower than de minimis thresholds as specified in Chapter 14A of the Hong Kong Listing Rules, and thus the relevant transactions were exempted from the disclosure requirements contained in Chapter 14A of the Hong Kong Listing Rules.

#### (IV) Amount due to or from Related Parties

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

Unit: RMB

Item Name	Related Party	Amount as of the end of period	Amount as of the beginning of period
Seats commission and trailing commission receivable	E Fund	5,784,111.40	12,194,315.04
Seats commission and trailing commission receivable	Golden Eagle Fund Management Co., Ltd.	262,979.23	—
Seats commission and trailing commission receivable	Harvest Fund Management Co., Ltd.	2,978,162.08	4,603,849.96
Short-term financing payables (structured notes) and interest payable	Guangdong GF Loan Co., Ltd.	—	11,158,794.52

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

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

#### (V) Other material connected transactions

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

## Significant Events

**(VI) Opinions of independent non-executive Directors**

The independent non-executive Directors confirm that, the above related/connected transactions were entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and were conducted at market price and were conducted in accordance with the relevant agreements governing them on terms and pricing principle that are reasonable and fair, and in the interests of the shareholders of the Company as a whole. There were no cases where interests of non-related/connected shareholders were damaged, and such related/connected transactions would have no negative impact on the independence of the Company. Moreover, the related businesses were beneficial to the business growth, met the actual business requirements and would be favorable for the long-term development of the Company.

**XIV. MAJOR CONTRACTS AND THEIR PERFORMANCE****(I) Custody, contracting and leases**

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

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

**(II) Important guarantees****1. Guarantees**

Unit: RMB '0,000

External Guarantees Provided by the Company and Subsidiaries (Excluding Guarantees Provided to Subsidiaries)								
Name of the Guaranteeed	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Guarantee Amount	Actual Date of Occurrence (Data of Agreement)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Fulfilled or Not	Guarantee Provided to Related Parties or Not
None	—	—	—	—	—	—	—	—
Total amount of external guarantees approved during the Reporting Period (A1)			0	Total actual amount of external guarantees during the Reporting Period (A2)				0
Total amount of external guarantees approved as at the end of the Reporting Period (A3)			0	Total actual outstanding balance of external guarantees as at the end of the Reporting Period (A4)				0

Significant Events

Guarantees Between the Company and its Subsidiaries

Name of the Guaranteed	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Guarantee Amount	Actual Date of Occurrence (Data of Agreement)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Guarantee Provided to Related Parties	
							Fulfilled or Not	or Not
GF Financial Markets (UK) Limited (the Guangdong Branch of the Export-Import Bank of China issued a financing letter of guarantee (or standby letter of credit), and the Company provided a counter-guarantee for the above financing letter of guarantee (or standby letter of credit).)	May 30, 2015	US\$80 million and relevant interest and expenses (if any)	—	0	Joint and several liability guarantee	Not yet fulfilled	No	No
<b>Total amount of guarantees provide to subsidiaries as approved during the Reporting Period (B1)</b>				0	<b>Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)</b>		0	
<b>Total amount of guarantees provided to subsidiaries as approved as at the end of the Reporting Period (B3)</b>				RMB554.96 million	<b>Total actual outstanding balance of guarantees provided to subsidiaries as at the end of Reporting Period (B4)</b>		0	

## Significant Events

Name of the Guaranteed	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Guarantee Amount	Guarantees among Subsidiaries				Term of Guarantee	Fulfilled or Not	Guarantee Provided to Related Parties or Not
			Actual Date of Occurrence (Data of Agreement)	Actual Guarantee Amount	Type of Guarantee				
GF Securities (Hong Kong) Brokerage Limited (GF Holdings Hong Kong provided a guarantee to it)	December 19, 2013	HK\$50 million and relevant interest and expenses (if any)	December 2013	HK\$50 million	Joint and several liability guarantee	From the date of agreement until one month after the bank receives a written notice from the guarantor or the liquidator or the receiver of the guarantor to terminate this guarantee.	No	No	
GF Securities (Hong Kong) Brokerage Limited (GF Holdings Hong Kong provided a guarantee to it)	May 14, 2014	HK\$70 million and relevant interest and expenses (if any)	May 2014	HK\$70 million	Joint and several liability guarantee	From the date of agreement until six months after the bank receives a written notice from the guarantor or the liquidator or the receiver of the guarantor to terminate this guarantee.	The guarantee was terminated on September 2, 2016.	No	
Total amount of guarantees provided to subsidiaries as approved as at the end of the Reporting Period (C1)			0	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)				RMB107.34 million	
Total amount of guarantees provided to subsidiaries as approved as at the end of the Reporting Period (C3)			RMB107.34 million	Total actual outstanding balance of guarantees provided to subsidiaries as at the end of Reporting Period (C4)				RMB44.725 million	
Total amount of guarantees provided by the Company (i.e. total 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)				RMB107.34 million	
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)			RMB662.30 million	Total actual outstanding balance of guarantees as at the Reporting Period (A4+B4+C4)				RMB44.725 million	
Actual total guarantee amount (i.e. A4+B4+C4) as a percentage of net assets of the Company Including:								0.057%	
Remaining amount of guarantees provided to shareholders, de facto controllers and their related parties (D)								0	
Remaining amount of liability guarantees provided directly or indirectly to secured subjects with gearing ratio above 70% (E)								0	
Amount of total guarantees above 50% of net assets (F)								0	
Total of the above 3 amounts of guarantees (D+E+F)								0	
Explanation on guarantee liabilities occurred during the Reporting Period or possible joint and several liabilities that may arise on outstanding guarantees (if any)						GFHK will be subject to potential debt liabilities under the current guarantee which will increase the potential gearing ratio level of GFHK.			
Explanation on the provision of external guarantee in violation of the required procedures (if any)								None	

Note: Guarantees of GFHK are calculated by the HKD/RMB exchange rate of 1:0.8945 as at December 31, 2016 published by the PBOC. Guarantees of GF Financial Markets (UK) Limited are calculated by the middle price of USD/RMB exchange rate of 1:6.9370 as at December 31, 2016 published by the PBOC.

**2. Non-compliance in external guarantees**

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

**(III) Cash assets management by entrustee**

**1. Entrusted asset management**

During the Reporting Period, there was no entrusted asset management of the Company.

**2. Entrusted loan**

Unit: RMB '0,000

Borrower	Related Party Transaction or Not	Interest Rate of Loans	Loan Amount	Start Date	Termination Date	Amount of Actual principal Recovered during the Period	Accruing Loss Amount (if any)	Estimated Earnings	Actual Profit and Loss amount during the Reporting Period	Actual Profit and Loss recovered during the Reporting Period
									229.71	229.71
Pingdingshan Shunyi Farming Co., Ltd. (平頂山市順義養殖有限公司)	No	8.80%	2,000	2016/2/1	2018/12/21	—	10	418.93	229.71	229.71
Pingdingshan Shunyi Farming Co., Ltd. (平頂山市順義養殖有限公司)	No	8.80%	3,000	2016/9/19	2019/9/5	—	15	621.26	147.17	147.17
Xiamen Yanjiang New Material Co., Ltd. (廈門延江新材料有限公司)	No	6.16%	1,000	2016/12/30	2019/12/29	—	5	125.41	—	—
Total		—	6,000	—	—	—	30	1,165.60	376.88	—
Capital source of entrusted loans					Self-owned funds					
Overdue accumulative amount of the principal and earnings not recovered					—					
Lawsuits (if applicable)					—					
Disclosure date of approval of entrusted loans at a Board meeting (if any)					—					
Disclosure date of approval of entrusted loans at a general meeting (if any)					—					
Are there any plans of entrusted loans in the future?					Yes					

Note: 1. Estimated earnings, actual profit and loss amount during the Reporting Period, actual profit and loss recovered during the Reporting Period all include consultant fees. Estimated earnings represent all earnings during the period from the start to end.

## Significant Events

### 4. Other major contracts

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

## XV. SOCIAL RESPONSIBILITIES

### (I) Fulfillment of the social responsibility of targeted poverty alleviation

#### 1. *Summary of annual targeted poverty alleviation*

The Company has been supporting and answering the national poverty alleviation strategy, helping the poverty areas and poor people actively through a variety of ways. The Company's poverty alleviation was rated as excellent in the second round of poverty assessment of Guangdong province. In 2016, the Company continued to assume the task of poverty alleviation, made directional donation to Tianjingang village, Lecheng street, Lechang city, Shaoguan City, Guangdong Province. The Company carried out thorough investigation to the village households, prepared a three-year poverty alleviation work program, and fulfilled poverty alleviation budget and poverty alleviation special funds.

In order to answer the proposal on "One Company One County" ties for poverty alleviation work of the Securities Association of China, the Company proactively tied to help Wuzhishan city in Hainan province, prepared a work proposal on tying to help Wuzhishan city, planned to improve the ability of Wuzhishan city to propel economic development through taking advantage of capital market, resolved actual difficulties in poor people's access to work, school and doctors by taking a variety of measures based on the practical situation of the documented poor households. Meanwhile, the Company planned to participate the construction of the multi-level equity market and the supply side structural reform in Wuzhishan city, supported the PPP project construction, docked the listing counseling nurturing and incubation needs and private financing needs, to help Wuzhishan city to fully get rid of poverty through taking advantage of capital market.

**2. Annual targeted poverty alleviation work of the listed company**

Indicators	Unit of measurement	Quantity/development situation
I. General information	—	—
Including: 1. Funds	RMB '0,000	215.72
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	14
II. Subitem investment	—	—
1. Poverty removal through industrial development	—	—
Including: 1.1 Types of industrial development poverty removal project	—	Agriculture and forestry industry poverty alleviation, asset income poverty alleviation
1.2 Number of industrial development poverty removal projects	piece	2
1.3 Invested amount to industrial development poverty removal projects	RMB '0,000	58
1.4 Number of people out of poverty who were helped to be documented as poor people	person	—
2. Transfer of jobs for poverty removal	—	—
Including: 2.1 Invested amount to vocational skills training	RMB '0,000	0.6
2.2 Number of person for vocational skills training	person time	60
2.3 Number of employed people who were helped to be documented as poor households	person	5
3. Poverty removal in education	—	—
Including: 3.1 Invested amount to endow poor students	RMB '0,000	1.28
3.2 Number of endowed poor students	person	11
3.3 Invested amount to improve the educational resources of poverty area	RMB '0,000	—
4. Social poverty alleviation	—	—
Including: 4.1 Invested amount of east-west cooperation for poverty alleviation	RMB '0,000	—
4.2 Invested amount to targeted poverty alleviation work	RMB '0,000	215.72
4.3 Invested amount of public poverty alleviation fund	RMB '0,000	—
5. Other projects	—	—
Including: 5.1. Number of projects	piece	13
5.2. Invested amount	RMB '0,000	155.84
5.3. Number of people out of poverty who were helped to be documented as poor people	person	14

Note: the Company's total invested capital to targeted poverty alleviation in 2016 amounted to RMB2,157.2 thousand, all of which was used to the target poverty alleviation work stated in item 4.2.

## Significant Events

**3. Subsequent targeted poverty alleviation plans***(1) Fully promoting the Tianjinggang Village poverty alleviation project*

- ① Promoting the industrial projects to be carried out in Tianjinggang village to drive the increase in income of poverty-stricken households with the aim to achieving the target of 65% of poverty-stricken households shaking off poverty by the end of 2017;
- ② Implementing the construction of people's livelihood facilities in Tianjinggang village according to the Three-year Assistance Plan to achieve the significant improvement of the livelihood of villagers in Tianjinggang village;
- ③ Enhancing the construction of the village appearance and environmental management of Tianjinggang village;
- ④ Achieving the sales of featured agricultural products by utilising the quotation system of the Securities Association of China.

*(2) Achieving a good starting of poverty alleviation in Wuzhishan city*

- ① Formulating specific work plan and funding budget of one-to-one assistance with Wuzhishan city;
- ② Enhancing the support to investment banking, bonds, the NEEQ and investment businesses and following up the implementation of the poverty alleviation projects;
- ③ Consolidating internal resources, enhancing communication with CSRC and the Securities Association of China and coordinating resources from various parties for the poverty alleviation of Wuzhishan city.

**(II) Performance of other social responsibilities**

During the Reporting Period, the Group insisted on serving customers, developing employees and bringing returns to its shareholders while seeking economic interests, and actively made contribution to the society and public and fulfilled its social responsibilities as an enterprise citizen.

During the Reporting Period, the Company's total charitable expenses amounted to RMB18,926,700. The "GF Securities Social Charity Foundation in Guangdong Province" established by the Group actively conducted various activities such as helping the poor and donating money for education with annual charitable expenses of over RMB19 million; continued to care about environmental and ecological development, advocated the low-carbon environment, continued to promote the green operation and green office concept, updated and optimized video conference system, paperless conference system, teleconference system, meeting-room reservation system, etc. and continued to outsource the document printing so as to save energy assumption and optimize allocation of resource to make active contribution to the sustainable development of the society. Please refer to the 2016 Social Responsibility Report of GF Securities Co., Ltd. attached hereto and disclosed on the websites of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for details.



**Whether the Company and its subsidiaries are major pollutant discharging entities as announced by environmental protection authorities**

No

Nature of enterprise	Enterprise social responsibility report			Standards adopted for the disclosure of report	
	Whether or not containing environmental information	Whether or not containing social information	Whether or not containing corporate governance information	Domestic standards	Overseas standards
Other	Yes	Yes	Yes	Sustainability Reporting Formality Guidelines (G4) and Supplemental Guidelines for the Financial Service Industry issued by Global Reporting Initiative and the Standardized Operational Guidelines for Companies Listed on the Main Board of the Shenzhen Stock Exchange	Environmental, Social and Governance Reporting Guideline of the Hong Kong Stock Exchange and the Hong Kong Listing Rules

**Specific explanations**

1. Whether or not the Company has passed the environmental management system certification (ISO14001)	N/A
2. Amount of annual expenses on environmental protection of the Company	N/A
3. The Company's performance on emission reduction of "Three Wastes" (waste gas, waste water and waste residue)	N/A
4. The Company's investment in the improvement of personal knowledge and skills and professional development abilities of its employees (RMB'000)	26,476
5. Amount of social public welfare donation (funds, materials and free professional services) (RMB'000)	18,926.7

## Significant Events

## XVI. PARTICULARS OF OTHER SIGNIFICANT ISSUES

## (I) Changes in brokerage branches

As of December 31, 2016, the Company has set up 20 branches, 264 securities business departments, and its business network covers 31 provinces, direct-controlled municipalities and autonomous regions in Mainland China, thus forming a nationwide network system for the brokerage business, guaranteeing the sound economic benefit for the business outlets of the Company.

During the Reporting Period, relocation of 17 brokerage branches within the same city or beyond cities of the Company have been completed.

No.	Name of Securities Brokerage Branch Before Relocation	Name of Securities Brokerage Branch After Relocation
1	Xinghua Road Brokerage Branch in Shekou of GF Securities Co., Ltd.	Houhai Brokerage Branch in Shenzhen of GF Securities Co., Ltd.
2	Houjie Brokerage Branch in Dongguan of GF Securities Co., Ltd.	Houjie Brokerage Branch in Dongguan of GF Securities Co., Ltd.
3	Youyi South Street Brokerage Branch in Shijiazhuang of GF Securities Co., Ltd.	Zhongshan East Road Brokerage Branch in Shijiazhuang of GF Securities Co., Ltd.
4	High-tech Software Park Road Brokerage Branch in Zhuhai of GF Securities Co., Ltd.	High-tech Software Park Road Brokerage Branch in Zhuhai of GF Securities Co., Ltd.
5	Xinghu Road Brokerage Branch in Nanning of GF Securities Co., Ltd.	Fengxiang Road Brokerage Branch in Nanning of GF Securities Co., Ltd.
6	Zhonghua West Road Brokerage Branch in Dalian of GF Securities Co., Ltd.	Renmin Road Brokerage Branch in Dalian of GF Securities Co., Ltd.
7	Jianghua Road Brokerage Branch in Jiangmen of GF Securities Co., Ltd.	Wanda Plaza Brokerage Branch in Jiangmen of GF Securities Co., Ltd.
8	Yanjiang East Road Brokerage Branch in Heyuan of GF Securities Co., Ltd.	Yuewangdadao Brokerage Branch in Heyuan of GF Securities Co., Ltd.
9	Jinan Road Brokerage Branch in Dongying of GF Securities Co., Ltd.	Beiyi Road Brokerage Branch in Dongying of GF Securities Co., Ltd.
10	Hengqin Brokerage Branch in Zhuhai of GF Securities Co., Ltd.	Jinwan Yongtai Road Brokerage Branch in Zhuhai of GF Securities Co., Ltd.

No.	Name of Securities Brokerage Branch Before Relocation	Name of Securities Brokerage Branch After Relocation
11	Central Street Brokerage Branch in Hengshui of GF Securities Co., Ltd.	Yucai South Street Brokerage Branch in Hengshui of GF Securities Co., Ltd.
12	Hong Kong Middle Road Brokerage Branch in Qingdao of GF Securities Co., Ltd.	Hong Kong East Road Brokerage Branch in Qingdao of GF Securities Co., Ltd.
13	Qingyang Road Brokerage Branch in Wuxi of GF Securities Co., Ltd.	Taihu East Road Brokerage Branch in Wuxi of GF Securities Co., Ltd.
14	Yuyuan Brokerage Branch in Yuhua West Road, Shijiazhuang of GF Securities Co., Ltd.	Huaian East Road Brokerage Branch in Shijiazhuang of GF Securities Co., Ltd.
15	Qingnian Middle Road Brokerage Branch in Nantong of GF Securities Co., Ltd.	Gongnong South Road Brokerage Branch in Nantong of GF Securities Co., Ltd.
16	Jinzhu West Road Brokerage Branch in Lasha of GF Securities Co., Ltd.	Jinzhu West Road Brokerage Branch in Lasha of GF Securities Co., Ltd.
17	Tianning Road Brokerage Branch in Jiangmen of GF Securities Co., Ltd.	Tianchang Road Brokerage Branch in Jiangmen of GF Securities Co., Ltd.

- On January 14, 2016, the Company received the Notice on the Overweight of Shares of GF Securities (the "Notice") from the Company's shareholder Jilin Aodong. Pursuant to the Notice, Jilin Aodong, based on its confidence in the future sustainable and stable development of the Company and the current situation that the capital market declined sharply, purchased stocks of the Company through the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. As at January 14, 2016, the total number of shares of the Company owned by Jilin Aodong and its person acting in concert - Aodong International (Hong Kong) Industrials Co., Ltd. was 1,271,835,267, accounting for 16.69% of the total share capital of the Company. Jilin Aodong has become the largest shareholder of the Company.

Please see the relevant announcements disclosed on the websites of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) by the Company on January 15, 2016 for details.

- On April 28, 2016, the Proposal on the provision of borrowings to wholly-owned subsidiaries GF Futures Co., Ltd., GF Xinde Investment Management Co., Ltd., GF Securities Asset Management (Guangdong) Co., Ltd., GF Holdings (Hong Kong) Corporation Limited was approved on the 30th meeting of the 8th Board of directors of the Company, agreeing to provide borrowings with a total amount of no more than RMB 3 billion (inclusive) to its affiliated wholly-owned subsidiaries GF Futures, GF Xinde, GF Asset Management, GFHK, with a valid term of 3 years; the term for a single batch of borrowing shall not exceed one year, and borrowings may be recyclable within the line of limit. By the end of the Reporting Period, the borrowing balance provided by the Company to its affiliated wholly-owned subsidiaries amounted to RMB1.913 billion in total.

Please see the relevant announcements disclosed on the websites of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) by the Company on April 29, 2016 for details.

## Significant Events

4. In 2016, the Company was downgraded from AA, Class A to BBB, Class B in the classification evaluation results for securities firms. The major reason for the downgrade was attributable to the CSRC's investigation on our connections to external information systems. The classification results are mainly used by securities regulatory authorities according to the regulations. The CSRC implements different regulatory policies in terms of administrative licensing, regulatory resource allocation, on-site inspection and off-site inspection frequency, etc. on different kinds of securities companies according to the classification results for securities companies, which also have certain impacts on a company's risk provision and insured fund payment. Reflecting the compliance and risk control issues in some parts of the Company's business development process, the classification evaluation results for 2016 made a warning on the Company, and the Company has made serious introspection and conclusion has been made. Since 2015, the Company has conducted a comprehensive rectification of the deficiencies and at present the Company operates normally, has adequate capitals and its various businesses develop smoothly. In the future, the Company will take this as a lesson to further improve the compliance and risk control management level and make efforts to enhance its overall competitiveness so as to increase our capacities to serve the real economy and the national strategies.
5. On November 24, 2016, the Company received the Approval on the Public Issue of Corporate Bonds by GF Securities Co., Ltd. to Qualified Investors (Zheng Jian Xu Ke [2016] No. 2741) issued by the CSRC. Please see the relevant announcements disclosed on the websites of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) by the Company on November 25, 2016 for details.
6. **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 Administration for Industry and Commerce	Filing Registration Notice (Yue Deng Ji Nei Bei Zi [2016] No. 1600077948)
2		Notification of Change of Registration (Yue He Bian Tong Nei Zi [2016] No. 1600034352)
3		Filing Registration Notice (Yue Deng Ji Nei Bei Zi [2016] No. 1600053886)
4	The Office of Scientific and Technological Industry of National Deference in Guangdong Province	Certificate of Passing On-Site Review on Security and Confidentiality Condition Accreditation of GF Securities Co., Ltd. as a Military Confidential Business Consultancy Service Entity
5	People's Bank of China	The Decision on Administrative Approval from the People's Bank of China

Significant Events

No.	Regulatory authority	Administrative license decisions (including other important letters from regulatory authorities)
6	People's Bank of China, Guangzhou Branch	Notice on Forwarding by the Office of the People's Bank of China, Guangzhou Branch of Reply Letter issued by the Credit Reference Center, the People's Bank of China Regarding the Access of CTBC Bank, Guangzhou Branch and GF Securities Co., Ltd. to Credit System (Guangzhou Yin Ban Fa [2016] No. 213)
7	People's Bank of China, Shaoxing Central Sub-Branch	Notice of Administrative Punishment by the People's Bank of China, Shaoxing Central Sub-Branch (Shao Yin Fa Gao Zi [2016] No. 3 and No. 4)
8	People's Bank of China, Taiyuan Central Sub-Branch, State Administration of Foreign Exchange, Shanxi Branch	Letter on Comprehensive Evaluation Results for 2015
9	CSRC	Letter on Notification of Classification Evaluation of Securities Firms for 2016 (Ji Gou Bu Han [2016] No. 1681)
10		Notice of Acceptance of the CSRC for Administrative Licensing Applications (No. 216098)
11		Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2016] No. 2741)
12		Decision of Administrative Penalty issued by China Securities Regulatory Commission ([2016] No. 128)
13	Guangdong Bureau of the CSRC	Letter on Feeding Back Classification Results in 2016 of GF Securities Co., Ltd. (Guangdong Zheng Jian Han [2016] No. 752)
14		Reply on the Approval of Gu Naikang's Qualification as a Supervisor of a Securities Company (Guang Dong Jian Guan Xu Ke [2016] No.18)
15		Reply on the Approval of Tan Yue's Qualification as a Supervisor of a Securities Company (Guang Dong Jian Guan Xu Ke [2016] No.19)
16		Reply on the Approval of Change in Major Provisions of the Articles of Association of GF Securities Co., Ltd. (Guang Dong Zheng Jian Xu Ke [2016] No. 22)
17		Letter of Regulatory Concerns on GF Securities Co., Ltd. (Guang Dong Zheng Jian Han [2016] No. 298)
18		Reply on the Approval of Wu Zhaoming's Qualification as a Chairman or Equivalent Position of a Securities Company (Guang Dong Zheng Jian Xu Ke [2016] No. 7)

## Significant Events

No.	Regulatory authority	Administrative license decisions (including other important letters from regulatory authorities)
19	CSRC Beijing Bureau	Notice for the Preliminary Assessment Results
20	CSRC Jiangxi Bureau	Letter of Regulatory Prompts on Chunlong Commercial Street Securities Branch, Xinyu of GF Securities Co., Ltd. (Gan Zheng Jian Han [2016] No. 100)
21	CSRC Liaoning Bureau	Decision of Ordering Xuefu Road Securities Branch of GF Securities Co., Ltd. to Take Corrective Actions ([2016] No. 10)
22	CSRC Tianjin Bureau	Letter of Regulatory Concern on Consistent Supervision of GF Securities Co., Ltd. (Jin Zheng Jian Gong Si Zi [2016] No. 31)
23	CSRC Fujian Bureau	Notice on the Results of Comprehensive Assessment and Classification of Securities Branches in the Jurisdiction in 2015 (Min Zheng Jian Fa [2016] No. 124)
24	National Equities Exchange and Quotations Co., Ltd.	Decision of Making an Interview and Talk with GF Securities Co., Ltd. and Ordering to Correct self-regulatory measures (Gu Zhuan Xi Tong Fa [2016] No. 50)
25		Decision of Taking Regulatory Measures to Order GF Securities Co., Ltd. to Submit a Written Commitment [2015 “Heyuan Fumarate”] (Gu Zhuan Xi Tong Fa [2016] No. 82)
26	SSE	No Objection Letter for Non-Public Issue of Corporate Bonds in 2016 of GF Securities Co., Ltd. Meeting Transfer Conditions of SZSE (Shen Zheng Han [2016] No. 687)
27		Letter on Preliminary Opinions of Allowing GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors and List on SSE (Shen Zheng Han [2016] No. 720)
28		No Objection Letter for Securities Corporate Short-term Corporate Bonds in 2016 of GF Securities Co., Ltd. Meeting Transfer Conditions of SZSE (Shen Zheng Han [2016] No. 762)
29		Notice on Permission of Guoxin Securities and Other Members to Obtain the Authorization for the Hong Kong Stock Connect Business Transaction under Shenzhen-Hong Kong Connect (Shen Zheng Hui [2016] No. 326)
30		No Objection Letter for Securities Firm Subordinated Bonds in 2016 of GF Securities Co., Ltd. Meeting Transfer Conditions of SZSE (Shen Zheng Han [2016] No. 386)
31		Notice on Financing Program for Restricted Securities under Share Incentive Schemes of Listed Companies (Hui Yuan Bu Zi [2016] No. 156)

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

1. On April 1, 2016, with the approval of the Financial Conduct Authority, GF Financial Markets (UK) Limited, a wholly-owned subsidiary of GF Futures which in turn is a wholly-owned subsidiary of the Company, obtained qualifications for finance and financial derivative operations;
2. On April 6, 2016, with the approval of the Guangdong Administration for Industry and Commerce, Guangdong Guangtong Lease Co., Ltd. (廣東廣通租賃有限公司) was renamed as Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司) and renewed its business license;
3. In May and June 2016 and January 2017, the Company injected capital of RMB850 million in total into GF Qianhe in three tranches. Following the completion of the capital increases, the registered capital of GF Qianhe reached RMB3.75 billion;
4. The Securities Association of China issued the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies (《證券公司私募投資基金子公司管理規範》) and the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) on December 30, 2016, which put forward new norms and requirements for the private investment funds subsidiaries and the alternative investment subsidiaries under securities companies. The Group will request relevant subsidiaries to carry out rectification and operate businesses in strict compliance with requirements.

## XVIII. 2016 INDEX OF INFORMATION DISCLOSURE

During the Reporting Period, the following information of A Shares (not containing the “Announcement on H Shares”) has been published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (巨潮資訊網) (www.cninfo.com.cn) by the Company:

No.	Matters of announcements	Date of Publication
1	Announcement on the Key Financial Information for December 2015	January 12, 2016
2	Estimated Results for 2015	January 12, 2016
3	Holding Announcement Regarding the Change in Largest Shareholder	January 15, 2016
4	Announcement on the Resolutions of the 28th Meeting of the Eighth Session of the Board of Directors	January 22, 2016
5	Announcement on Increasing the Registered Capital of GF Futures to RMB1.3 Billion	January 22, 2016
6	Announcement on the Results of Redemption and Delisting of “15 GF 01” Subordinated Bond	February 1, 2016
7	Announcement on the Resignation of Supervisor, Mr. Xu Xinzong	February 3, 2016
8	Announcement on the Key Financial Information for January 2016	February 5, 2016
9	Announcement on the Key Financial Information for February 2016	March 5, 2016

## Significant Events

No.	Matters of announcements	Date of Publication
10	Announcement on the Results of the Issuance of the 2016 First Tranche of Short-term Corporate Bonds of Securities Firms	March 15, 2016
11	Announcement on the Resolutions of the Eleventh Meeting of the Eighth Session of the Supervisory Committee	March 19, 2016
12	Announcement on the Resolutions of the Twenty-ninth Meeting of the Eighth Session of the Board of Directors	March 19, 2016
13	Highlights of the 2015 Annual Report	March 19, 2016
14	Special Reports on the Deposition and usage of the Funds Raised in 2015	March 19, 2016
15	Announcement on the Estimated Daily Related/Connected Transactions for 2016	March 19, 2016
16	Announcement on Becoming a Market Maker in the National Inter-bank Bond Market	March 25, 2016
17	Announcement on the Results of Redemption and Delisting of “15 GF 02” Subordinated Bond	March 30, 2016
18	Announcement on the Key Financial Information for March 2016	April 12, 2016
19	Announcement on the Results of the Issuance of the 2016 Second Tranche of Short-term Corporate Bonds of Securities Firms	April 16, 2016
20	Announcement on the Renewal of “Three in One” Business License	April 26, 2016
21	Announcement on the Resolutions of the Thirtieth Meeting of the Eighth Session of the Board of Directors	April 29, 2016
22	Highlights of the 2016 First Quarterly Report	April 29, 2016
23	Announcement on Provision of Loans to Wholly-owned Subsidiaries, GF Futures Co., Ltd., GF Xinde Investment Management Co., Ltd., GF Securities Asset Management (Guangdong) Co., Ltd. and GF Holdings (Hong Kong) Corporation Limited	April 29, 2016
24	Announcement on the Resolutions of the Twelfth Meeting of the Eighth Session of the Supervisory Committee	April 29, 2016
25	Announcement on the Results of Redemption and Delisting of “15 GF 03” Subordinated Bond	April 29, 2016
26	First Reminding Announcement Regarding Non-redemption Coupon Rate of “13GF01” and Implementation Measures on Redemption by Investors	May 4, 2016



## Significant Events

No.	Matters of announcements	Date of Publication
27	Second Reminding Announcement Regarding Non-redemption Coupon Rate of “13GF01” and Implementation Measures on Redemption by Investors	May 5, 2016
28	Third Reminding Announcement Regarding Non-redemption Coupon Rate of “13GF01” and Implementation Measures on Redemption by Investors	May 6, 2016
29	Announcement on the Key Financial Information for April 2016	May 7, 2016
30	Announcement on Application for Redemption of “13GF01” Corporate Bonds	May 11, 2016
31	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	May 11, 2016
32	Notice of the 2015 Annual General Meeting	May 13, 2016
33	Announcement on the Results of the Issuance of the 2016 Short-term Corporate Bonds (Third Tranche) of Securities Firms	May 17, 2016
34	Announcement on the Results of the Issuance of the 2016 Short-term Corporate Bonds (Fourth Tranche) of Securities Firms	May 25, 2016
35	Announcement on the Results of Redemption and Delisting of “15GF04” Subordinated Bonds	May 30, 2016
36	Announcement on the Resolutions of the Thirty-first Meeting of the Eighth Session of the Board of Directors	June 3, 2016
37	Announcement on the Key Financial Information for May 2016	June 7, 2016
38	Announcement on the Results of Redemption and Delisting of “15GF06” Subordinated Bonds	June 8, 2016
39	Announcement on the Interest Payment in 2016 for 2013 Corporate Bonds	June 13, 2016
40	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	June 15, 2016
41	Announcement on Results of Redemption of “13GF01” Corporate Bonds	June 17, 2016
42	Suggestive Announcement Regarding the 2015 Annual General Meeting	June 23, 2016
43	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	June 24, 2016
44	Announcement on the Resolutions of the 2015 Annual General Meeting	June 29, 2016

## Significant Events

No.	Matters of announcements	Date of Publication
45	Announcement on Cancellation of the Special Account for the Funds Raised from Non-Public Offering of Stock in 2011	July 5, 2016
46	Announcement on the Key Financial Information for June 2016	July 9, 2016
47	Estimated Results for the First Half of 2016	July 9, 2016
48	Announcement on the Resolutions of the Thirty-second Meeting of the Eighth Session of the Board of Directors	July 20, 2016
49	Announcement on the Commitment to Provide Net Capital Guarantees to its Wholly-owned Subsidiary, GF Securities Asset Management (Guangdong) Co., Ltd.	July 20, 2016
50	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	July 22, 2016
51	Announcement on the Results of Redemption and Delisting of "14GF01" Subordinated Bonds	July 26, 2016
52	Announcement on the Key Financial Information for July 2016	August 5, 2016
53	Announcement in Relation to the Approval of Mr. Tan Yue and Mr. Gu Naikang's Qualification as a Supervisor	August 11, 2016
54	Announcement on the Implementation of Profit Distribution for A-shares for 2015	August 16, 2016
55	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	August 19, 2016
56	Announcement on the Resolutions of the Thirty-third Meeting of the Eighth Session of the Board of Directors	August 27, 2016
57	Summary of the 2016 Interim Results	August 27, 2016
58	Resolutions of the Thirteenth Meeting of the Eighth Session of the Supervisory Committee	August 27, 2016
59	Announcement on the Results of the Issuance of Subordinated Bonds by way of Private Placement	August 31, 2016
60	Announcement on the Key Financial Information for August 2016	September 7, 2016
61	Announcement on the Results of the Issuance of the 2016 Subordinated Bonds (Seventh Tranche) of Securities Firms	September 28, 2016
62	Announcement on Approval for Amendment of Material Clauses in the Articles of Association of the Company by Guangdong Bureau of the CSRC	October 11, 2016

## Significant Events

No.	Matters of announcements	Date of Publication
63	Announcement on the Key Financial Information for September 2016	October 14, 2016
64	Announcement on the Resolutions of the Thirty-fourth Meeting of the Eighth Session of the Board of Directors	October 22, 2016
65	Summary of 2016 Third Quarterly Report	October 22, 2016
66	Resolutions of the Fourteenth Meeting of the Eighth Session of the Supervisory Committee	October 22, 2016
67	Announcement on the Resolutions of the Thirty-fifth Meeting of the Eighth Session of the Board of Directors	November 4, 2016
68	Announcement on the Key Financial Information for October 2016	November 5, 2016
69	Announcement on Obtaining the Letter in relation to Consent of Authorization for Hong Kong Stock Connect Business from the Shenzhen Stock Exchange	November 5, 2016
70	Announcement on Obtaining the Reply on Approval on the Public Issuance of the Corporate Bonds to Qualified Investors from the CSRC	November 25, 2016
71	Announcement in Relation to the Receipt of the Written Decision of Administrative Penalties from the China Securities Regulatory Commission	November 28, 2016
72	Announcement on the Results of the Issuance of Corporate Bonds by way of Private Placement	December 3, 2016
73	Announcement on the Key Financial Information for November 2016	December 7, 2016
74	Announcement on the Resolutions of the Thirty-sixth Meeting of the Eighth Session of the Board of Directors	December 30, 2016

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

## Significant Events

No.	Matters of announcements	Date of Publication
1	Monthly Return of Equity Issuer on Movements in Securities for the month ended December 31, 2015	January 7, 2016
2	Announcement on the Key Financial Information for December 2015	January 11, 2016
3	Resignation of Supervisor	February 2, 2016
4	Announcement on the Key Financial Information for January 2016	February 4, 2016
5	Supplementary Announcement Regarding the Resignation of Mr. Xu Xinzong as Supervisor	February 4, 2016
6	Monthly Return of Equity Issuer on Movements in Securities for the month ended January 31, 2016	March 4, 2016
7	2015 Annual Results Announcement	March 18, 2016
8	Monthly Return of Equity Issuer on Movements in Securities for the month ended March 31, 2016	April 7, 2016
9	Announcement on the Key Financial Information for March 2016	April 11, 2016
10	Date of Board Meeting	April 13, 2016
11	Annual Report 2015	April 21, 2016
12	Notification Letter and Request Form to Registered Holders	April 21, 2016
13	Notification Letter and Request Form to Non-registered Holders	April 21, 2016
14	2016 First Quarterly Report	April 28, 2016
15	Announcement on the Key Financial Information for April 2016	May 6, 2016
16	Monthly Return of Equity Issuer on Movements in Securities for the month ended April 30, 2016	May 6, 2016
17	Notice of AGM	May 12, 2016
18	Notification Letter and Request Form to Registered Holders	May 12, 2016
19	Notification Letter and Request Form to Non-registered Holders	May 12, 2016
20	Reply Slip For 2015 Annual General Meeting	May 12, 2016
21	Announcement on the Key Financial Information for May 2016	June 6, 2016
22	Monthly Return of Equity Issuer on Movements in Securities for the month ended May 31, 2016	June 6, 2016
23	Poll Results of the 2015 Annual General Meeting	June 28, 2016
24	Articles of Association	June 29, 2016
25	Supplemental Announcement on Final Dividend for 2015	July 4, 2016

## Significant Events

No.	Matters of announcements	Date of Publication
26	Monthly Return of the Equity Issuer on Movements in Securities for the month ended June 30, 2016	July 7, 2016
27	Estimated Results for The First Half of 2016	July 10, 2016
28	Announcement on the Key Financial Information for June 2016	July 10, 2016
29	Monthly Return of the Equity Issuer on Movements in Securities for the month ended July 31, 2016	August 4, 2016
30	Announcement on the Key Financial Information for July 2016	August 4, 2016
31	Announcement in relation to the Approval of Mr. Tan Yue's and Mr. Gu Naikang's Qualifications as a Supervisor	August 10, 2016
32	Date of Board Meeting	August 11, 2016
33	Interim Results Announcement for the Six Months Ended 30 June 2016	August 26, 2016
34	Announcement on the Key Financial Information for August 2016	September 6, 2016
35	Monthly Return of the Equity Issuer on Movements in Securities for the month ended August 31, 2016	September 6, 2016
36	2016 Interim Report	September 13, 2016
37	Date of Board Meeting	September 29, 2016
38	Monthly Return of the Equity Issuer on Movements in Securities for the month ended September 30, 2016	October 6, 2016
39	Announcement on the Key Financial Information for September 2016	October 13, 2016
40	2016 Third Quarterly Report	October 21, 2016
41	Announcement on the Key Financial Information for October 2016	November 4, 2016
42	Monthly Return of the Equity Issuer on Movements in Securities for the month ended October 31, 2016	November 4, 2016
43	Announcement in relation to Receipt of Notice of Administrative Penalty Decision from the China Securities Regulatory Commission	November 27, 2016
44	Announcement on the Key Financial Information for November 2016	December 6, 2016
45	Monthly Return of the Equity Issuer on Movements in Securities for the month ended November 30, 2016	December 6, 2016

## 股份變動及股東情況

# CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS



## Changes in Shareholdings and Particulars About Shareholders

### I. CHANGES IN SHAREHOLDINGS

#### (I) CHANGES IN SHAREHOLDINGS

Unit: Share

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

#### (II) Changes in restricted shares

N/A

## Changes in Shareholdings and Particulars About Shareholders

## II. SECURITIES ISSUANCE AND THE LISTING

## (I) Securities issuance and Shareholdings during the Reporting Period

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

## (II) Total number of shares of the Company and changes in the shareholding structure and the assets and liabilities structure of the Company

As at the end of 2015, the Company had a gearing ratio of 73.48%. As at the end of 2016, the Company’s gearing ratio was 70.32%.

## (III) Existing employees’ shares

Not applicable.

## III. SHAREHOLDERS AND DE FACTO CONTROLLERS

## (I) Number of shareholders and their shareholdings in the Company

						Unit: Share	
Total number of ordinary shareholders at the end of the Reporting Period	146,923 (of which, 144,873 were A shareholders, 2,050 were registered H shareholders)	Total number of ordinary shareholders as at the end of the last month before the date of the disclosure of the annual report	141,799 (of which, 139,769 were A shareholders, 2,030 were registered H shareholders)	Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period (if any)	Nil	Total number of preferred shareholders whose voting rights were resumed as at the end of the last month before the date of the disclosure of the annual report (if any)	Nil



## Changes in Shareholdings and Particulars About Shareholders

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

Name of shareholder	Capacity of shareholder	Percentage of shareholding (%)	Number of	Increase or	Number of shares	Number of shares	Pledge or freeze	
			shares held as at the end of the Reporting Period	decrease during the Reporting Period	with selling restrictions held	without selling restrictions held	Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31	1,699,984,480	-161,500	0	1,699,984,480		
Jilin Aodong	Domestic general legal entity	16.43	1,252,297,867	7,644,941	0	1,252,297,867		
Liaoning Cheng Da	Domestic general legal entity	16.40	1,250,154,088	0	0	1,250,154,088		
Zhongshan Public Utilities	Domestic general legal entity	9.01	686,754,216	0	0	686,754,216		
Huaxia Life Insurance Co., Ltd. — Universal life Insurance Product	Fund and wealth management products, etc.	2.99	228,131,005	228,131,005	0	228,131,005		
China Securities Finance Corporation Limited	Domestic general legal entity	2.46	187,502,896	-36,818,314	0	187,502,896		
Puning Xinhong Industrial Investment Co., Ltd.	Domestic general legal entity	1.91	145,936,358	0	0	145,936,358	質押	144,000,000
Heungkong Group Limited	Domestic general legal entity	1.57	119,286,246	0	0	119,286,246		
Central Huijin Asset Management Ltd.	State-owned legal entity	1.29	98,149,700	0	0	98,149,700		
Bank of China Limited — CMS CSI Securities Company Index Structured Securities Investment Fund	Fund and wealth management products, etc.	0.57	43,317,349	34,046,640	0	43,317,349		

## Changes in Shareholdings and Particulars About Shareholders

## Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of shares without selling restrictions held as at the end of the Reporting Period		
	Period	Type of shares	Number of shares
HKSCC Nominees Limited	1,699,984,480	Listed foreign shares	1,699,984,480
Jilin Aodong		RMB-dominated	
	1,252,297,867	ordinary shares	1,252,297,867
Liaoning Cheng Da		RMB-dominated	
	1,250,154,088	ordinary shares	1,250,154,088
Zhongshan Public Utilities		RMB-dominated	
	686,754,216	ordinary shares	686,754,216
Huaxia Life Insurance Co., Ltd.		RMB-dominated	
– Universal life Insurance Product	228,131,005	ordinary shares	228,131,005
China Securities Finance Corporation Limited		RMB-dominated	
	187,502,896	ordinary shares	187,502,896
Puning Xinhong Industrial Investment Co., Ltd.		RMB-dominated	
	145,936,358	ordinary shares	145,936,358
Heungkong Group Limited		RMB-dominated	
	119,286,246	ordinary shares	119,286,246
Central Huijin Asset Management Ltd.		RMB-dominated	
	98,149,700	ordinary shares	98,149,700
Bank of China Limited — CMS CSI Securities		RMB-dominated	
Company Index Structured Securities Investment Fund	43,317,349	ordinary shares	43,317,349

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

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

Note 3: According to the public information disclosed on January 11, 2017 by Jilin Aodong, Liaoning Cheng Da, and Zhongshan Public Utilities, Jilin Aodong held 24,834,000 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), representing 0.33% of the total share capital of the Company. Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. The above shares are held by HKSCC Nominees Limited on its behalf;

## Changes in Shareholdings and Particulars About Shareholders

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

Note 5: According to the public information disclosed on the website of HKExnews, other than Public Utilities International (Hong Kong) Investment Company Ltd. as set out in Note 3, shareholders holding 5% or more of the H Shares of the Company are as follows: on July 14, 2015, Fubon Life Insurance Co., Ltd. held a total of 157,044,800 H Shares of the Company, representing 9.22% of the H Share capital of the Company; on April 10, 2015, L.R. Capital Principal Investment Limited held a total of 102,854,000 H Shares of the Company, representing 6.04% of the Company's issued H Share capital upon the exercise of the over-allotment option. The above shares are held by HKSCC Nominees Limited on their behalf;

Note 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; and

Note 8: At the end of the Reporting Period, no shareholders who hold more than 5% of the A Shares caused an increase or a decrease in shares as a result of participating in refinancing business.

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

Name of shareholder	Legal representative	General Manager	Date of establishment	Code of Organization	Registered Capital	Principal Business
Jilin Aodong	Li Xiulin	Zhu Yan	1993-3-2	91222400243805786K	RMB 894,438,433	Planting and breeding, importing of raw and auxiliary materials, mechanical equipment, instruments, spare parts (except the 12 imported items which are operated by the specified companies approved by the State) required for business (except for special projects controlled by the State and franchise), machinery repair, warehousing, the production and scientific research by this enterprise; pharmaceutical industry, pharmaceutical business, pharmaceutical research and development (business activities can only be carried out with the relevant approval documents).
Liaoning Cheng Da	Shang Shuzhi	Geyu	1993-9-2	91210000117590366A	RMB 1,529,709,816	Import and export business of goods and technology for its own use or as an agency service (except for those restricted by the State, and operation related to restricted items may only commence after obtaining approval), managing throughput processing and the operation of "Three in, one added business", conducting counter trade and entrepot trading, contracting overseas projects and international bidding projects home and abroad of this industry, exporting of equipment and materials required for the above overseas projects; dispatching abroad of laborers in engineering, manufacturing and service sectors of the industry, acquisition of agricultural and sideline products (except food), chain management of fertilizer, planting of herbs, rental, warehousing services. Coal wholesale business.
Zhongshan Public Utilities	Chen Aixue	Liu Xuetao	1992-12-26	914420001935372689	RMB 1,475,111,351	Investment and management of public utilities, operation and management of markets, investments and investment planning, consultancy and management, etc.

## Changes in Shareholdings and Particulars About Shareholders

**(III) Controlling Shareholders of the Company**

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

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

N/A

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

As of December 31, 2016, 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	24,834,000 (Note 3)	0.33	1.46	Long position
2	Liaoning Cheng Da	A Share	Beneficial owner	1,250,154,088	16.40	21.12	Long position
		H Share	Interests in controlled corporation	1,473,600 (Note 4)	0.02	0.09	Long position
3	Zhongshan Public Utilities	A Share	Beneficial owner	686,754,216	9.01	11.60	Long position
		H Share	Interests in controlled corporation	100,904,000 (Note 5)	1.32	5.93	Long position
4	Zhongshan Zhonghui Investment Group Company Limited	A Share	Interests in controlled corporation	686,754,216 (Note 6)	9.01	11.60	Long position
		H Share	Interests in controlled corporation	100,904,000 (Note 5)	1.32	5.93	Long position
5	Public Utilities International (Hong Kong) Investment Co., Ltd.	H Share	Beneficial owner	100,904,000 (Note 5)	1.32	5.93	Long position
6	Fubon Life Insurance Co., Ltd.	H Share	Beneficial owner	154,765,400 (Note 7)	2.03	9.09	Long position
7	Fubon Financial Holding Co., Ltd.	A Share	Interests in controlled corporation	1,076,000	0.01	0.02	Long position
		H Share	Interests in controlled corporation	154,765,400 (Note 7)	2.03	9.09	Long position
8	L.R. Capital Principal Investment Limited	H Share	Beneficial owner	102,854,000 (Note 8)	1.35	6.04	Long position
9	Wong Yuen Ping	H Share	Interests in controlled corporation	102,854,000 (Note 8)	1.35	6.04	Long position

*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;*

## Changes in Shareholdings and Particulars About Shareholders

- Note 2: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines;*
- Note 3: Such 24,834,000 H Shares were held by Aodong International (Hong Kong) Industrials Co., Limited, a wholly-owned subsidiary of Jilin Aodong;*
- Note 4: Such 1,473,600 H Shares were held by Chengda Steel Hongkong Co., Limited. Liaoning Cheng Da held 100% of the issued shares of Liaoning Chengda Steel Co., Ltd, which held 100% of the issued shares of Chengda Steel Hongkong Co., Limited. As such, Liaoning Cheng Da and Liaoning Chengda Steel Co., Ltd are deemed to be interested in the Shares held by Chengda Steel Hongkong Co., Limited.;*
- Note 5: Such 100,904,000 H Shares were held by Public Utilities International (Hong Kong) Investment Co., Ltd., a wholly-owned subsidiary of Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited held 47.85% of the issued shares of Zhongshan Public Utilities, which held 100% of the issued shares of Public Utilities International (Hong Kong) Investment Co., Ltd. As such, Zhongshan Zhonghui Investment Group Company Limited and Zhongshan Public Utilities are deemed to be interested in the Shares held by Public Utilities International (Hong Kong) Investment Co., Ltd.;*
- Note 6: Such 686,754,216 A Shares were held by Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited held 47.85% of the issued shares of Zhongshan Public Utilities. Zhongshan Zhonghui Investment Group Company Limited was therefore deemed to be interested in the Shares held by Zhongshan Public Utilities.*
- Note 7: Such 154,765,400 H Shares were held by Fubon Life Insurance Co., Ltd., a wholly-owned subsidiary of Fubon Financial Holding Co., Ltd.;*
- Note 8: Such 102,854,000 H Shares were held by L.R. Capital Principal Investment Limited, a wholly-owned subsidiary of L.R. Capital Management Company (Cayman) Limited. Wong Yuen Ping held 35% interest in L.R. Capital Management Company (Cayman) Limited through its wholly-owned Enjoy Fun Limited (BVI). Wong Yuen Ping was therefore deemed to be interested in the Shares held by L.R. Capital Principal Investment Limited;*
- Note 9: Under Part XV of the SFO, interest disclosure forms shall be submitted by shareholders of the Company upon satisfaction of certain conditions. If there are changes in the shareholders' shareholdings in the Company, shareholders of the Company are not required to inform the Company and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the information on their shareholdings submitted to the Hong Kong Stock Exchange.*

Save as disclosed above, the Company is not aware of any other person (other than the directors, supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company as of December 31, 2016 required to be recorded in the register pursuant to section 336 of the SFO.

## Changes in Shareholdings and Particulars About Shareholders

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

As at December 31, 2016, each of the Directors, Supervisors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of the Securities and Futures Ordinance, (a) which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to be held under such provisions of the SFO); or (b) which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Hong Kong Listing Rules (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange.

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

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

## Changes in Shareholdings and Particulars About Shareholders

Save as disclosed above, as at December 31, 2016, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or which would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

### VI. SUFFICIENT PUBLIC FLOAT

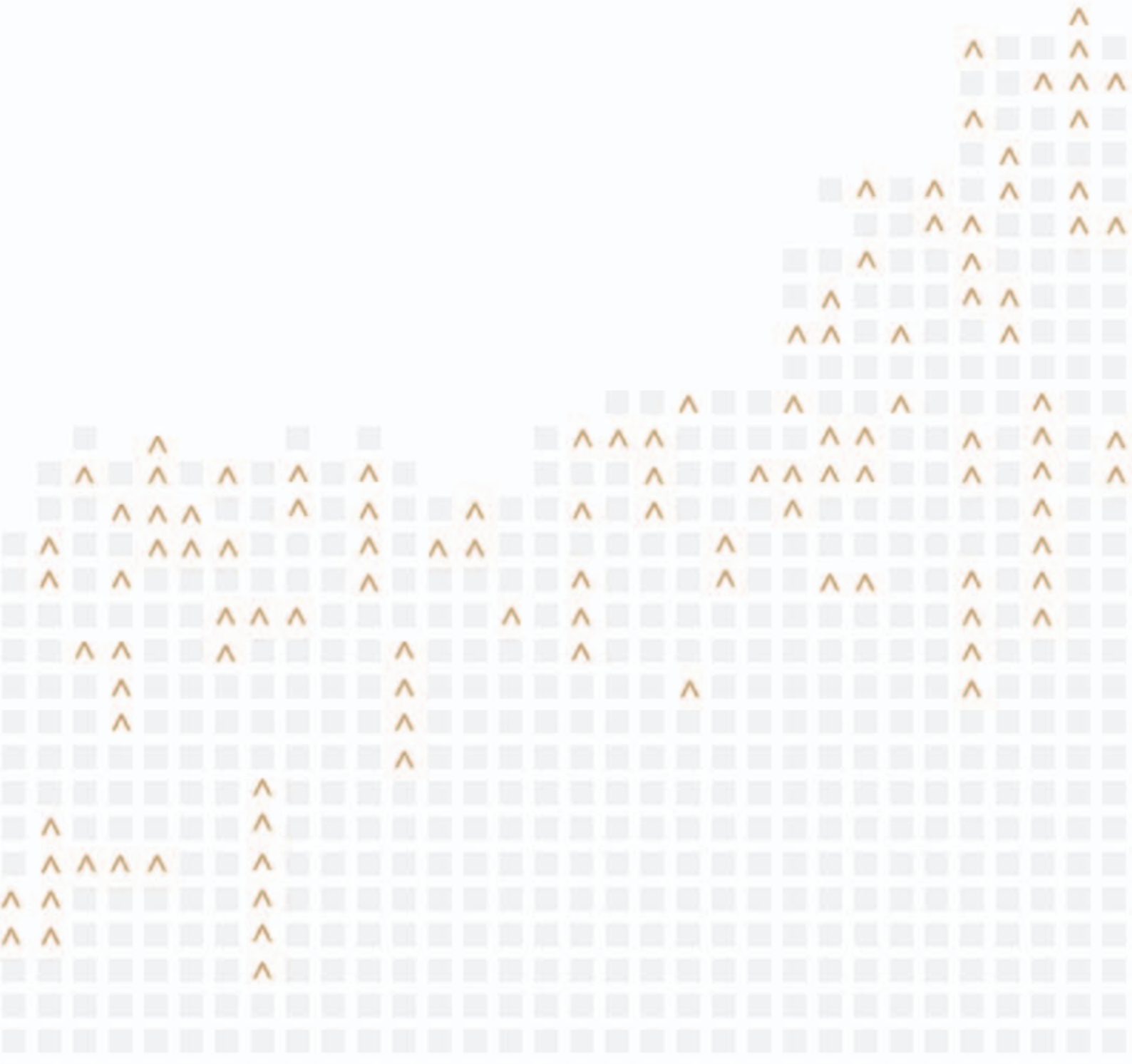
According to the data which is publicly available to the Company and to the best of the knowledge of the Directors as at the latest practicable date (March 24, 2017) prior to the publication of this annual report, the Company has always maintained the public float as required under the Hong Kong Listing Rules.

### VII. REPURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

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

優先股相關情況

## PREFERENCE SHARES





# Preference Shares

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

董事、監事、高級管理人員和員工情況

**PARTICULARS ABOUT  
DIRECTORS, SUPERVISORS,  
SENIOR MANAGEMENT AND  
EMPLOYEES**



## Particulars about Directors, Supervisors, Senior Management and Employees

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

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

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

Name	Position	Type	Date	Reasons
Xu Xinzong (徐信忠)	Supervisor	Resigned	February 1, 2016	Personal reasons
Tan Yue	Supervisor	Elected	June 28, 2016	Elected at the general meeting
Gu Naikang	Supervisor	Elected	June 28, 2016	Elected at the general meeting

On February 1, 2016, the Company received a resignation letter from Mr. Xu Xinzong to resign from his position as a supervisor of the eighth session of the Supervisory Committee of the Company, which was effective from the moment the resignation letter was delivered to the Company.

Mr. Tan Yue and Mr. Gu Naikang were elected as supervisors of the Eighth Session of the Supervisory Committee of the Company at the 2015 annual general meeting of the Company held on June 28, 2016. The Company received the Reply on the Approval of Tan Yue's Qualification as a Supervisor of a Securities Company (《關於核准譚躍證券公司監事任職資格的批覆》) (Guang Dong Zheng Jian Xu Ke [2016] No.19) and the Reply on the Approval of Gu Naikang's Qualification as a Supervisor of a Securities Company (《關於核准顧乃康證券公司監事任職資格的批覆》) (Guang Dong Zheng Jian Xu Ke [2016]No.18) issued by the Guangdong Bureau of the CSRC on August 3, 2016 that Mr. Tan Yue's and Mr. Gu Naikang's qualifications as supervisors of a securities company were approved. Since then, Mr. Tan Yue and Mr. Gu Naikang have duly performed their duties as Supervisors of the Company.

## Particulars about Directors, Supervisors, Senior Management and Employees

## III. PARTICULARS OF POSITIONS

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

## (I) Directors

***Executive Directors***

**Mr. Sun Shuming** has been appointed as our Chairman and executive Director since May 2012. His primary working experience includes: serving as clerk, deputy chief officer and chief officer of the Department of Treaty and Law of the Ministry of Finance of the PRC from August 1984 to August 1990, deputy head of the Department of Treaty and Law of the Ministry of Finance of the PRC from August 1990 to September 1994, the head of the Department of Treaty and Law of the Ministry of Finance of the PRC from September 1994 to March 1996, deputy mayor (a temporary post) of the People's Government of Zhuozhou, Hebei from July 1994 to July 1995, director of the general manager's office and assistant to the general manager of China Economic Development Trust & Investment Corporation from March 1996 to June 2000, deputy director of the Central Financial Work Commission Supervisors Work Department from June 2000 to March 2003, supervisor of China Galaxy Securities Co. Ltd from September 2003 to January 2006, deputy chief officer of the Accounting Department of the CSRC from January 2006 to April 2007, chief officer of the Accounting Department of the CSRC from April 2007 to March 2011, vice chairman of China Securities Inter-agency Quotation Systems Co., Ltd. since March 2015, and chairman of GF Fund since April 2016. Mr. Sun obtained a bachelor's degree in economics from the Hubei Institute of Finance and Economics (now known as Zhongnan University of Economics and Law) in Wuhan in July 1984, and a doctorate degree in economics from the Research Institute for Fiscal Science of the Ministry of Finance in Beijing in August 1997. Mr. Sun Shuming owns the interest of 132,562 H Shares of the Company as trust share owner, for details, please see the related disclosure in this annual report.

**Mr. Lin Zhihai** has been appointed as our executive Director and general manager since March 2008 and April 2011, respectively. His primary working experience includes: teaching assistant of the finance faculty at the Dongbei University of Finance and Economics from July 1986 to December 1991, assistant economist of the People's Bank of China (Dalian Branch) from January 1992 to May 1993, economist and deputy general manager at the investment banking department of Liaoning Trust & Investment Company from May 1993 to January 1995 and January 1995 to August 1996, respectively. He joined our Company in September 1996, and became a general manager at the Dalian branch of our Company from February 1997 to October 2001, chairman and general manager of Guangfa Northern Securities Company Limited from October 2001 to March 2006, deputy general manager and standing deputy general manager of our Company from March 2006 to April 2011, chairman of GF Asset Management from January 2014 to August 2014, and chairman of GFHK since July 2011. Mr. Lin obtained a bachelor's degree in economics in July 1986, and later a master's degree in economics and a doctorate in economics from the Dongbei University of Finance and Economics, located in Dalian, in October 1991 and January 2005, respectively. In addition, Mr. Lin also obtained the executive master of business administration degree from the Hong Kong University of Science and Technology in November 2011. Mr. Lin obtained his qualification as an economist from Liaoning Provincial Department of Personnel (now known as Liaoning Provincial Department of Human Resources and Social Security) in June 1993. Mr. Lin Zhihai owns the interest of 132,562 H Shares of the Company as trust share owner, for details, please see the related disclosure in this annual report.

## Particulars about Directors, Supervisors, Senior Management and Employees

**Mr. Qin Li** has been appointed as our executive Director and standing deputy general manager since April 2011. His primary working experience includes: standing deputy general manager at the department of investment banking administration, general manager of the investment management department, general manager of capital operation department, general manager of planning and management department, general manager of investment department, assistant to the general manager, deputy general manager of our Company since March 1997, and chairman of GF Xinde from May 2010 to August 2013, director of GFHK since September 2006, chairman of the board of Guangdong Equity Exchange Co., Ltd. from September 2013 to December 2016 and director of E Fund since May 2012. Mr. Qin obtained a bachelor's degree in economics from the Shanghai University of Finance and Economics in July 1992, a master's degree in commercial economics from the Jinan University, Guangzhou, in June 1995, a doctorate in economics from the Renmin University of China, Beijing, in July 2003 and completed a senior management executive master of business administration course from the Cheung Kong Graduate School of Business in Beijing in September 2013. Mr. Qin Li owns the interest of 132,554 H Shares of the Company as trust share owner, for details, please see the related disclosure in this annual report.

**Ms. Sun Xiaoyan** has been appointed as our executive Director since December 2014. Her primary working experience includes: staff of capital operation department, finance department and investment banking department, respectively, since joining our Company in July 1993, deputy general manager of our accounting department from September 1998 to January 2000, deputy general manager of our investment and proprietary trading department from January 2000 to October 2002, chief financial officer of GF Fund (preparatory) from October 2002 to August 2003, chief financial officer of GF Fund from August 2003 to October 2003, deputy general manager of GF Fund from October 2003 to March 2005, and general manager of finance department of our Company from November 2003 to March 2014. Ms. Sun has been the chief financial officer of our Company from March 2006 to April 2011, a director of GF Fund since June 2007, the deputy general manager and chief financial officer of our Company since April 2011 while also acting as director of GFHK since August 2013. In addition, Ms. Sun was appointed as the chairman of the first Session of supervisory committee of E-Capital Transfer Co. Ltd. (證通股份有限公司) in December 2014. Ms. Sun obtained a bachelor's degree in economics from the Renmin University of China in Beijing in July 1993 and a master's degree of business administration from the China Europe International Business School in Shanghai in September 2007. Ms. Sun Xiaoyan owns the interest of 132,562 H Shares of the Company as trust share owner, for details, please see the related disclosure in this annual report.

## Particulars about Directors, Supervisors, Senior Management and Employees

**Non-executive Directors**

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

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

**Mr. Chen Aixue** has been appointed as our non-executive Director since March 2011. His primary working experience includes: director and deputy general manager of Chu Kong Shipping Enterprises (Holdings) Co., Ltd. from May 1998 to May 2007, deputy bureau chief of each of Communications and Transportation Bureau of Zhongshan Municipality and Zhongshan Municipal Port and Shipping Administration from April 2007 to October 2010, chairman of Zhongshan Public Small Amount Loans Company Limited from May 2013 to September 2014, and secretary to the Party Committee and chairman of Zhongshan Zhonghui Investment Group Company Limited from October 2010 to August 2016. Mr. Chen has also been the chairman of Zhongshan Public Utilities Group Company Limited (a company listed on SZSE, stock code: 000685) and principally engaged in water supply and sewage treatment) since November 2010 to March 2017. Mr. Chen graduated from the South China Institute of Technology (now known as the South China University of Technology) in Guangzhou in July 1980, majoring in marine electrification and automation. Mr. Chen obtained his qualification as an electrical engineer from the Zhanjiang Science and Technology Committee in November 1993.

## Particulars about Directors, Supervisors, Senior Management and Employees

**Independent Non-executive Directors**

**Mr. Liu Jiwei** has been appointed as our independent non-executive Director since April 2011. His primary working experience includes: deputy director of the Academic Affairs Office of the Shenyang Institute of Finance and Economics (now known as Shenyang University) from January 1993 to March 1996, deputy director of Academic Affairs from September 1996 to May 1997, vice dean and dean of Shenyang Polytechnic College of Shenyang University from May 1997 to June 2000. Mr. Liu obtained professor qualification in June 2006 when he worked in Dongbei University of Finance Economics. Mr. Liu was an independent director of Shen Yang Hui Tian Thermal Power Co., Ltd. from July 2008 to September 2012, the chief accountant and director of the finance office of Dongbei University of Finance and Economics from October 2011 to November 2014 and is currently a professor of the accounting school of Dongbei University of Finance and Economics. Mr. Liu was also an independent director of the Bank of Dalian Co., Ltd since May 2013, independent director of Liaoning Huafu Environmental Engineering Co., Ltd. since December 2013, independent director of Ling Yuan Iron & Steel Co., Ltd. (a company listed on SSE, stock code: 600231) since November 2014, independent director of Dalian Refrigeration Co., Ltd. (a company listed on SZSE, stock code: 000530) since February 2015 and a supervisor of Dalian Rural Commercial Bank Co., Ltd. since June 2015. Mr. Liu obtained a bachelor's degree in engineering from Shenyang Institute Mechanical and Electrical Engineering (now known as Shenyang University of Technology) in July 1984, a master's degree in economics and a doctorate degree in management from the Dongbei University of Finance and Economics in Dalian in November 1988 and January 2014, respectively. He obtained his qualification as a PRC certified public accountant from the Chinese Institute of Certified Public Accountants in April 1994.

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



## Particulars about Directors, Supervisors, Senior Management and Employees

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

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



## Particulars about Directors, Supervisors, Senior Management and Employees

## (II) Supervisors

**Mr. Wu Zhaoming** has been appointed as an employee representative Supervisor and the chairman of our Supervisory Committee since February 2010. His primary working experience includes: an employee of Guangdong Development Bank Head Office (currently known as China Guangfa Bank) from July 1988 to September 1991, and deputy manager and manager of the securities department of Guangdong Development Bank from September 1991 to December 1993, assistant to general manager and manager of the capital operation department of our Company from December 1993 to September 1995, deputy manager of the audit and legal department from July 1997 to July 1998, deputy general manager of the international business department from July 1998 to January 2000, general manager of the audit department from January 2000 to January 2004, assistant to the general manager and the general manager of the audit department of our Company from January 2004 to December 2005, the chief audit executive of our Company from December 2005 to February 2010, an external director of Guangzhou Municipal Construction Group Co. Ltd. from November 2013 to February 2015, an external director of the Guangzhou Light Industry Group Co., Ltd. since December 2007, and the chairman of the labor union committee of our Company since August 2014. Mr. Wu was sponsored by our Company to receive full-time education in the Finance Department, School of Economics, Jinan University from September 1995 to June 1997, and obtained a graduation diploma in monetary banking from the postgraduate course of further studies of Jinan University in Guangzhou in January 1998; a master of business administration degree from the Asia International Open University (Macau) in March 2001, and a certificate of postgraduate (economics) from the Party School of the Guangdong Provincial Committee of the Communist Party of China in Guangzhou in July 2002. Mr. Wu Zhaoming owns the interest of 132,562 H Shares of the Company as trust share owner, for details, please see the related disclosure in this annual report.

**Mr. Cheng Huaiyuan** has been appointed as an employee representative Supervisor since February 2010. His primary working experience includes: an employee, deputy director of the process and equipment department of Sino Pharmengin Corporation Wuhan Pharmaceuticals Design Institution, which is principally engaged in the design and general contracting of pharmaceutical engineering, from August 1988 to June 1999, research fellow of the development research center and deputy manager of the human resources department of our Company from June 1999 to March 2003, general manager of human resources department of GF Huafu Securities Co. Ltd. from March 2003 to December 2003, shareholder supervisor of GF Huafu Securities Co. Ltd. from May 2003 to March 2004. He has also been the deputy general manager of the party-public relations department and general manager, respectively, and general vice president of the labor union of our Company since January 2004. Mr. Cheng obtained a bachelor's degree in engineering from the Huazhong University of Technology (now known as Huazhong University of Science and Technology), Wuhan, in July 1988 and a master of management degree from Wuhan University in June 1999. Mr. Cheng has obtained the qualification of senior economist from the Guangdong Provincial Department of Personnel (now known as Guangdong Provincial Department of Human Resources and Social Security) in February 2002. Mr. Cheng Huaiyuan owns the interest of 79,532 H Shares of the Company as trust share owner, for details, please see the related disclosure in this annual report.

## Particulars about Directors, Supervisors, Senior Management and Employees

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

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

## Particulars about Directors, Supervisors, Senior Management and Employees

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

**(III) Senior management**

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

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

## Particulars about Directors, Supervisors, Senior Management and Employees

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

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

Particulars about Directors, Supervisors, Senior Management and Employees

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

**Mr. Scott Xingong Chang** has been appointed as a chief risk officer of the Company since October 2015. His primary working experience includes: vice president of capital market credit risk department of Lehman Brothers from September 2000 to April 2007, vice president of hedging fund risk department of Goldman Sachs Group from May 2007 to May 2010, head of credit risk hedge quantization development (senior vice president, executive director) of the Bank of America Merrill Lynch from June 2010 to May 2013, managing director of group risk management department of the Bank of New York Mellon from June 2013 to September 2014 (he was responsible for leading the projects of group risk integrated management), executive director of credit risk management department of Morgan Stanley from January 2015 to August 2015. Mr. Chang joined the Company in September 2015. Mr. Scott Xingong Chang obtained a master's degree in computer application from Peking University in 1994, a master's degree in computer science engineering from University of Delaware in America in 1996, and an MBA from New York University in America (in-service EMBA) in 2006.

(IV) POSITION HELD IN THE SHAREHOLDING COMPANIES

Name	Name of shareholding companies	Position held in the shareholding companies	Tenure	Remuneration received from shareholding companies
Director's position:				
Shang Shuzhi	Liaoning Cheng Da	Chairman	January 1997 to present	Yes
Li Xiulin	Jilin Aodong	Chairman	February 2000 to present	Yes
Chen Aixue	Zhongshan Public Utilities	Chairman	November 2010 to March 2017	Yes
Supervisor's position:				
Zhan Lingzhi	Anhui Huamao Textile Co. Ltd.	Chairman	March 2007 to March 2016	Yes

## Particulars about Directors, Supervisors, Senior Management and Employees

## (V) POSITION HELD IN OTHER COMPANIES

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Sun Shuming	China Securities Inter-agency Quotation Systems Co., Ltd. (中證機構間報價系統股份有限公司)	Vice chairman	March 2015 to present	No
Shang Shuzhi	Liaoning Cheng Da Group Ltd.	Chairman	January 1997 to present	No
Qin Li	E Fund	Director	May 2012 to present	No
	Guangdong Equity Exchange	Chairman	September 2013 to present	No
Sun Xiaoyan	ECT	Chairman of the supervisory committee	December 2014 to present	No
Liu Jiwei	Dongbei University of Finance & Economics	Professor	June 2006 to present	Yes
	Bank of Dalian Co., Ltd.	Independent director	May 2013 to present	Yes
	Liaoning Huaifu Environmental Engineering Co., Ltd.	Independent director	December 2013 to present	Yes
	Ling Yuan Iron & Steel Co., Ltd.	Independent director	November 2014 to present	Yes
	Dalian Refrigeration Co., Ltd.	Independent director	February 2015 to present	Yes
	Dalian Rural Commercial Bank Co., Ltd.	Supervisor	June 2015 to present	Yes
Yang Xiong	BDO China Shu Lun Pan Certified Public Accountant LLP	Senior partner	August 2011 to present	Yes
	Easecompeace Technology Card Co., Ltd	Independent director	April 2011 to present	Yes
	Rongfeng Holdings Co., Ltd	Independent director	September 2013 to present	Yes
	Aerospace Industrial Development Corp. (航天工業發展股份有限公司)	Independent director	August 2015 to present	Yes
Tang Xin	Law School of Tsinghua University	Professor	January 2015 to present	Yes
	Harvest Fund Management Co., Ltd	Independent director	August 2010 to present	Yes
	Oriza Holdings Co., Ltd.	Independent director	November 2015 to present	Yes
	Beijing Rural Commercial Bank Co., Ltd	Supervisor	November 2015 to present	Yes
	China Life Insurance Co., Ltd.	Independent director	March 2016 to present	Yes



Particulars about Directors, Supervisors, Senior Management and Employees

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Chan Kalok	Business School of The Chinese University of Hong Kong	Dean	November 2014 to present	Yes
Wu Zhaoming	Guangzhou Light Industry Group Co., Ltd.	External director	December 2007 to present	No
Zhan Lingzhi	Anhui Huamao Group Co. Ltd.	Chairman	March 2007 to March 2016	No
	Guotai Junan Securities Co. Ltd.	Supervisor	September 2009 to May 2016	Yes
Tan Yue	Management School of Jinan University	Professor	January 2003 to present	Yes
	Shenzhen Desay Battery Technology Co., Ltd.	Independent director	April 2015 to present	Yes
	Suofeiya Home Collection Co., Ltd.	Independent director	January 2015 to present	Yes
	Bluedon Information Security Technology Co., Ltd.	Independent director	July 2015 to present	Yes
	Golden Eagle Funds Management Co., Ltd.	Independent director	April 2016 to January 2017	Yes
Gu Naikang	Management School of Sun Yat-sen University	Professor	April 2004 to present	Yes
	Guangxi Guitang (Group) Co., Ltd.	Independent director	January 2013 to present	Yes
	Guangzhou Pearl River Industrial Development Co., Ltd.	Independent director	May 2014 to present	Yes
	Shenzhen Zubo Design Co., Ltd.	Independent director	January 2012 to present	Yes
	Guangdong Provincial Expressway Development Co., Ltd.	Independent director	July 2016 to present	Yes
Yang Long	Guangdong GF Internet Microfinance Limited	Chairman	July 2015 to present	No
Zhang Wei	China Securities Credit Investment Co., Ltd.	Director	May 2015 to present	No

Note: Mr. Qin Li has applied to resign from the Director and Chairman of Guangdong Equity Exchange in December 2016. He will continue to perform the duties of Chairman before the new Chairman takes office.

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

N/A

## Particulars about Directors, Supervisors, Senior Management and Employees

**IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT****(I) Decision-making process for remuneration of Directors, Supervisors and senior management**

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

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

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

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

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

The Measures on Performance Assessment and Remuneration Management for GF Securities Business Managers requires that: "payment of more than 40% of annual performance-based remuneration for business managers of the Company shall be deferred for a period of at least three years. The deferred payment of remuneration shall be divided equally. The specific proportion of deferred payment and the period of deferred payment shall be reviewed and determined by the Board." The Board of the Company will formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. According to these requirements, the remuneration composition of our Executive Directors, employee representative Supervisors and senior management includes the remuneration provided and paid in 2016 and the deferred remuneration for 2015 and before. During the Reporting Period, the deferred remuneration before tax for 2015 and before of the above individuals was: Sun Shuming: RMB7,663,200; Lin Zhihai: RMB8,461,600; Qin Li: RMB6,968,600; Sun Xiaoyan: RMB6,431,100; Ouyang Xi: RMB6,489,000; Luo Binhua: RMB6,196,800; Yang Long: RMB3,620,200; Wu Jifu: RMB5,914,100; Zhang Wei: RMB2,918,300; Wu Zhaoming: RMB4,883,800; Scott Xingong Chang: RMB3,839,800; Cheng Huaiyuan: RMB2,675,500. The deferred remuneration before tax for 2015 and before of Non-executive Directors, Independent Non-executive Directors and shareholder representative Supervisors was: nil.



Particulars about Directors, Supervisors, Senior Management and Employees

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

Unit: RMB ten thousand

Name	Positon	Sex	Age	Status	The total remuneration before tax received from the Company	Remuneration received from related parties of the Company
Sun Shuming	Executive Director, Chairman	Male	54	Current	427.97	No
Shang Shuzhi	Non-executive Director	Male	64	Current	15.00	Yes
Li Xiulin	Non-executive Director	Male	64	Current	15.00	Yes
Chen Aixue	Non-executive Director	Male	60	Current	15.00	Yes
Lin Zhihai	Executive Director, general manager	Male	53	Current	410.52	No
Qin Li	Executive Director, standing deputy general manager	Male	48	Current	282.28	No
Sun Xiaoyan	Executive Director, deputy general manager, chief financial officer	Female	44	Current	271.06	No
Liu Jiwei	Independent Non-executive Director	Male	55	Current	22.50	Yes
Yang Xiong	Independent Non-executive Director	Male	50	Current	22.50	Yes
Tang Xin	Independent Non-executive Director	Male	45	Current	22.50	Yes
Chan Kalok	Independent Non-executive Director	Male	55	Current	22.50	No
Wu Zhaoming	Chairman of Supervisory Committee, employee representative Supervisor	Male	49	Current	271.87	No
Zhan Lingzhi	Supervisor	Female	61	Current	12.56	Yes
Tan Yue	Supervisor	Male	57	Current	5.00	Yes
Gu Naikang	Supervisor	Male	51	Current	5.00	Yes
Cheng Huaiyuan	Supervisor	Male	50	Current	194.92	No
Ouyang Xi	Deputy general manager	Male	49	Current	278.95	No
Luo Binhua	Deputy general manager, Secretary to the Board, joint company secretary	Male	52	Current	276.66	No
Yang Long	Deputy general manager	Male	52	Current	290.23	No
Wu Jifu	Deputy general manager, chief compliance officer	Male	51	Current	256.73	No
Zhang Wei	Deputy general manager	Male	41	Current	312.82	No
Scott Xingong Chang	Chief risk officer	Male	47	Current	240.92	No
Xu Xinzong	Supervisor	Male	53	Resigned	No remuneration received	No
Total	—	—	—	—	3,672.50	—

Note 1: The Company does not pay non-cash compensation.

Note 2: The total remuneration before tax received from the Company was the remuneration provided and paid in 2016.

Note 3: For the total remuneration of key senior management in office in the period when the Company made a provision during the Reporting Period, please refer to the relevant information in the note in the audit report.

## Particulars about Directors, Supervisors, Senior Management and Employees

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

N/A

## V. INFORMATION OF THE STAFF OF THE COMPANY

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

Human resources are the greatest assets of the Group. The Company has endeavored to build our team and increased the expenditure for training to improve the quality of our staff.

Number of current staff of the parent company	10,021
Number of current staff of the major subsidiaries	1,523
Total number of current staff	11,544
Total number of paid employees for the current period	11,544

**Professional structure**

Professions	Number of Professionals	Percentage
Primary business	10,139	87.83%
Risk management	83	0.72%
Legal and compliance	77	0.67%
Information Technology	393	3.40%
Others	852	7.38%
Total	11,544	100.00%

**Education level**

Education level	Number of Employees	Percentage
Doctoral degree	128	1.11%
Master's degree	2,429	21.04%
Bachelor's degree	6,785	58.78%
Associate degree and below	2,202	19.07%
Total	11,544	100.00%

Particulars about Directors, Supervisors, Senior Management and Employees

<b>Age</b>		
Age range	Number of Employees	Percentage
30 and below	5,051	43.75%
31 to 40	4,219	36.55%
41 to 50	1,954	16.93%
51 and above	320	2.77%
Total	<u>11,544</u>	<u>100.00%</u>

Note 1: The above number of employees includes 197 employees for early retirement.

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

**(II) Remuneration policies for employees**

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

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

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

**(III) Training plans**

The Company has placed a strong emphasis on staff training and endeavored to build a team of talents. Efforts have also been made to improve the effectiveness of staff training so that the Company can achieve a 'win-win' situation for both business development and career development of our staff. Currently, the Company has established a standardized system to cultivate our people and has set up a corporate training centre to provide professional support for the development of our people. By the provision of systematic and diversified on-the-job training, our people can gain management and professional knowledge during their respective career stage to satisfy their development needs. They can provide solid support for the sustainable and rapid development of the Company.

## Particulars about Directors, Supervisors, Senior Management and Employees

In 2016, in line with the annual priorities of the Company, the learning and development of our people are structured by reference to the general ideas of “cultivating our reserve team and their leadership, supporting the strategic transformation of the Company, active exploration and use of learning technology, and the improvement of professional qualities of our staff”. As to the cultivation of our reserve team and their leadership, our training projects were launched to improve the leadership skills in different dimensions for our new staff, core staff, reserve staff, newly-recruited managers and current managers. As to the support for our strategic transformation, our training projects focused on specific topics, including client relationship management, high-end wealth management and new trends in overseas investments. Meanwhile, key groups of employees, such as investment advisors and sales staff, received training on specific items. As to the exploration and use of learning technology, we developed a mobile application platform called “Aixue (愛學)” and made it online. As to the qualitative improvement of staff, we consistently provided our staff with education on cultural values and training on fundamental skills for work.

### (IV) Contracted staff

N/A

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

As at 31 December 2016, the eighth session of the Board of the Company established four special committees. The committees and their members were as follows:

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

Audit Committee: Yang Xiong (chairman), Liu Jiwei, Chan Kalok;

Remuneration and Nomination Committee: Liu Jiwei (chairman), Yang Xiong, Tang Xin, Lin Zhihai, Qin Li;

Strategy Committee: Sun Shuming (chairman), Lin Zhihai, Shang Shuzhi, Li Xiulin, Chen Aixue.

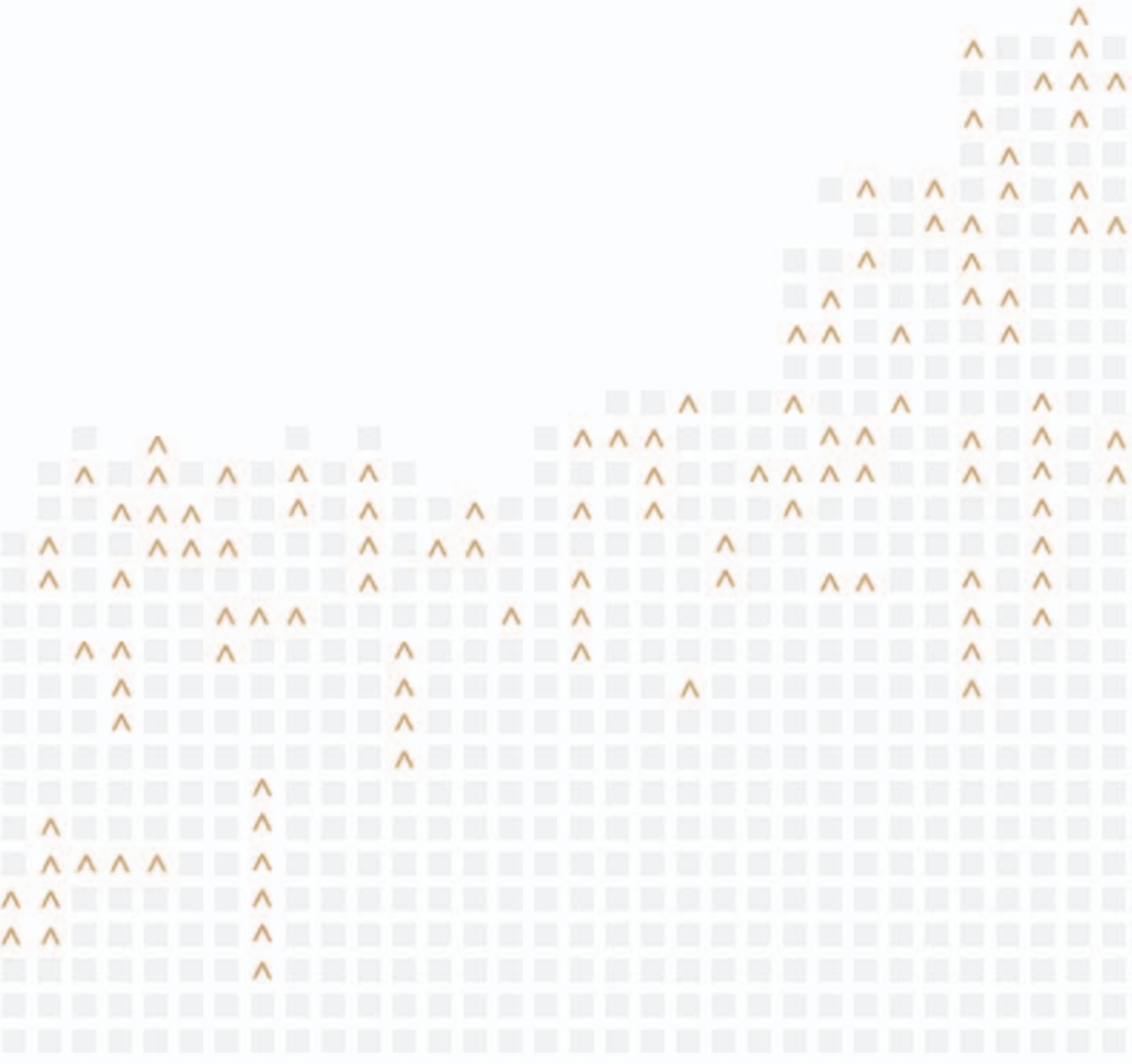
## VII. INFORMATION ABOUT CUSTOMER SOLICITATION AND CUSTOMER SERVICE OF COMMISSION BROKERS

As at the end of Reporting Period, the Company had 235 security brokerage branches which had entrusted brokers to engage in businesses including client solicitation. There were 1,373 brokers in total, among which, 1,299 brokers have gained the security broker qualification, 74 brokers were under applications for the qualification.

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

公司治理

CORPORATE GOVERNANCE



# Corporate Governance

## I. BASIC SITUATION OF THE CORPORATE GOVERNANCE

The Company is committed to becoming a modern investment bank with international competitiveness, brand influence and systematic significance. As a public company listed in both Mainland China and Hong Kong, the Company carries out standardized operations in strict accordance with the requirements of laws and regulations and normative documents of the place where the Company is listed, therefore continuously 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 of the Hong Kong Listing Rules as the code of conduct for securities transactions of the Company by all Directors, and the adoption of the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules as the guidelines for standardizing the Company's governance. On April 10, 2015, the Company's H shares were offered and listed on the Main Board of Hong Kong Stock Exchange. Since then, the Company has strictly complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Hong Kong Listing Rules (hereinafter referred to as the "**Code**"), and all provisions thereof. The Company has met most of the recommended best practice provisions as set out in the Code.

During the Reporting Period, the Company convened a total of 24 meetings, including one general meeting of shareholders, nine meetings of the Board of Directors, four meetings of the Supervisory Committee, two annual report work meetings of independent non-executive Directors, four meetings of the Audit Committee, one meeting of the Remuneration and Nomination Committee, one meeting of the Strategy Committee, and two meetings of the Risk Management Committee.

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

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

### 1. Operational independence

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

### 2. Independence of personnel

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

### 3. Independence of the assets

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

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### 4. Institutional independence

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

### 5. Financial independence

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

As of December 31, 2016, the Company has not provided any guarantees to any shareholder (including the largest shareholder) and other related parties.

## III. THE SITUATION OF COMPETITION WITHIN THE INDUSTRY

None



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

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

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

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

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

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

Session of meeting	Type of meeting	Participation		Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure	
		ratio of investors					date	Disclosure index
Annual general meeting 2015	Annual general meeting	50.99%		June 28, 2016	1. 2015 Annual Report of Board of Directors of GF Securities; 2. 2015 Annual Report of Supervisory Committee of GF Securities; 3. 2015 Annual Final Financial Report of GF Securities; 4. 2015 Annual Report and Summary of 2015 Annual Report of GF Securities; 5. 2015 Annual Profit Distribution Plan of GF Securities; 6. The Resolution Regarding Engaging Deloitte Touche Tohmatsu Limited as our 2016 Annual Auditor; 7. The Resolution Regarding Donations to the GF Securities Social Charity Foundation in Guangdong Province; 8. The Resolution Regarding the Authorization of Proprietary Investment Quota for 2016; 9. The Resolution Regarding the 2016 Expected Daily Related Party/Connected Transactions; 10. The Resolution Regarding the Adjustment of Directors' Allowances; 11. The Resolution Regarding the Adjustment of Supervisors' Allowances; 12. The Resolution Regarding the Election of Supervisors for the Eighth Session of the Supervisory Committee; 13. The Resolution Regarding the Grant of a General Mandate to Issue Additional A Shares and H Shares of the Company; 14. The Resolution Regarding Amendment to the Articles of Association.	All resolutions were approved	June 29, 2016	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (www.hkexnews.hk) by the Company

As a responsible public company, the Company is dedicated to effective protection of minority shareholders of the Company and their full right of information, to ensure the fairness of information disclosure. The Company has also continued to take a series of concrete actions to further improve and increase its communication with investors. The Company has successively developed the Information Disclosure Management System, Management Measures on Persons with Knowledge of Inside Information and Registration Management Regulations on Persons with Knowledge of Inside Information as well as other rules and regulations. The Company appointed a secretary of Board of Directors and a Company secretary who are responsible for information disclosure. The Company secretary, the securities representative and the Board's office assist in information disclosure and maintenance of investors relations. The Company interacts and communicates with investors in a variety of forms, mainly including phone calls, emails, investor relation platform on the Company's website, the

interaction platform of the SZSE, site visits, attending investor presentations and overseas road shows. Shareholders may at any time make queries and express their views to the Board in writing through the Company secretary and the Board's office. Where appropriate, shareholders' inquiries and comments will be forwarded to the Board of Directors and/or the relevant special committees of the Company's Board to address shareholders' questions, to ensure that shareholders, especially minority shareholders can fully exercise their rights (for contact information of the Company, please refer to "X. Contact Persons and Contact Information" in Section 1 "Company Profile" of this report).

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

Not applicable

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

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

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

**1. The composition of the Board**

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

The Directors shall be elected or replaced at the general meeting and their term of office shall be three years. The Directors shall perform their official duties since the adoption of the resolution of the shareholders and upon the date of their competency being approved by the CSRC. Upon the expiry of the term, a Director shall be eligible for re-election and re-appointment. Independent Directors shall have the same term of office as the other Directors. The term of office of an independent Director is renewable upon re-election when it expires, but no independent Director shall serve for more than two sessions. Ordinary resolution for the election of Directors at a general meeting shall be passed by one half or above of the voting rights held by the Shareholders (including their proxies) attending the general meeting.

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

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

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

According to the Articles of Association of the Company, the Board shall exercise the following functions and powers: to convene general meetings and report to general meetings; to execute resolutions of general meetings; to resolve on the Company's business plans and investment plans; to formulate the Company's long-term and mid-term development plans; to prepare the annual financial budgets and final accounting plans of the Company; to prepare the profit distribution plan and loss makeup plan of the Company; to prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and listing plans; to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company; to decide on external investment, acquisition and disposal of assets, asset pledge, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting; to resolve on the establishment of internal management organizations of the Company; to appoint or dismiss the Company's general manager, secretary of the Board, chief compliance officer and chief audit officer as nominated by the Chairman of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager and determine their remuneration and rewards and penalties; to set up the basic management system of the Company; to formulate the proposals for any amendment to the Articles of Association; to manage the disclosure of information by the Company; to propose to general meetings the appointment or change of the accounting firm acting as the auditors of the Company; to review the work report of the general manager of the Company and examine the work conducted by the general manager; to monitor, review and evaluate the establishment and implementation of the Company's various internal control systems and to be responsible for the effectiveness of

the internal control; to ensure the independence of the chief compliance officer, guarantee the independent communication between the chief compliance officer and the Board and safeguard the smooth reporting between the chief compliance officer and the regulatory authority; to review the compliance report and monitor the implementation of the compliance policies; to examine and approve significant risk management policies including risk preference; to evaluate and determine the nature and extent of risks that the Company is willing to take in achieving its strategic objectives and ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board of Directors shall supervise the design, implementation and monitoring of the risk management and internal control systems by the management and the management shall provide the Board of Directors confirmations on the effectiveness of such systems; and to exercise other functions and powers as stipulated by laws, administrative rules and regulations or the Articles of Association.

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

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

Pursuant to the Hong Kong Listing Rules as newly amended by the Hong Kong Stock Exchange, the Company amended its Articles of Association, the Rules of Procedure for the Strategy Committee of the Board of Directors, the Rules of Procedures for the Risk Management Committee of the Board of Directors, the Rules of Procedures for the Remuneration and Nomination Committee of the Board of Directors and the Rules of Procedures for the Audit Committee of the Board of Directors.

The Company provides professional training to its Directors, Supervisors and senior managers for their performance of duties, and provides them with the monthly newsletters of the Directors and Supervisors that are compiled by the Company, to improve their understanding of the securities industry and the Company's business and to facilitate the performance of their duties.

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

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

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

### **4. Chairman and General Manager**

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

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

**5. The Board meetings during the Reporting Period**

Session of meeting	Convening date	Titles of proposals of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Twenty-eighth Meeting of the Eighth Session of the Board of Directors	January 21, 2016	1. to review the Proposal of Expanding Total Scale of Stock-pledging Repurchasing Transaction the Company; 2. to review the Proposal of Adjusting the Organization Structure of the Brokerage Business of the Company.	All resolutions were passed	January 22, 2016	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (hkexnews.hk) by the Company
The Twenty-ninth Meeting of the Eighth Session of the Board of Directors	March 18, 2016	1. to review the Board Report of GF Securities for the Year of 2015; 2. to review the Work Report of GF Securities Board Strategy Committee for the Year of 2015; 3. to review the Work Report of GF Securities Board Risk Management Committee for the Year of 2015; 4. to review the Work Report of GF Securities Board Audit Committee for the Year of 2015; 5. to review the Work Report of GF Securities Board Remuneration and Nomination Committee for the Year of 2015; 6. to review the Proposal of Drawing General Meeting's attention to Work Report of GF Securities Independent Directors for the Year of 2015; 7. to review the Proposal of Drawing General Meeting's attention to Duty Report of GF Securities Independent Directors for the Year of 2015; 8. to review the Proposal of Performance Assessment on Directors for the Year of 2015; 9. to review the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2015; 10. to review the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2015; 11. to review the Final Financial Report of GF Securities for the Year of 2015; 12. to review the Annual Report of GF Securities for the Year of 2015; 13. to review the Special Report of Storing and Utilization of Share Proceeds for the Year of 2015; 14. to review the Social Responsibility Report of GF Securities for the Year of 2015; 15. to review the Compliance Report of GF Securities for the Year of 2015; 16. to review the Report of Self- Assessment of Internal Control of GF Securities for the Year of 2015; 17. to review the Risk Management Report of GF Securities for the Year of 2015; 18. to review the Corporate Governance Report of GF Securities for the Year of 2015; 19. to review the Plan of Profit-sharing of GF Securities for the Year of 2015; 20. to review the Proposal of Engaging Deloitte Touche Tohmatsu Limited as our 2016 Annual Auditor; 21. to review the Proposal Regarding Donations to the GF Securities Social Charity Foundation in Guangdong Province; 22. to review the Proposal of 2016 Annual Proprietary Business Funding Available; 23. to review the Proposal of Expecting Daily Related/Connected Transactions of GF Securities for the Year of 2016; 24. to review the Proposal Regarding the Grant of a General Mandate by the Shareholder's General Meeting to the Board of Directors to Issue Additional A Shares and H Shares of the Company; 25. to review the Proposal Regarding the Amendment to the Articles of Association of the Company; 26. to review the Proposal Regarding the Amendment to the Rules of Procedure for the Strategy Committee of the Board of Directors; 27. to review the Proposal Regarding the Amendment to the Rules of Procedures for the Risk Management Committee of the Board of Directors; 28. to review the Proposal Regarding the Amendment to the Rules of Procedures for the Remuneration and Nomination Committee of the Board of Directors; 29. to review the Proposal Regarding the Amendment to the Rules of Procedures for the Audit Committee of the Board of Directors; 30. to review the Proposal Regarding the Adjustment of Directors' Allowances; 31. to review the Proposal Regarding the Authorization to Convene the Annual General Meeting for the Year of 2015; 32. to review the Proposal of Distribution of Performance Salary for Business Management for the Year of 2015.	All resolutions were passed	March 19, 2016	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (hkexnews.hk) by the Company

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Session of meeting	Convening date	Titles of proposals of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Thirtieth Meeting of the Eighth Session of the Board of Directors	April 28, 2016	1. to review the 2016 First Quarterly Report of GF Securities; 2. to review the Proposal Regarding the Establishment of a Training Center; 3. to review the Announcement Regarding the Provision of Loans to Wholly Owned Subsidiaries, Namely GF Futures Co., Ltd. (廣發期貨有限公司), GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司), GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司) and GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司).	All resolutions were passed	April 29, 2016	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (hkexnews.hk) by the Company
The Thirty-first Meeting of the Eighth Session of the Board of Directors	June 2, 2016	1. to review the Proposal Regarding the Amendments to the Strategic Transactions Management Systems of GF Securities Company Limited.	All resolutions were passed	June 3, 2016	
The Thirty-second Meeting of the Eighth Session of the Board of Directors	July 18, 2016	1. to review the Proposal of Providing Guarantee Commitment of Net Capital to GF Asset Management.	All resolutions were passed	July 19, 2016	
The Thirty-third Meeting of the Eighth Session of the Board of Directors	August 26, 2016	1. to review the 2016 Interim Report of GF Securities; 2. to review the GF Securities Interim Report of Risk Management for the Year of 2016; 3. to review the GF Securities Interim Report of Compliance for the Year of 2016.	All resolutions were passed	August 27, 2016	
The Thirty-fourth Meeting of the Eighth Session of the Board of Directors	October 21, 2016	1. to review the 2016 Third Quarterly Report of GF Securities Company Limited.	All resolutions were passed	October 22, 2016	
The Thirty-fifth Meeting of the Eighth Session of the Board of Directors	November 3, 2016	1. to review the Proposal Regarding the Adjustment to the Organizational Structure and Functions of the Management Department of Relationship with Strategic Customers and the Department of Strategic Development.	All resolutions were passed	November 4, 2016	
The Thirty-sixth Meeting of the Eighth Session of the Board of Directors	December 29, 2016	1. to review the Proposal of Expanding Total Scale of Stock-pledging Repurchasing Transaction Business of the Company.	All resolutions were passed	December 30, 2016	



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

On June 28, 2016, the Company held the 2015 annual general meeting and passed 2015 Profit Distribution Proposal, which provided cash dividend of a total of RMB6,096,870,131.20 with cash dividend of RMB8.0 (tax inclusive) for every 10 existing shares of the Company based on the share capital of 7,621,087,664 Shares. It was completed before August 24, 2016 and the remaining undistributed profits of RMB13,032,134,904.38 shall be carried forward to the next year.

On June 28, 2016, the Company convened the 2015 annual general meeting and passed the Proposal of Engaging Deloitte Touche Tohmatsu Limited as our auditor for the year of 2016. According to the proposal, the Company engaged Deloitte Touche Tohmatsu Limited as our auditor for the year of 2016.

On June 28, 2016, the Company convened the 2015 annual general meeting and passed the Resolution regarding Donations to the GF Securities Social Charity Foundation in Guangdong Province. According to the resolution, in October 2016, the Company donated RMB8 million to the GF Securities Social Charity Foundation in Guangdong Province for public benefit activities.

On June 28, 2016, the Company convened the 2015 annual general meeting and passed the Resolution regarding the Election of Supervisors for the Eighth Session of the Supervisory Committee. According to the resolution, the Company filed with the Guangdong Bureau of the CSRC the qualifications of Mr. Tan Yue and Mr. Gu Naikang as supervisors of securities companies. In August 2016, their qualifications as supervisors of securities companies were approved. Therefore, Mr. Tan Yue and Mr. Gu Naikang would duly perform their obligations as Supervisors of the Company.

On June 28, 2016, the Company convened the 2015 annual general meeting and passed the Resolution regarding the Adjustment of Directors' Allowances and the Resolution regarding the Adjustment of Supervisors' Allowances. The Company adjusted the allowance level of Directors and Supervisors with reference to the standard of similar companies in the financial industry in order to protect the unity of Directors' and Supervisors' responsibility, rights and interest, and encourage them to behave in good faith and with diligence. In July 2016, the Company paid the allowance according to the adjusted standard.

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

## 1. Supervisors and Supervisory Committee

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

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

Session of meeting	Convening date	Titles of proposals of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Eleventh Meeting of the Eighth Session of the Supervisory Committee	March 18, 2016	1. to review the Report of Self-Assessment of Internal Control of GF Securities for the Year of 2015; 2. to review the Report of GF Securities for the Year of 2015; 3. to review the Proposal of Audit Opinion of 2015 Annual Report of GF Securities; 4. to review the Supervisory Committee Report of GF Securities for the Year of 2015; 5. to review the Proposal of Performance Assessment on Supervisors for the Year of 2015; 6. to review the Special Description of Performance Assessment and Remuneration of GF Securities Supervisors for the Year of 2015; 7. to review the Social Responsibility Report of GF Securities for the Year of 2015; 8. to review the Resolution regarding the Adjustment of Supervisors' Allowances; 9. to review the Resolution regarding the Nomination of Supervisors Candidates for the Eighth Session of the Supervisory Committee; 10. to review the Proposal of Performance Salary for Chief Supervisor for the Year of 2015.	All resolutions were passed	March 19, 2016	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (hkexnews.hk) by the Company
The Twelfth Meeting of the Eighth Session of the Supervisory Committee	April 28, 2016	1. to review the 2016 First Quarterly Report of GF Securities.	All resolutions were passed	April 29, 2016	
The Thirteenth Meeting of the Eighth Session of the Supervisory Committee	August 26, 2016	1. to review the 2016 interim Report of GF Securities.	All resolutions were passed	August 27, 2016	
The Fourteenth Meeting of the Eighth Session of the Supervisory Committee	October 21, 2016	1. to review the 2016 Third Quarterly Report of GF Securities.	All resolutions were passed	October 22, 2016	

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

**(I) Attendance of Directors at Board meetings and general meetings of shareholders**

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

**(II) Objections raised by Independent Non-Executive Directors on matters of the Company**

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

**(III) Other explanations on the performance of duties by Independent Directors**

In 2016, Independent Non-Executive Directors of the Company were actively involved in each of the Board meetings. During the period of their appointment, the Independent Non-Executive Directors had sufficient time and energy to carry out their duties; before each meeting the Independent Non-Executive Directors carefully reviewed the relevant materials, and fully expressed professional and independent opinions; when making independent judgments, they were not affected by the major shareholders of the Company and any other entities and individuals which are our stakeholders.

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

In 2016, the Board had four special committees, namely the Risk Management Committee, the Audit Committee, the Remuneration and Nomination Committee and the Strategy Committee. Four Independent Non-Executive Directors served as members of the Audit Committee and the Remuneration and Nomination Committee, among which there were two Independent Non-Executive Directors who separately served as the chairman of the Audit Committee and the Remuneration and Nomination Committee. Each of the Independent Non-Executive Directors attended meetings of the four special committees in person and provided expert advice and consultation to the Board to help make informed decisions.

**2. Periodic reports**

While auditing annual reports, the Independent Non-Executive Directors strictly abided by the Annual Report Regulations of GF Securities Independent Directors and ensure that there is sufficient time and energy to fulfill their duties, and make timely communications with registered accountant of the annual audit before and after the audit. Three of the four Independent Non-Executive Directors are members of the Audit Committee and they, with the dual role, took part in the annual audit and communicated with registered accountant of the annual audit, and expressed their views. In accordance with the relevant requirements of the foregoing provisions, on December 20, 2016, the Independent Non-Executive Directors heard the reporting of the 2016 Annual Financial Express (unaudited) prepared by the Corporate Finance Division of the Company, made communications with the certified public accountant of annual audit, and consented to the annual audit work plan and reminded, and urged audit institutions to carry out audit procedures in place during the audit process. Corporate finance and other related departments actively cooperated with the audit.

On March 13, 2016, Deloitte, as the registered accountant of the annual audit of the Company, issued a draft audit report with standard unqualified opinions on the 2016 annual financial report of the Company, held meeting with the Independent Non-Executive Directors to solicit advice, and made communication on problems discovered in the course of the audit. After full communication with the registered accountant of the annual audit, Independent Non-Executive Directors are of the view that: Deloitte carried out appropriate audit procedures in the annual audit in strict accordance with requirements of the Auditing Standards for CPAs of China and the International Standards on Auditing, and standard unqualified opinions on the 2016 annual financial report were based on adequate, appropriate and effective audit evidence. The preliminary audit results fairly reflect the financial status of GF Securities as of December 31, 2016 and the 2016 annual operating results and cash flow.

### 3. *Other duty performance*

On March 18, 2016, the Independent Non-Executive Directors issued independent opinions on expected ordinary related transactions of 2016, use of the Company's funds by the controlling shareholders or other associated parties, external guarantees, the Report of Self Assessment of Internal Control for the year of 2016, distribution of performance-based remunerations for the business management for the year of 2016, and on the use of idle share proceeds for short-term liquidity, and issued views of prior approval in respect of the renewed appointment of the accounting firm.

On August 27, 2016, the Independent Non-Executive Directors made a special explanation and issued independent opinions on the use of the Company's funds by the controlling shareholders or other associated parties and external guarantees of the Company, etc.

#### (IV) Directors' training

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

## Corporate Governance

The details of Directors' training in 2016 are as follows:

Name	Position	Training content
Sun Shuming	Executive Director, Chairman	<ol style="list-style-type: none"> <li>1. On February 24, 2016, he attended a conference of supervision and regulation of listed company in Guangdong jurisdiction organized by the Guangdong Bureau of the CSRC in Guangzhou;</li> <li>2. On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham &amp; Watkins for the Directors, Supervisors and Senior Managements;</li> <li>3. On March 25, 2016, he attended the symposium of the relevant responsible person of securities company organized by China Securities Finance Corporation Limited in Beijing;</li> <li>4. On April 16, 2016, he attended the seminar of market institution survey organized by the CSRC in Shenzhen;</li> <li>5. On April 26, 2016, he attended the 64th meeting of the third session of the board of the SSE organized by the board of the SSE in Shanghai;</li> <li>6. On May 20, 2016, he attended the 65th meeting of the third session of the board of the SSE organized by the board of the SSE in Shanghai;</li> <li>7. On July 22, 2016, he attended the training class (Phase one) of "Administrative Measures for Risk Control Indicators of Securities Companies" the Securities Association of China in Harbin;</li> <li>8. On August 10, 2016, he attended the communication meeting of the general assembly area held by the member department of SEE in Chongqing;</li> <li>9. From November 9 to November 11, 2016, he attended the eighth UK-China economic and financial dialogue in London;</li> <li>10. On October 29, 2016, he attended the Great Conference of Provincial Communication, Study and Implementing the Spirit of the sixth Plenary Session of Eighteenth Meeting of CPC in Guangzhou organized by the Guangdong Provincial Office;</li> <li>11. On December 6, 2016, he attended the dialogue between forum enterprises around the world of Guangzhou "Fortune" in 2017 organized by Guangzhou Municipal Bureau of Financial Work in Beijing.</li> <li>12. On December 9, 2016, he attended the second meeting of the Fourth session of the board of the SSE organized by the board of the SSE in Shanghai; and</li> <li>13. From December 24 to December 25, 2016, he attended the provincial economic work conference organized by the Guangdong Provincial Office in Guangzhou.</li> </ol>

## Corporate Governance

Name	Position	Training content
Lin Zhihai	Executive Director, General Manager	<ol style="list-style-type: none"> <li>1. On January 12, 2016, he attended the 2016 financial management work meeting organized by the Guangzhou branch of the People's Bank of China in Guangzhou;</li> <li>2. On January 16, 2016, he attended the 2016 national security and future regulation work meeting organized by Guangdong Bureau of the CSRC in Guangzhou;</li> <li>3. On February 26, 2016, he attended a conference in relation to supervision and regulation of Guangdong jurisdiction institution organized by the Guangdong Bureau of the CSRC in Guangzhou;</li> <li>4. On March 18, 2016 he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham &amp; Watkins for the Directors, Supervisors and Senior Managements;</li> <li>5. On May 6, 2016, he attended the investor education symposium and the awarding activities of the first batch of national investor education base organized by the investor protection bureau of CSRC in Beijing;</li> <li>6. On May 24, 2016, he attended a conference in relation to the 2016 comprehensive treatment of social security for the Guangdong financial system and safe finance creation work organized by leading office of the comprehensive treatment of social security of the Guangdong financial system and safe finance create work in Guangzhou;</li> <li>7. On November 3, 2016, the ninth session of signing ceremony of the western China investment seminar and economic cooperation project in Chengdu organized by Western China international fair organizing committee;</li> <li>8. On November 5, 2016, he attended the symposium in Shenzhen organized by the CSRC; and</li> <li>9. On December 15, 2016, he attended the symposium of 2017 association work keys organized by the Securities Association of China.</li> </ol>
Qin Li	Executive Director, Standing Deputy General Manager	<ol style="list-style-type: none"> <li>1. On January 26, 2016, he attended a seminar of ministries and commissions such as the State Council in respect of researching in Guangdong organized by the Financial Office of Guangdong Provincial People's Government in Guangzhou;</li> <li>2. On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham &amp; Watkins for the Directors, Supervisors and Senior Managements; and</li> <li>3. On November 16, 2016, he attended the third meeting of the professional commitment of the innovation and development strategies organized by the Securities Association of China in Shenzhen.</li> </ol>
Sun Xiaoyan	Executive Director, Deputy General Manager and Chief Financial Officer	<ol style="list-style-type: none"> <li>1. On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham &amp; Watkins for the Directors, Supervisors and Senior Managements; and</li> <li>2. From December 22 to December 23, 2016, he participated in the 2016 training course for accounting audit of security company organized by the Securities Association of China in Xiamen.</li> </ol>
Shang Shuzhi	Non-Executive Director	<ol style="list-style-type: none"> <li>1. On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham &amp; Watkins for the Directors, Supervisors and Senior Managements.</li> </ol>
Li Xiulin	Non-Executive Director	<ol style="list-style-type: none"> <li>1. On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham &amp; Watkins for the Directors, Supervisors and Senior Managements; and</li> <li>2. On November 18, 2016, he participated in the 2016 training course for senior managers of listed companies in Jilin jurisdiction organized by the Securities Association of Jilin in Changchun.</li> </ol>

## Corporate Governance

Name	Position	Training content
Chen Aixue	Non-Executive Director	1.On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham & Watkins for the Directors, Supervisors and Senior Managements.
Liu Jiwei	Independent Non-Executive Director	1.On March 18, 2016 he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham & Watkins for the Directors, Supervisors and Senior Managements.
Yang Xiong	Independent Non-Executive Director	1.On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham & Watkins for the Directors, Supervisors and Senior Managements; 2.From March 23 to March 25, 2016, he participated in the training course for senior managers of listed company organized by SZSE authorized by the CSRC; 3.From August 15 to August 25, 2016, he participated in the training course for senior partner of Overseas business organized by Beijing Institute of Certified Public Accountant, and communicated with part of overseas accounting company; and 4.From November 3 to November 4, 2016, he participated in "2016 China Management Accountant Symposium" and "2016 China Accounting Informatization Symposium" organized by China Association of Chief Financial Officers.
Tang Xin	Independent Non-Executive Director	1.On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham & Watkins for the Directors, Supervisors and Senior Managements.
Chan Kalok	Independent Non-Executive Director	1.On March 18, 2016, he attended the training in relation to the "Overview of Laws and Regulations relating to Companies Listed in Hong Kong" organized by Latham & Watkins for the Directors, Supervisors and Senior Managements. 2.From June 1 to June 2, 2016, he participated in the senior training class of non-executive directors of Hong Kong bank organized jointly by China Banking Regulatory Commission and Hong Kong Monetary Authority in Xian; and 3.On June 3, 2016, he participated in the Hong Kong seminar of senior bankers with the theme of "The Strategies of One Belt And One Road and Financial Industry Opportunity" organized jointly by Shannxi provincial government, China Banking Regulatory Commission and Hong Kong Monetary Authority in Xi'an.



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

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

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

### 1. The Risk Management Committee

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

In 2016, the Risk Management Committee and each member had a comprehensive understanding of the Company's risks, compliance and internal control through reviewing the Company's interim and annual compliance report, risk management report and internal control report, periodically conducted assessment of its risk situation and risk management capability, strengthened interaction with the compliance department, auditing department and risk management department of the Company, and promoted the construction of an integrated risk management system within the Company through collaboration.

In 2016, with the guidance of the risk management committee, the Company established a four-pillar system framework of comprehensive risk management. Four pillars include risk culture, risk management governance framework, risk management mechanism and implementation and risk management infrastructure. The Company persistently promotes corporate risk culture construction, improves risk management system, optimizes risk management organizational structure, constructs risk management information system and improves risk management at a professional level. The Company established and implemented a dynamic monitoring mechanism of risk control indicator to persistently promote and optimize risk control indicator monitoring system according to the adjustment of regulation standards and development of the innovation businesses.

In 2016, the major achievements of the Risk Management Committee included:

- reviewing the risk management reports and compliance reports of the Company;
- reviewing the Company's regular internal control self-assessment report; and
- reviewing and determining the scale and risk limits for the Company's substantial business segments.

## Corporate Governance

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

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions	Attendance
2016 First Meeting of the Eighth Session of the Board Risk Management Committee	March 18, 2016	1. to review the Work Report of GF Securities Board Risk Management Committee for the Year of 2015; 2. to review the GF Securities Report of Risk Management for the Year of 2015; 3. to review the GF Securities Report of Compliance for the Year of 2015; 4. to review the Report of Self- Assessment of Internal Control of GF Securities for the Year of 2015; 5. to review the Resolution of 2015 Annual Proprietary Business Funding Available.	All resolutions were approved	All members attended the meeting in person
2016 Second Meeting of the Eighth Session of the Board Risk Management Committee	August 26, 2016	1. to review the GF Securities Interim Report of Compliance for the Year of 2016; 2. to review the GF Securities Interim Report of Risk Management for the Year of 2016.	All resolutions were passed	All members attended the meeting in a communication manner

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

Name of Members	Position	Attendance/shall be present at meetings
Sun Shuming	Executive Director and Chairman of the Risk Management Committee	2/2
Lin Zhihai	Executive Director	2/2
Qin Li	Executive Director	2/2

## 2. The Audit Committee

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

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

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

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

In 2016, the major achievements of the Audit Committee included:

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

## Corporate Governance

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

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2016 First Meeting of the Eighth Session of the Board Audit Committee	March 18, 2016	1. to review the Work Report of GF Securities Board Audit Committee for the Year of 2015; 2. to review opinions on the 2015 Annual Financial Report (financial report and notes); 3. to review the resolution of Engaging Deloitte Touche Tohmatsu Limited as our 2016 Annual Auditor; 4. to review the Special Report of Storing and Utilization of Share Proceeds for the Year of 2015; 5. to review the resolution of Expecting Daily Related/Connected Transactions of GF Securities for the Year of 2016; 6. to review the Report of Self-Assessment of Internal Control of GF Securities for the Year of 2015; 7. to review the Audit Work Report of GF Securities for the Year of 2015.	All resolutions were approved
2016 Second Meeting of the Eighth Session of the Board Audit Committee	April 28, 2016	1. to review the 2016 First Quarterly Report of GF Securities.	All resolutions were passed
2016 Third Meeting of the Eighth Session of the Board Audit Committee	August 26, 2016	1. to review 2016 Interim Report of GF Securities; 2. to review the Interim Audit Work Report of GF Securities of 2016.	All resolutions were passed
2016 Fourth Meeting of the Eighth Session of the Board Audit Committee	October 21, 2016	1. to review the 2016 Third Quarterly Report of GF Securities.	All resolutions were passed

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

Name of Members	Position	Attendance/ shall be present at meetings
Yang Xiong	Independent Non-Executive Director and Chairman of Audit Committee	4/4
Liu Jiwei	Independent Non-Executive Director	4/4
Chan Kalok	Independent Non-Executive Director	4/4

### (3) Overview of the Company's audit

The Company's 2016 annual audit was done by Deloitte who mainly divided it into two phases, namely preliminary phase and year-end phase. For the preliminary phase, Deloitte fully carried out audit of internal control according to the relevant requirements, and tested the internal control at company level and process level (including business processes of headquarters and business department) to evaluate the effectiveness of the internal control design and whether the control is effectively implemented during the audit period. Deloitte also learned about the Company's control environment, main operation situation, business innovation and system update situation and malpractices and risk of fraud through interviews; made a preliminary analysis and audit and performed pretesting on major items of financial report accounts such as financial instrument, operating income and return on investment; tested and evaluated major information systems used by the Company, and communicated with the management team and governance team on preliminary discovery. For the year-end audit phase, Deloitte followed up on the finding of the preliminary phase and performed detailed auditing procedures for all major accounts, and communicated with the management team and governance team on year-end discovery.

To prepare for the 2016 annual audit and issue relevant audit reports on a timely basis. The Audit Committee of the eighth session of the Board of Directors of the Company arranged the financial department to communicate with Deloitte on major matters such as audit plans, audit processes, financial instrument valuation and the consolidation scope, for which it also carried out supervision and follow-up. On December 23, 2016, the Audit Committee held a communication meeting on the audit plan with Deloitte. In addition, the Company's finance department also communicated with Deloitte on matters such as preliminary discovery, impairment provision of financing business, financial instrument valuation, consolidation scope and the possible impairment on swap transactions with the CSF.

On March 13, 2017, Deloitte preliminarily issued a standard unqualified audit report and internal control audit report to the Company for the year of 2016.

The Audit Committee assessed the independence and objectivity of Deloitte and the effectiveness of the auditing procedure to ensure that the financial reports Deloitte issued can provide objective and honest opinions. Before assessing the 2016 annual financial statements of the Company, the Audit Committee received a written confirmation from Deloitte in terms of the independence and objectivity of Deloitte as an auditor. Deloitte has taken necessary protective measures in accordance with the relevant requirements of professional ethics in order to prevent possible threats to independence.

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

On March 24, 2017, the Audit Committee reviewed the Self-Assessment Report of GF Securities on Internal Control for the Year of 2016, and concluded that the internal control system was sound and its implementation was effective. For the assessment of the Company's internal control by the Company's Board of Directors and related information, please refer to items XI to XV in this section.

## Corporate Governance

### 3. The Remuneration and Nomination Committee

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

In order to achieve diversification and reasonable structure of the Board, the Remuneration and Nomination Committee makes suggestions or recommendations on the structure, size and composition of the Board of Directors (including the expertise, know-how and experience) at least annually to the Board based on the business activities, asset size and shareholding structure of the Company, and makes recommendations on any proposed changes to the Board of Directors in line with the Company's policies. In order to comply with and implement the requirements in respect of diversification of the Board, under the Hong Kong Listing Rules rendering its composition to be more scientific and reasonable, the Company formulates the Policy of Diversification for the Board of GF Securities Co., Ltd., which contains contents such as the purpose of formulating the policy, policy statement, measurable objectives, supervision and reporting. The Company confirms that the composition of the Board is in compliance with the requirements in respect of diversification of the Board under the Hong Kong Listing Rules and the policy of diversification drawn up by the Company.

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

In 2016, the major achievements of the Remuneration and Nomination Committee included:

- assessing the performance of Directors and senior management, and making their annual performance assessment;
- considering and making opinions on the assessment of Directors and senior management and the remuneration management system; and
- making suggestion on directors' allowances to the Board to adjust the allowance level of Directors with reference to the standard of similar companies in the financial industry.

(1) During the Reporting Period, the Remuneration and Nomination Committee held one meeting:

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2016 First Meeting of the Eighth Session of the Board Remuneration and Nomination Committee	March 18, 2016	1. to review the Work Report of GF Securities Board Remuneration and Nomination Committee for the Year of 2015; 2. to review the Resolution of Performance Assessment on Directors for the Year of 2015; 3. to review the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2015; 4. to review the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2015; 5. to review the Resolution of Adjustment to the Directors' Allowances; 6. to review the Resolution of Distribution of Performance Salary for Business Management for the Year of 2015.	All resolutions were passed

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

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

## Corporate Governance

## 4. The Strategy Committee

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

In 2016, the major achievements of the Strategy Committee included:

- analyzing and planning the mid to long-term development strategies of the Company;
- reviewing the Resolution on Granting General Mandate to the Board for the Further Issuances of A Shares and H Shares of the Company to be Proposed at the General Meeting so as to enhance the flexibility and efficiency of the capital operation and business operation of the Company; and
- hearing Report of Strategy Implementation and Strategic Review of GF Securities for the Year of 2015, and providing advice on the medium to long-term development strategies and substantial decision on material changes of the Company.

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

Session of meeting	Convening date	Title of resolutions of the meeting	Status of resolutions	Members Attendance
2016 First Meeting of the Eighth Session of the Board Strategic Committee	March 18, 2016	1. to review the Work Report of GF Securities Board Strategic Committee for the Year of 2015; 2. to review the Resolution on Granting General Mandate to the Board for the Further Issuances of A Shares and H Shares of the Company to be Proposed at the General Meeting.	All resolutions were passed	All members attended the meeting in person except Mr. Shang Shuzhi who commissioned Mr. Sun Shuming to exercise the right to vote.

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

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



**VIII. WORK OF THE SUPERVISORY COMMITTEE**

In 2016, according to the requirements of laws and regulations such as the Company Law, the Securities Law and the Rules for Governance of Securities Companies, centering on the concept of putting supervision into service and focusing on the Company’s priorities, the Supervisory Committee of the Company strictly abided by the relevant requirements of the Articles of Association of the Company and the Rules of Procedure for Supervisory Committee to lawfully perform supervision duties, enhance the Company’s corporate governance, effectively promote the Company’s standardized operation and conscientiously protect the legitimate interests of the Company, employees and Shareholders.

**1. Details of attendance of Supervisors in the Supervisory Committee meetings are as follows:**

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

Note: Each of Mr. Tan Yue and Mr. Gu Naikang obtained their respective qualification as a supervisor of securities companies on August 3, 2016, and have since performed their obligations as a Supervisor.

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

During the Reporting Period, according to the relevant laws and regulations, centering on the priorities of the Company's work, the Supervisory Committee carefully carried out supervision and inspection, and increased the effectiveness of corporate governance by focusing on the implementation of "three meetings" (「三會」), disclosures, effectiveness assessment of compliance management and risk management, and performance and supervision of Directors and executive officers after the listing of H shares of the Company. Their opinions and recommendations were given recognition and implemented by the management and the Board of Directors of the Company.

### **(1) Organized inspections on the resolutions of the three meetings and their implementation, and the construction and implementation of the systems of the three meetings**

During the Reporting Period, the Supervisory Committee made proactive efforts in supervising the corporate governance of the Company, with a focus on the standardization and effectiveness of the operation of the three meetings. By giving guidance to the Supervisory Committee to prepare a tracking ledger for resolutions of the three meetings, the Supervisory Committee conducted regular follow-up oversight on the implementation of resolutions and gave feedbacks in a timely manner to the Directors, Supervisors and senior management. The Supervisory Committee also guided the Supervisory Committee to keep a watchful eye on the changes in laws and regulations, made timely examination on the completeness and standardization of the three meetings systems against those of external regulatory requirements and conducted sampling examination on the execution and implementation of the provisions of the three meeting systems.

### **(2) Organized supervision and inspection on the information disclosure works of the Company**

During the Reporting Period, the Supervisory Committee conducted special supervision and inspection on the information disclosure works of the Company, mainly focusing on the construction and operation of the information disclosure systems of the Company and all information disclosure documents such as announcements published by the Company since the listing of its H shares. A supervision and inspection report was produced by means of inspections and interviews as well as comparative analysis against the information disclosure status of other companies in the industry. The supervision and inspection report was submitted to the management team of the Company for review, which helped to optimize the information disclosure works of the Company.

### **(3) Organized assessment on the effectiveness of compliance and risk management**

During the Reporting Period, by adhering to the CSRC's concept of "keeping lawful, strict and comprehensive regulations", the Supervisory Committee made emphasized efforts in reinforcing the supervision and assessment on the compliance and risk management of the Company. In 2016, the Supervisory Committee organized two assessments on the effectiveness of the compliance management of the Company and one assessment on the effectiveness of the risk management of the Company, actively monitored the mechanism establishment and perfection of compliance and risk management of the Company, organized supervisions and inspections through self-examinations, double-checks, interviews and other means and issued assessment reports thereon. Issues identified during the assessments were reported to the management team in a timely manner with rectifications urged.

**(4) Improved the supervision and evaluation of performance of Directors and senior management**

During the Reporting Period, the Supervisory Committee strengthened the monitoring of the performance of duties by Directors and senior management through various forms such as conferences, and urged them to perform duties carefully. To comply with the Guidelines on the Works of Supervisory Committees of Listed Companies, the Supervisory Committee directed the Supervisory Committee to set up and maintain on an ongoing basis performance archives of the Company's Directors, Supervisors and senior management, and continuously recorded and prompted conference attending, training participation and part-time job of the Company's Directors, Supervisors and senior management. The Supervisory Committee took lead in building up the supervision and evaluation systems for the performance of duties by the Directors, Supervisors and senior management of the Company and, by adhering to the principle of "making steady progress", organized multiple rounds of discussions and sought advices and opinions from various parties on relevant draft proposals in order to boost the construction of the supervision mechanism on the performance of duties by the Directors, Supervisors and senior management of the Company.

**3. Opinions issued by the Supervisory Committee**

During the Reporting Period, the Supervisory Committee lawfully carried out supervision of the Company, and prudentially checked the Company's operation by law, major decisions and major business activities, financial position and effectiveness of the compliance management and risk management systems. Based on the above, the Supervisory Committee issued opinions to the Company as follows:

**(1) The Company's operation by law**

During the Reporting Period, the Company was able to strictly abide by the Company Law, the Securities Law, the Rules for Governance of Securities Companies, the Articles of Association of the Company and other legal regulations and provisions to realize standardized operation and sound operation. The Supervisory Committee believes that important business decisions of the Company are reasonable and decision-making process is compliant and effective. The Company has established complete systems of risk management, compliance management and internal control and, each of the internal management systems was implemented effectively. On November 26, 2016, the Company received the Notice of Administrative Penalty Decision (No. [2016]128) from the CSRC, pursuant to which the Company failed to review and understand clients' identification information in accordance with requirements under Article 24 of the Securities Registration and Settlement Management Measures (《證券登記結算管理辦法》) and constituted the actions referred in Item (4) of Article 84 of the Regulations on Supervision and Management of Securities Companies 《證券公司監督管理條例》. Pursuant to Article 84 of the Regulations on Supervision

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and Management of Securities Companies, the CSRC ordered GF Securities to rectify, issued a warning, confiscated an amount of RMB6,805,135.75 which the Company gained from the breach and imposed a fine of RMB20,415,407.25. In addition to the aforementioned, no significant breach of laws and regulations by the Company in all aspects or material risk occurrence was found by the Supervisory Committee.

**(2) *The performance of the Company's Directors and senior management***

During the Reporting Period, the Company's Directors and senior management carefully implemented each resolution of the general meeting of Shareholders of the Company, the Board and the Supervisory Committee, and brought them into practice vigorously; actively organized and carried out work plans of the Company and worked diligently; concretely strengthened measures of comprehensive risk management and compliance management, and operated steadily; consciously obeyed the professional ethics and standardized practicing acts to be incorruptible at work. Generally, under the leadership of the Board, the operation management seized opportunities which resulted in each major business indicator ranking top in the industry with outstanding operating results in 2016. The Supervisory Committee did not find that the Company's Directors and senior managers, in carrying out their duties, violated any laws, regulations or the Articles of Association of the Company or impaired the legitimate rights and interests of the Company, its Shareholders, employees, creditors and other Shareholders.

**(3) *Authenticity of the financial report***

During the Reporting Period, the Supervisory Committee carefully reviewed the Company's accounting statements and financial information. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu audited 2016 Annual Financial Report that was prepared by the Company in accordance with the PRC GAAP and IAS. Deloitte Touche Tohmatsu issued an audit report with standard unqualified opinions. The 2016 Annual Financial Report truthfully, accurately and completely reflected the Company's financial position and operating results.

**(4) *Implementation of the resolutions of general meetings***

During the Reporting Period, the Company held one general meeting, i.e. 2015 Annual General Meeting, in 2015, where a total of 14 resolutions were passed. The Supervisory Committee monitored the execution of resolutions of the general meeting. The Supervisory Committee believes that the Board of Directors and the management undertakes seriously its obligations under the relevant resolutions of the general meetings of the Company and does not do any act prejudicial to the interests of the Shareholders.

**(5) *The Company's internal control***

Having reviewed the Self-Assessment Report of Internal Control of GF Securities for the Year of 2016, the Supervisory Committee agreed with the report and concluded that the Company has further established and perfected internal control systems covering each business and management area of the Company, the internal control continued to be effective on 31 December 2016, and no major defect or important defect was identified in the internal control of financial reports and non-financial reports.

- (6) In 2016, the Company did not acquire any assets nor dispose of any major assets. The Supervisory Committee did not find any insider trading, any damage to Shareholders' interests or any assets loss of the Company.
- (7) The Company's connected transactions are fair and reasonable. No related party has misappropriated the Company's funds (except for the operating business), and there is no prejudice to the interests of the Company.

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

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

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

#### (I) Compliance management system

The Company has established the compliance management organization system for "board of directors (risk management committee) - compliance director - compliance and legal affairs department - various business lines". The Board of Directors of the Company assumes ultimate responsibility for the effective compliance management and internal control. The Risk Management Committee of the Board of Directors reviews and comments on the overall objectives, basic policies, settings of the compliance department and responsibilities thereof, and compliance reports of compliance management. The senior management of the Company assumes major responsibilities of compliance operation. The compliance director as the compliance officer of the Company reviews, supervises and inspects the compliance of the operation management and practices of the Company and its staff. The Company has established the compliance and legal affairs department to assist the compliance director in its work, and has established compliance and risk management posts in various departments, compliance officers in various subsidiaries, compliance and risk management specialists in various branches, and compliance and risk management posts at all business department to ensure full coverage of compliance management. In 2016, based on the principle of "ensuring independent and effective performance, and steadily promoting implementation of vertical compliance management", the Company continued to further enhance and improve the organizational structure of the compliance management system, among which:

1. At the level of head office departments: In 2016, the Company focused on information barrier walls, staff activities, anti-money laundering and operation risk management in order to further improve the compliance and risk management capabilities of the departments at the head office, deepen supervision and guidance, establish a regular communication, authorized examination and self-examination mechanism for the compliance and risk management work at the departments of the Company, reinforce business process control and enhance the internal control capabilities of the departments of the Company.

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2. At branch level: The compliance and risk management specialists are responsible for coordinating the compliance management within their jurisdiction, and the business departments establish compliance posts to help the compliance and risk management specialists of branches carry out compliance management of business departments. In April 2016, the Company fully promoted implementation of vertical management by the compliance and risk management specialists at branches, while the compliance department of the Company directly arranged the daily work of and performance appraisal for the compliance and risk management specialists, and encouraged the effective performance of duties by the compliance and risk management specialists, ensuring the effectiveness of compliance management. Currently, the Company has realized a dynamic process management on the work of the compliance and risk management specialists and achieved good result in vertical compliance management.
3. At the level of subsidiaries: In 2016, the Company further reinforced the compliance management of its subsidiaries by following and overseeing the management of the risk events of subsidiaries, directing and encouraging subsidiaries to carry out regulatory self-examination and correction, and improving the management work on information barrier walls between the parent company and its subsidiaries. The Company has initially established the system for compliance events reporting by wholly-owned subsidiaries to define the compliance management duties between the parent company and its subsidiaries, and built up a preliminary internal framework for the compliance management of wholly-owned subsidiaries. The Company will also, in compliance with the requirements of the recently issued Regulations on the Management of Private Equity Fund Subsidiaries of Securities Companies (證券公司私募基金子公司管理規範) and Regulations on the Management of Alternative Investment Subsidiaries of Securities Companies (證券公司另類投資子公司管理規範), encouraged its subsidiaries to focus more on their principal businesses while healthily regulating development.

### (II) Main work of compliance management during the Reporting Period

1. On improvement of compliance management system, the Company constantly improves the organizational structure of compliance management in the principle of “to protect independent and effective performance, and steadily boost vertical management of compliance”, fully strengthened vertical management of risk and compliance officers from its subsidiaries, and enhanced the strength and depth of coordination among the risk control positions of the business departments at the headquarter in 2016. In addition, the Company further strengthened compliance management over all its subsidiaries.

2. On compliance management system and workflow construction, the Company newly promulgated, revised and abolished 222 rules and regulations in total, covering all procedures before, in and after business operation in 2016. Up till now, there are more than 1,000 external legal norms and 700 internal regulations in the law and regulation database of the Company.
3. On construction of compliance management information system, the Company optimized and upgraded aspects such as firewall, anti-money laundering, compliance monitoring, compliance examination, credit archives in the compliance management system this year.
4. On management of the Chinese wall, the Company adhered to the concept of dynamic Chinese wall management and constantly strengthened monitoring and prevention of the risks resulting from improper flow of sensitive information and interest transfer.
5. On compliance consulting and compliance censorship, the compliance department of the Company constantly strengthened quality control of compliance review and consultation to meet the demand for the Company's business compliance and timely implementation by establishing a special consultation mechanism on daily business review and major problems to continuously improve the accuracy and professionalism of the advice on compliance. Meanwhile, the compliance department of the Company supervised the relevant departments to rectify and improve compliance risks identified in monitoring and inspection as well as business review, to timely identify risk vulnerabilities, and to constantly solidify the compliance basis.
6. On compliance examination and compliance monitoring, the Company actively and conscientiously carried out external inspection, and strictly followed all requirements on supervision. Meanwhile, the Company paid close attention to regulatory developments and business development trend, and intensified its efforts on internal control, inspection, self-inspection to timely discover problems and detect compliance risk.
7. On handling complaints, the Company handled and submitted a total of more than 200 customer complaints with the overall handling rate of more than 90% in 2016. In handling daily complaints, the Company effectively implemented customer-orient service concept through timely response to customers' demands in accordance with the law and in the principle of responsibility and patience. Furthermore, the Company actively cooperated with the dispute mediation institutions in the industry to handle various customer dispute mediation for properly settling customer disputes, further strengthening the protection of the interest of investors, especially small and medium investors, and effectively resolving the relevant risks.
8. On anti-money laundering, the Company revised the Management System on Anti-money Laundering in 2016 to make adjustment on the anti-money laundering system, specify the anti-money laundering management role of the Board, establish a leading group on anti-money laundering consisting of the Company's management as members and a working group on anti-money laundering with the Company's compliance department as the leader and all departments at the headquarter as participants to fully enhance the strategic importance of preventing anti-money laundering so as to constantly implement the "risk-based" regulatory requirements.



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9. On compliance appraisal and employee behavior management, the Company strengthened its compliance management, and promoted the compliance culture in order to safeguard the effective implementation of the laws and regulations, regulatory policies, industry standards and its internal system. In accordance with the Compliance Assessment Measures, compliance appraisal was carried out by the compliance director to deduct points for the entities which were responsible for management of risk caution or violations.

On employee behavior management, the Company further clarified the red line of employee practice and increased accountability penalties by regularly reporting the cases of employee violations, thereby achieving remarkable effects on management of employee practice behavior in 2016.

10. On compliance training and compliance culture propaganda, the Company carried out real-time compliance training centering around the hot issues on compliance and regulation in 2016 to fully strengthen the compliance awareness of the employees and to promote compliance culture of sound management. The training targets included all departments at the headquarter, some branches and some subsidiaries and the training content covered employee practice behavior management, firewall, anti-money laundering, proper management of financial product sales and interpretation of external regulations. In addition, the Company held a total of four stages of compliance culture construction activities, and urged the employees to study the laws and regulations, internal system, regulatory cases, judicial judgement, etc., to discuss and participate in compliance knowledge examinations for a full understanding of its compliance requirements.

### (III) Audit of auditing department

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

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

## X. APPRAISAL AND MOTIVATION OF SENIOR MANAGEMENT PERSONNEL

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



## XI. INTERNAL CONTROL CONSTRUCTION

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

The Company highly emphasizes construction of internal control system and relevant mechanisms. The Company will comprehensively consider internal environment, risk evaluation, controlling activities, information and communication and internal supervision according to the relevant stipulations under the Company Law, the Securities Laws, the Regulations on Supervision and Administration of Securities Firms, Guidelines on the Standardized Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange, the Hong Kong Listing Rules, and the Basic Standards for Enterprise Internal Control and its supporting guidelines, and keep improving its internal control system and further establish and complete one set of internal control system which matches with the business nature, scale and complexity of the Company. In order to better respond to economic transformation, frequent changes on the external regulations and policies, and the new situation in which the regulatory focus is shifted to inspection and supervision in the course and afterwards, and to further boost the Company's business innovation and transformation, and the realization of international development strategy, the Company has further strengthened the close connection between the existing rules and regulations, and external requirements, and has established a standardized mechanism and process in the form of system based on the standard and experience to carry out innovation and international business. Meanwhile, in order to promote the construction of the corporate culture management system, the Company has carried out audit and revision matching to secondary system corporate culture this year, and has protected and promoted the corporate culture heritage and the implementation of development projects by combining connotation and requirement of corporate culture concept into provisions.

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

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

At the combination of changes in the internal and external environments and the business working conditions, the Company selectively chooses some important joints to have arrangement and evaluation on internal control, timely tracks, discovers and rectifies defects in the internal control of the Company. Through the above work, the Company has complemented and modified missing and unimproved system regulations. Part of business flows and internal control measures have been refined and optimized to make all processes and workflows of the Company more reasonable and effective.

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

It is the responsibility of the Board of Directors to establish, complete and effectively implement internal control according to the stipulations in the internal control standard system of the Company, evaluate its effectiveness and reveal assessment report of internal control. The Board monitored, reviewed and evaluated the establishment, the implementation and the effectiveness of various risk management and internal control systems of the Company through the consideration of the Work Report of Risk Management Committee of the Company for the Year, the Work Report of Audit Committee for the Year, Annual Compliance Report, Internal Control and Evaluation Report for the Year and the Report of Risk Management for the Year. The Supervisory Committee will supervise the Board of Directors on its establishment and implementation of internal control. Operation management level is responsible for the daily functioning of internal control. The objectives of the internal control are to reasonably ensure validity and compliance of the operation management, assets safety, authenticity and completeness of financial reports and the relevant information and thus to enhance operation efficiency and effects so as to promote realization of the development strategy. Due to the inherent limitations of the internal control, it can only provide reasonable assurance for the realization of the above targets. The Company has established supervision and examination mechanism on internal control. Once defect in internal

control is recognized, the Company will immediately adopt rectification measures. Besides, changes in the situation will cause the internal control to become inappropriate or its degree on the compliance with the controlling policy and procedures will be lowered, there will be certain risks to the effectiveness of the internal control in the future as inferred by the result of the evaluation of the internal control.

The Company's audit department regularly evaluates its internal control, including risk management, especially for the previous year. The review mainly includes operation of the risk management system, the existing problems and the related suggestions. The Supervisory Committee has assessed the effectiveness of the Company's risk management since 2016 and issued an evaluation report on effectiveness. The review mainly includes the effectiveness of risk management measures, implementation of policies and systems, and disposal of risk events. In addition, the risk management department optimizes and improves the relevant risk management measures and means after regularly or irregularly reviewing the process, measures and systems of the relevant business risk management inside the Company to constantly enhance the Company's level of risk management.

The Board of Directors has commented on the internal control according to requirements of the Basic Standards of Enterprise Internal Control. It is of the view that the internal control continued to be effective on December 31, 2016, no major defect or important defect was identified in internal control of financial reports and non-financial reports.

In 2017, the Company will continue improving its internal control system, standardizing implementation of its internal control system, reinforcing supervision and examination of internal control according to the provisions and requirements of the Basic Standards of Enterprise Internal Control and the Corporate Governance Code in the view of changes in the external operation environment and actual demands of the development so that the Company can have a healthy and sustainable development.

### XIII. BASIS FOR ESTABLISHING INTERNAL CONTROL FOR FINANCIAL REPORTS

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

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

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## XIV. EVALUATION OF INTERNAL CONTROL

## (I) Details on the significant defects in internal control detected during the Reporting Period

None

## (II) Self-assessment report on internal control

Date of disclosure of the full text of Internal Control and Evaluation Report      March 25, 2017

Disclosure index of full text of Internal Control and Evaluation Report      For detailed information, please visit the website of CNINFO for the March 25, 2017 report ([www.cninfo.com.cn](http://www.cninfo.com.cn))

The percentage of total assets of units included in the evaluation scope to the total assets in the Company's consolidated financial statements      99%

The percentage of total operating income of units included in the evaluation scope to the operating income in the Company's consolidated financial statements      89%

**Defect recognition criteria**

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

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Quantitative criteria	<p>1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit.</p> <p>2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit.</p> <p>3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.</p>	<p>1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% of annual net profit (inclusive).</p> <p>2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit.</p> <p>3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.</p>	
The number of substantial defects in financial reports (unit: piece)			0
The number of substantial defects in non-financial reports (unit: piece)			0
The number of important defects in financial reports (unit: piece)			0
The number of important defects in non-financial reports (unit: piece)			0

## XV. INTERNAL CONTROL AUDIT REPORT

### Review of the internal control audit report

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

<b>Disclosure of internal control audit report</b>	Disclosed
<b>Disclosure date of full text of internal control audit report</b>	March 25, 2017
<b>Disclosure index of full text of internal control audit report</b>	For details, please see the website of CNINFO (www.cninfo.com.cn) and the website of HKExnews (www.hkexnews.hk) on March 25, 2017
<b>Opinion of the internal control audit report</b>	Standard and unqualified opinion
<b>Whether there is any substantial defect in the non-financial report</b>	No

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

Yes  No

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

Yes  No

## XVI. OTHER ISSUES ON CORPORATE GOVERNANCE

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

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

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

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

### (II) Appointment and remuneration of the auditor

Upon approval of the general meeting of Shareholders in 2015, the Company continued to appoint Deloitte Touche Tohmatsu Limited as external auditor in 2016, which will be responsible for providing

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relevant auditing services and reviewing and approving the financial statements in accordance with the China Accounting Principles and the International Financial Reporting Standards. The Company retains Deloitte Touche Tohmatsu Limited as the internal control auditing agency. Please see details of its employment and remuneration in VI. "Appointment and Removal of Accountants" in Section 6 "Significant Events" herein.

The Audit Committee and the Board of Directors agree to continue appointing Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as its international and domestic auditors in 2017 and will submit to the general meeting of Shareholders in 2016 for approval. For the period covered by this report, the Board did not have any disagreement with the Audit Committee's opinion on the election and appointment of external auditors.

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

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

### (IV) Company Secretary

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

During the Reporting Period, in order to better perform their duties and according to the requirements of the Hong Kong Listing Rules, Mr. Luo Binhua, secretary to the Board of Directors, had accepted professional training for over 43 hours, including the 42th Joint Member Intensified Continuous Professional Development Lecture of the Hong Kong Institute of Chartered Secretaries, the special business training organized by the Securities Association of China and the remote training organized by the Securities Association of China; Mr. Wan Ka Hung, joint company secretary, had received professional training for more than 15 hours including: the training on Decoding Consulting Paper Conclusion on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report(《解讀港交所就風險管理及內部監控發佈的諮詢文件:檢討企業管治守則及企業管治報告》), the Hong Kong Listing Rules Update - Environmental, Social and Governance Reporting Becoming a Must in 2016(《香港上市條例更新-環境、社會及管治報告從2016年起成為強制要求》), Quarterly Review of 2016 Annual General Meeting(《2016年股東週年大會季度回顧》), Overview of 2016 A + H Shareholders' General Meeting (《2016 A+H 股東大會概覽》) held by Hong Kong Securities Clearing Company Limited, the training seminar organised by the Hong Kong Stock Exchange in March 2016 on Issuer Training on Environmental, Social and Governance Reporting Guide and the professional training courses held by the Hong Kong Securities and Investment Institute.



## (V) Investor relations

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

During the Reporting Period, the Company made amendments to the Articles of Association of the Company, the Rules of Procedures for the Strategy Committee of the Board of Directors, the Rules of Procedure for the Risk Management Committee of the Board of Directors, the Rules of Procedures for the Remuneration and Nomination Committee of the Board of Directors, and the Rules of Procedures for the Audit Committee of the Board of Directors in accordance with the newly revised Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited by the Hong Kong Stock Exchange. The rules of procedures for all special committees of the Board of Directors have been effective since March 18, 2016 on which they were considered and approved by the Board of Directors. The Articles of Association of the Company has been effective since September 29, 2016 on which it was approved by the Guangdong Bureau of CSRC. Details of the relevant systems which are required to be disclosed can be found on the Company's website. Apart from that, there is no material change in the Articles of Association of the Company during the Reporting Period.

### 2. *Investor relation activities during the Reporting Period*

In 2016, the Company organized various types of interactions for investors and analysts, based on the regulatory requirements and its business development needs. The Company had enhanced its communications with investors through various tools such as dedicated hotlines, the Company's website, teleconference, onsite reception, strategy meetings, online interaction, stock commentator luncheon, analyst events and results announcements. The Company's management team and investor relation team held 41 times of meetings, cumulatively more than 70 meetings, with domestic and overseas institutional investors and analysts, and met over 200 institutional investors.

In March 2016, after its annual results were announced, the Company hosted the stock commentator luncheon and held analyst events and results presentation at site, to further introduce its results and operations to investors. The Company invited analysts for in-depth communication and invited over 100 investors, which deepened the investors' understanding of the Company's operations and performance. In order to strengthen the communications with the market, the Company timely and effectively delivered its operating conditions and performance through telephone communication with analysts and investors after the release of quarterly and interim results. The Company attaches great importance to the communications with small and medium-sized investors, and actively responds to questions raised by investors on the interactive platform of the SZSE. By setting up two hotlines for investors, the Company has maintained smooth and efficient communications with investors.

In 2017, the Company will continue to optimize the construction of the website for the Company's investors relations, the functions of investor hotlines, mailbox and website, so that investors can understand the Company's development in a convenient, fast, prompt and all-round way. The Company will also further enrich investor relation activities, and provide better services to investors and analysts.

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

## Corporate Governance

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

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

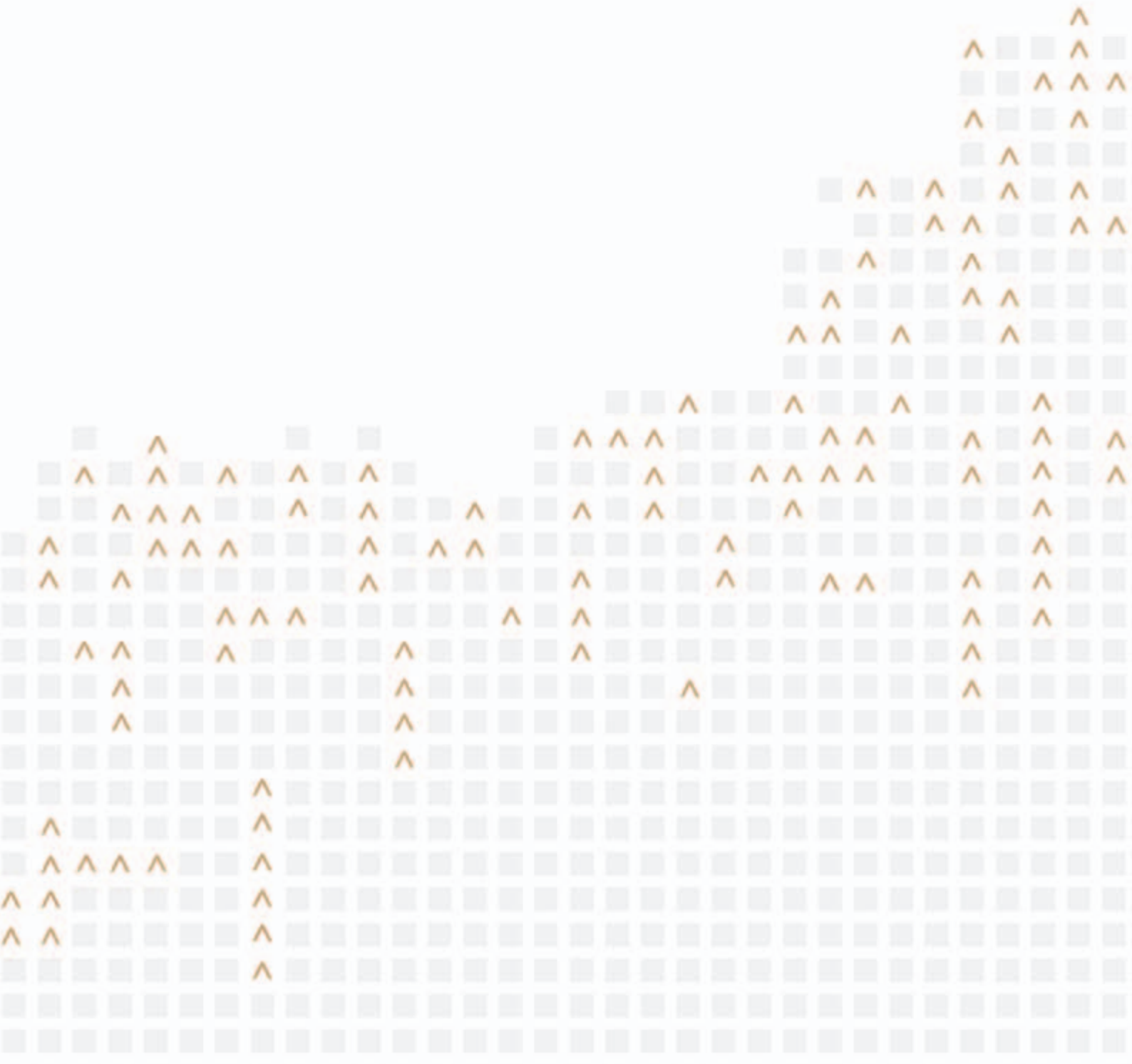
During the daily business operation of the Company, the Chairman of the Board of Directors and the general manager are the primary persons responsible for maintaining confidentiality of the Company's inside information; while the deputy general manager and other senior management staff are the primary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

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

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

公司債券相關情況

## CORPORATE BONDS



# Corporate Bonds

## I. BASIC INFORMATION OF BONDS OF THE COMPANY

Being considered and approved by the 24th meeting and the 26th meeting of the seventh session of the Board and considered and approved by the 3rd extraordinary general meeting of shareholders in 2012 and the 1st extraordinary general meeting of shareholders in 2013, the Company was approved to publicly issue corporate bonds of not more than RMB12 billion (inclusive) with a term of not more than 10 years (inclusive). On May 17, 2013, with the review of the CRSC Issuance Examination Commission, the application for the public issuance of corporate bonds was approved. On May 31, 2013, the Company has obtained the “Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds (Zheng Jian Xu Ke [2013] No. 725)” (“Reply”) (《關於核准廣發證券股份有限公司公開發行公司債券的批覆》(證監許可[2013]725號)文件) from the CSRC and was approved to publicly issue corporate bonds with a face value of not more than RMB12 billion to the public. The Reply would be valid within 24 months from the date of approval of issuance.

On June 19, 2013, the Company completed the issuance of corporate bonds for the current period. There were three types of bonds during this period. The details of the bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Balance of Bond (RMB10,000)	Coupon	Debt Service
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13GF01	112181	June 19, 2013	June 17, 2018	150,000	4.50%	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type II)	13GF02	112182	June 19, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13GF03	112183	June 19, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds		SZSE					
Appropriateness arrangement of investors							Target investors are social public investors who hold security accounts with the initial letters of A, B, D or F opened in the registered companies (excluding purchasers prohibited by laws and regulations) and institutional investors opening eligible securities accounts in the registered companies (excluding purchasers prohibited by laws and regulations).  Investors shall not subscribe by illegally making use of accounts or funds of others, or illegally financing or financing for others. Investors subscribing or holding bonds of this term shall observe relevant laws and regulations and the relevant provisions of the CSRC and assume corresponding legal responsibilities on their own.
Interest payment of corporate bonds during the Reporting Period							On June 19, 2016, the Company paid the interest for the above corporate bonds from June 17, 2015 to June 16, 2016. Wherein, the interest for “13GF01”, “13GF02” and “13GF03” are RMB4.50 (with tax)/piece, RMB4.75 (with tax)/piece and RMB5.10 (with tax)/piece respectively.
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if any).							“13GF01” includes special articles for redemption and redenomination interest rate.  Redemption: after the issuer has issued the announcement for whether increase the nominal interest rate of 3+2-year type of bonds of the term or increase the range, investors have the right to choose to sell back their all or part 3+2-year type of bonds of the term to the issuer at par on the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term. Redenomination interest rate: the issuer has the right to decide if to increase the nominal interest rate of 2 years after increasing bonds of the term as at the 3rd year during the duration for such 3+2-year type of bonds of the term. The issuer will publish on the information disclosure media designated by the CSRC for the announcement that if to increase the nominal interest rate of 3+2-year type of bonds of the term or increase the range on the 30th trading day prior to the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term. If the issuer has not executed its right to increase the interest rate, the original nominal interest rate for that for the duration of 3+2-year type of bonds of the term will remain the same.  On June 19, 2016, which is the third year end of “13GF01”, the Company chose not to increase the nominal interest rate of “13GF01” (ie. the redenomination interest rate of “13GF01” for the 2 years after the annual payment date remain unchanged at 4.50%) , having based on the actual situation of the Company and the prevailing market condition. Pursuant to the requirement of “Prospectus of GF Securities Co., Ltd. to Publicly Issue 2013 Corporate Bonds” 《廣發證券股份有限公司公開發行公司債券募集說明書》, the Company released an “Announcement Regarding Non-redemption Interest Rate of “13GF01” and Implementation Measures on Redemption by Investors” (《關於13廣發01票面利率不調整和投資者回售實施辦法的公告》)。Following the announcement, none of the bondholders has chosen to sell back, all or part of, the “13GF01” at par to the issuer.

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

### Bond trustee:

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

Name	China Cheng Xin Securities Credit Rating Co., Ltd.	Business address	8th floor, Anji Mansion, No. 760, Xizangnanlu, Huangpu District, Shanghai
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Reason of change, procedures to be conducted and influence on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed (if applicable)

During the Reporting Period, there were no changes in the bond trustee and credit rating agency.

## III. USE OF PROCEEDS FROM BOND OFFERING

Use of proceeds from bond offering	The proceeds from corporate bond offering, with the offering expenses deducted, have all been used to replenish the Company's working capital.
Year-end balance (RMB10,000)	1,200,000
Operation of special account for the funds raised	When the aforesaid corporate bond was issued, the Company designated a special account for the collection of funds raised according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been fully used to replenish the Company's working capital according to the plan set forth in the prospectus.
Consistency of the use of proceeds with the commitments, the planned use and other agreements in the prospectus	The use of proceeds is consistent with the commitments, the planned use and other agreements in the prospectus.

## IV. CORPORATE BOND RATING

When the aforesaid 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) and Credit Rating Reports on Corporate Bond of GF Securities Co., Ltd. in 2013 issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance. CCXR's AAA rating of the corporate bonds of GF Securities Co., Ltd. in 2013 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 15, 2016, CCXR updated and maintained the AAA rating of the aforesaid corporate bonds.

## Corporate Bonds

**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 plan of the above corporate bonds is as follows: interest shall be paid once every year within the duration of the bonds and the last batch of interest shall be paid together with the principal. The “13GF01” shall be paid on June 17 every year from 2014 to 2018, and if an investor exercises the put option, the interest of such bonds shall be paid on June 17 every year from 2014 to 2016, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period; “13GF02” interest shall be paid on June 17 every year from 2014 to 2018, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period; “13GF03” interest shall be paid on June 17 every year from 2014 to 2023, and the above-mentioned payment date shall be postponed to the next business day if it is a legal holiday or rest day, and no interest shall be accrued during such period. The bond interest for this period shall be paid through registration authorities and relevant institutions. The detailed matters about interest payment shall be explained through the interest payment announcement by the issuer through the media designated by the CSRC according to the relevant national provisions. According to the national tax law and regulations, the investor shall assume the relevant tax payable for the bonds invested in this period.

The Company’s debt repayment safeguard measures include: establishing the Bondholder Meeting Rules; retaining a bond manager; establishing special repayment work team; improving profitability and optimizing structure of assets and liabilities; strong comprehensive strength and good credit of the Company; and disclosing information strictly. Furthermore, if it is predicted that the interest and principal of the bonds cannot be repaid on time when due or if the interest and principal of the bonds cannot be repaid at the end of the period, the Company shall at least adopt the following measures: 1. no profits shall be distributed to the shareholders; 2. significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed; 3. salary and bonus of Directors and senior management shall be reduced or suspended; and 4. the main responsible person shall not be transferred.

During the Reporting Period, the above corporate bond’s credit increase mechanism, debt repayment schedule and the other debt repayment supporting measures 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, China Merchants Securities Co., Ltd., as the trustee of “GF Securities 2013 Corporate bond”, strictly performed the relevant obligations as a trustee in 2015 according to relevant laws, rules and regulations such as the Management Measures on Corporate Bond Issuance and Trading, and the Code of Conduct for Corporate Bond Trustee; while performing the relevant responsibilities of a trustee, China Merchants Securities Co., Ltd., had no conflict of interests with the Company.

The Report on the Trusteeship of GF Securities 2013 Corporate Bond Publicly Issued (2016), to be issued by China Merchants Securities Co., Ltd., is expected to be disclosed publicly on the Shenzhen Stock Exchange by June 2017. Investors are advised to pay attention to this.



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

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

During the Reporting Period, the Company has paid interests for a total of four short-term corporate bonds, in accordance with the Notice of the Shenzhen Stock Exchange on Accepting the Registration of GF Securities Co., Ltd. for Issuing Short-term Corporate Bond of Securities Firms in 2014 (Shen Zheng Shang [2014] No. 410) (《關於接受廣發證券股份有限公司2014年度證券公司短期公司債券發行備案的通 知書》(深證上[2014]410號)) and the No Objection Letter to GF Securities Co., Ltd. for the Short-Term Corporate Bond of Securities Firms in 2015 Meeting Transfer Conditions of the SZSE (Shen Zheng Han [2015] No. 551) (《關於廣發證券股份有限公司2015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[2015]551號)):

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (days)	Coupon	Interest payment
GF 1501	300,000	March 9, 2015	365	5.30%	Principal and interest paid upon maturity on March 8, 2016
GF 1503	600,000	May 19, 2015	366	4.30%	Principal and interest paid upon maturity on May 19, 2016
GF 1505	600,000	May 27, 2015	240	4.34%	Principal and interest paid upon maturity on January 22, 2016
GF 1601	300,000	March 14, 2016	95	2.90%	Principal and interest paid upon maturity on June 17, 2016

As of the end of the Reporting Period, three of the Company's short-term corporate bonds have not matured. The total balance was RMB15 billion. Key information on these bonds is as below:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (days)	Coupon
GF 1602	500,000	April 15, 2016	365	3.10%
GF 1603	500,000	May 13, 2016	270	3.28%
GF 1604	500,000	May 23, 2016	365	3.27%

## Corporate Bonds

### (II) Interest payment for subordinated bonds

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

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

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



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

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (years)	Coupon	Interest payment
14 GF 01	300,000	July 24, 2014	2+2	5.70%	On July 25, 2016, the Company exercised its rights of redemption, with both principal and paid interest accrued from July 24, 2015 to July 23, 2016
14 GF 02	300,000	July 24, 2014	3+2	5.90%	On July 25, 2016, the Company paid interest accrued from July 24, 2015 to July 23, 2016
15 GF 01	300,000	January 30, 2015	1+2	5.55%	On February 1, 2016, the Company exercised its rights of redemption, with both principal and paid interests from January 30, 2015 to January 29, 2016
15 GF 02	350,000	March 30, 2015	1+2	5.40%	On March 30, 2016, the Company exercised its rights of redemption, with both principal and paid interests from March 30, 2015 to March 29, 2016
15 GF 03	900,000	April 29, 2015	1+2	5.40%	On April 29, 2016, the Company exercised its rights of redemption, with both principal and paid interests from April 29, 2015 to April 28, 2016
15 GF 04	600,000	May 29, 2015	1+2	5.00%	On May 30, 2016, the Company exercised its rights of redemption, with both principal and paid interests from May 29, 2015 to May 28, 2016

## Corporate Bonds

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (years)	Coupon	Interest payment
15 GF 05	900,000	May 29, 2015	2	5.35%	On May 30, 2016, the Company paid interest accrued from May 29, 2015 to May 28, 2016
15 GF 06	500,000	June 8, 2015	1+2	5.00%	On June 8, 2016, the Company exercised its rights of redemption, with both principal and paid interests from June 8, 2015 to June 7, 2016
15 GF 07	800,000	June 15, 2015	2+1	5.40%	On June 15, 2016, the Company paid interest accrued from June 15, 2015 to June 14, 2016

As of the end of the Reporting Period, ten of the Company's subordinated bonds, in a total balance of RMB52.3 billion were outstanding. Key information on these bonds as of the end of the Reporting Period is as below:

Bond name	Offering size (RMB10,000)	Value date	Bond maturity (years)	Coupon
14 GF 02	300,000	July 24, 2014	3+2	5.90%
15 GF 05	900,000	May 29, 2015	2	5.35%
15 GF 07	800,000	June 15, 2015	2+1	5.40%
16 GF 01	430,000	May 9, 2016	1+2	3.30%
16 GF 02	500,000	June 13, 2016	2+1	3.50%
16 GF 03	500,000	June 21, 2016	3+2	3.70%
16 GF 04	500,000	July 19, 2016	2+2	3.35%
16 GF 05	500,000	August 17, 2016	2	3.03%
16 GF 06	400,000	August 29, 2016	3	3.30%
16 GF 07	400,000	September 14, 2016	3	3.50%

**(III) Interest payment for private corporate bonds**

During the Reporting Period, the Company has not paid interest for the private corporate bonds. As of the end of the Reporting Period, one of the Company's private corporate bonds, in a total balance of RMB300 billion was outstanding, with key information as below:

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

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

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

The Company did not borrow from banks during the Reporting Period, and there was no outstanding bank loan at the end of the Reporting Period. The Company is a member of the interbank market. It paid back the credit inter-bank interest and principal on a timely basis during the Reporting Period, and the outstanding fund borrowed from banks was RMB1,500,000,000 as of the end of Reporting Period.

**X. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT OF THE CORPORATE BOND DURING THE REPORTING PERIOD**

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

**XI. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD**

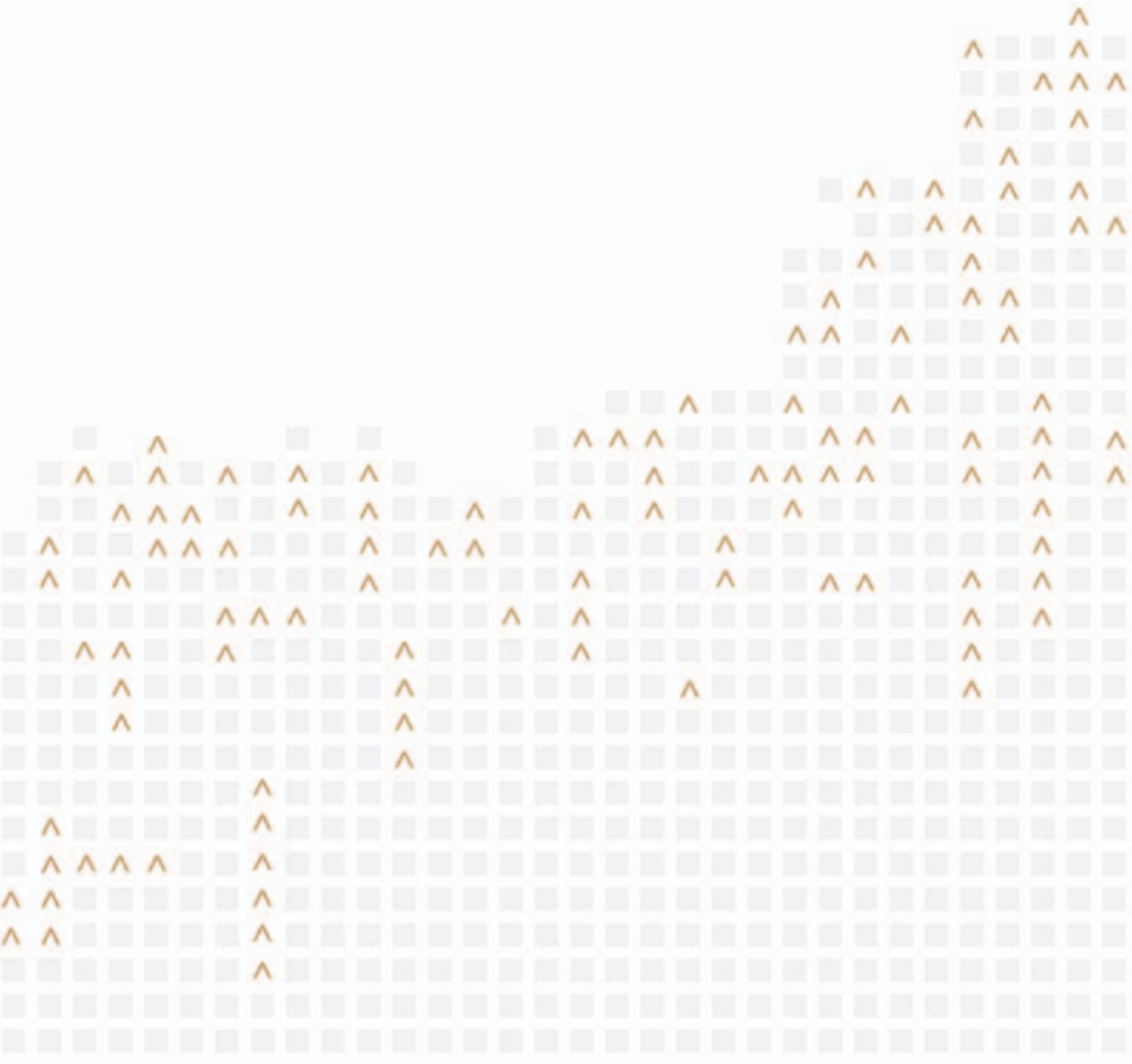
During the Reporting Period, there were no major issues as listed in Article 45 of the Management Measures on Corporate Bond Issuance and Trading.

**XII. GUARANTOR FOR THE CORPORATE BOND**

None

# 備查文件目錄

## DOCUMENTS AVAILABLE FOR INSPECTION



## Documents Available for Inspection

- (1) Texts of the annual report with the signature of the legal representative of the Company.
- (2) Text of the financial statements (H Share).
- (3) The original text of the auditor's report issued by Deloitte Touche Tohmatsu.
- (4) The original copies of all corporate documents and announcements publicly disclosed on newspapers designated by the CSRC during the Reporting Period.
- (5) Other relevant materials.

## Independent Auditor's Report

**Deloitte.**  
德勤

德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

### To the Shareholders of GF Securities Co., Ltd.

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

### OPINION

We have audited the consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 243 to 400, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matter

### Determination of consolidation scope

We identified the determination of consolidation scope as a key audit matter as the Group holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as investment manager or investment consultant and also as investor.

As disclosed in note 4, for collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

The Group applied significant judgement in determining whether such investments fall within the consolidation scope under IFRS 10 "Consolidated Financial Statements". The effect of consolidation or not of these structured entities will have significant impact on the consolidated financial statements of the Group.

As at 31 December 2016, the total net assets of unconsolidated structured entities in which the Group acted as investment manager and held financial interests amounted to RMB512,804.39 million as disclosed in note 25.

Details of consolidated structured entities are set out in note 68.

## How our audit addressed the key audit matter

Our procedures in relation to management's determination of consolidation scope included:

- Assessing and evaluating the design and operating effectiveness of key controls of management in determining the consolidation scope as set out in IFRS10 of interests in structured entities;
- Examining, on a sample basis, the related sales and purchase agreements and other related service agreements of investments in structured entities newly acquired or with changes in investment holdings or terms during the year to assess whether or not the consolidation criteria are met;
- Challenging and assessing management judgement in applying IFRS 10 to each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.

## Independent Auditor's Report

### Impairment of available-for-sale financial assets

We identified the impairment of available-for-sale equity instruments, which include equity investments, funds and others, as a key audit matter as the Group applied significant judgement in determining the impairment of available-for-sale equity instruments of RMB26,075.39 million, of which RMB23,010.13 million were recorded at fair value and RMB3,065.26 million were recorded at cost less impairment.

For these available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment. As disclosed in note 4, for listed available-for-sale equity investments, funds and others, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. An impairment allowance of RMB62.34 million, comprised of RMB10.65 million and RMB51.69 million for non-current equity instruments and current equity instruments respectively, was recorded as at 31 December 2016 as disclosed in note 26.

Unlisted available-for-sale equity investments of RMB3,065.26 million, representing equity investments in unlisted companies made by the Group, are measured at cost less impairment. When assessing impairment of these available-for-sale equity investments, the Group applied significant judgement in assessing objective evidence for impairment and determining the recoverable amount as disclosed in note 4. An impairment allowance of RMB286.10 million was recorded as at 31 December 2016 as disclosed in note 26.

Our procedures in relation to the impairment assessment of available-for-sale financial assets included:

- Assessing and evaluating the design and operating effectiveness of key controls of management in the identification of available-for-sale financial assets with indicators of impairment;
 

Available-for-sale financial assets measured at fair value
- Assessing the judgement applied by management in determining whether the available-for-sale financial assets are impaired and checking, on a sample basis, the data used by management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data.
- Checking management's calculations of the impairment allowance for available-for-sale financial assets measured at fair value.
 

Available-for-sale financial assets measured at cost less impairment
- Assessing, on a sample basis, the appropriateness of the estimation of the recoverable amount generated from discounted cash flows made by the management by checking to latest financial information of those equity investments and comparable industry information.



### Impairment of advances to customers

We identified the estimation of impairment of advances to customers, which primarily comprise loans to margin clients, as a key audit matter due to the significance of advances to customers and the significant judgement applied by the management in assessing the value of collateral and the recoverable amount for individual impairment and assumptions applied by the management in the collective impairment model to determine collective assessment of impairment.

As disclosed in note 4, the Group assesses the value of advances to customers firstly on an individual basis principally by reviewing the collateral received and the creditworthiness of the customers then on a collective basis in determining the impairment. For collective impairment allowance for loans, the Group evaluates the probability of default, loss given default and exposure at default of accounts and on management's judgement.

As at 31 December 2016, the Group held loans to margin clients of RMB57,875.80 million, less impairment allowance of RMB90.63 million as disclosed in note 28.

Our procedures in relation to the management's impairment assessment of advances to customers included:

- Assessing and evaluating the design and operating effectiveness of the key controls of the management over the identification of impairment indicators and measurement of impairment allowances;
- Checking, on a sample basis, the accuracy of the calculation of the shortfall of loans to margin clients after deduction of the recoverable amounts of securities collateral;
- For individual impairment, checking, on a sample basis, the existence and accuracy of the recoverable amount of the securities collateral, to supporting documents and with reference to closing market prices;
- For collective assessment, evaluating the appropriateness and reasonableness of the collective impairment model and assumptions used by the management and checking management's calculations of the collective impairment allowance.

## Independent Auditor's Report

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- o Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- o Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- o Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- o Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- o Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is M. Y. Tong.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

24 March, 2017

## Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue			
Commission and fee income	6	13,390,788	20,046,440
Interest income	7	7,830,720	12,336,200
Net investment gains	8	6,510,790	10,396,215
Total revenue		27,732,298	42,778,855
Other income and gains or losses	9	(244,375)	(46,040)
Total revenue and other income		27,487,923	42,732,815
Depreciation and amortisation	10	(293,417)	(279,485)
Staff costs	11	(6,586,871)	(10,913,683)
Commission and fee expenses	12	(375,942)	(461,441)
Interest expenses	13	(6,542,655)	(8,942,914)
Other operating expenses	14	(2,963,403)	(4,337,292)
Impairment losses	15	(423,439)	(282,100)
Total expenses		(17,185,727)	(25,216,915)
Share of results of associates and joint ventures		402,864	289,812
Profit before income tax		10,705,060	17,805,712
Income tax expense	16	(2,295,738)	(4,193,359)
Profit for the year		8,409,322	13,612,353
Attributable to:			
Owners of the Company		8,030,107	13,201,014
Non-controlling interests		379,215	411,339
		8,409,322	13,612,353
Earnings per share (Expressed in RMB Yuan per share)			
– Basic	17	1.05	1.85
– Diluted	17	N/A	1.85

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	<b>8,409,322</b>	13,612,353
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Net fair value changes during the year	<b>(789,194)</b>	5,013,957
Reclassification adjustment to profit or loss on disposal	<b>(1,175,077)</b>	(4,085,008)
Reclassification adjustment to profit or loss on impairment	<b>247,619</b>	—
Income tax impact	<b>390,206</b>	(150,028)
Subtotal	<b>(1,326,446)</b>	778,921
Share of fair value gain on available-for-sale financial assets of associates and joint ventures	<b>(61,455)</b>	46,323
Exchange differences arising on translation	<b>357,840</b>	153,887
Share of exchange differences arising on translation of associates	<b>1,548</b>	9,673
Other comprehensive income for the year, net of income tax	<b>(1,028,513)</b>	988,804
Total comprehensive income for the year	<b>7,380,809</b>	14,601,157
Attributable to:		
Owners of the Company	<b>7,107,785</b>	14,114,240
Non-controlling interests	<b>273,024</b>	486,917
	<b>7,380,809</b>	14,601,157

## Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non-current assets</b>			
Property and equipment	18	1,761,438	1,579,745
Prepaid lease payments	19	308,087	317,715
Investment properties	20	23,539	25,275
Goodwill	21	2,321	2,174
Other intangible assets	22	258,276	213,943
Investments in associates	23	3,089,121	2,552,462
Investments in joint ventures	24	681,500	795,042
Available-for-sale financial assets	26	19,676,173	17,850,015
Loan and receivable investments	27	559,492	499,640
Advances to customers	28	814,957	220,837
Other accounts receivable, other receivables and prepayments	30	232,766	—
Financial leasing receivables	31	1,713,908	—
Financial assets held under resale agreements	33	3,879,213	1,835,232
Pledged/restricted bank deposits	38	80,000	80,000
Deferred tax assets	40	783,339	269,442
Total non-current assets		<u>33,864,130</u>	<u>26,241,522</u>
<b>Current assets</b>			
Prepaid lease payments	19	9,628	9,628
Available-for-sale financial assets	26	72,404,483	78,732,563
Loan and receivable investments	27	1,831,243	99,953
Advances to customers	28	58,186,338	68,969,706
Accounts receivable	29	2,212,377	2,519,141
Other accounts receivable, other receivables and prepayments	30	2,870,705	3,426,486
Financial leasing receivables	31	666,357	—
Amounts due from associates	32	5,784	12,194
Financial assets held under resale agreements	33	18,081,989	11,910,685
Financial assets at fair value through profit or loss	34	61,732,121	83,912,240
Derivative financial assets	35	692,456	270,579
Deposits with exchanges and non-bank financial institutions	36	5,132,685	5,277,796
Clearing settlement funds	37	21,742,626	31,222,061
Pledged/restricted bank deposits	38	70,948	242,008
Bank balances	38	80,297,484	106,250,453
Total current assets		<u>325,937,224</u>	<u>392,855,493</u>
Total assets		<u><u>359,801,354</u></u>	<u><u>419,097,015</u></u>

## Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Current liabilities</b>			
Borrowings	41	4,863,874	896,010
Short-term financing payables	42	16,329,741	21,643,800
Financial liabilities at fair value through profit or loss	43	4,143,970	—
Due to banks and other financial institutions	44	10,606,395	1,750,000
Accounts payable to brokerage clients	45	85,726,525	118,137,085
Accounts payable to underwriting clients		—	350,000
Accrued staff costs	46	7,142,049	7,812,465
Other accounts payable, other payables and accruals	47	7,446,713	8,427,933
Provisions	48	33,360	60,581
Current tax liabilities		739,840	982,736
Other liabilities	49	12,887,728	10,515,964
Derivative financial liabilities	35	692,012	309,454
Financial assets sold under repurchase agreements	50	50,549,266	85,395,761
Bonds payable	55	15,250,564	6,976,681
Long-term loans	56	160,566	—
Total current liabilities		<b>216,572,603</b>	263,258,470
Net current assets		<b>109,364,621</b>	129,597,023
Total assets less current liabilities		<b>143,228,751</b>	155,838,545



Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Capital and reserves</b>			
Share capital	51	7,621,088	7,621,088
Capital reserve		31,864,053	31,864,032
Investment revaluation reserve	52	1,430,709	2,708,507
Translation reserve		418,619	63,143
General reserves	53	15,207,816	13,029,223
Retained profits	54	21,987,925	22,233,281
Equity attributable to owners of the Company		78,530,210	77,519,274
Non-controlling interests		2,823,126	2,301,555
Total equity		81,353,336	79,820,829
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	43	472,404	—
Other accounts payable, other payables and accruals	47	81,605	—
Deferred tax liabilities	40	131,280	278,362
Bonds payable	55	58,274,033	72,270,186
Long-term loans	56	2,568,684	3,469,168
Other liabilities	49	347,409	—
Total non-current liabilities		61,875,415	76,017,716
Total equity and non-current liabilities		143,228,751	155,838,545

The consolidated financial statements on pages 243 to 400 were approved and authorised for issue by the board of directors on 24 March 2017 and are signed on its behalf by:

**Sun Shuming**  
DIRECTOR

**Lin Zhihai**  
DIRECTOR

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Notes	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal		
	RMB'000 (Note 51)	RMB'000 (i)	RMB'000 (Note 52)	RMB'000	RMB'000 (Note 53)	RMB'000	RMB'000		
At 1 January 2015	5,919,291	8,587,817	1,952,136	(93,712)	9,397,723	13,847,625	39,610,880	1,766,576	41,377,456
Profit for the year	—	—	—	—	—	13,201,014	13,201,014	411,339	13,612,353
Other comprehensive income for the year	—	—	756,371	156,855	—	—	913,226	75,578	988,804
Total comprehensive income for the year	—	—	756,371	156,855	—	13,201,014	14,114,240	486,917	14,601,157
Issuance of H shares	1,701,797	23,694,517	—	—	—	—	25,396,314	—	25,396,314
Transaction cost of issuing H shares	—	(418,302)	—	—	—	—	(418,302)	—	(418,302)
Capital injection from non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	159,234	159,234
Change in equity interests of subsidiaries without loss of control	—	—	—	—	—	—	—	(2,500)	(2,500)
Appropriation to general reserves	—	—	—	—	3,631,500	(3,631,500)	—	—	—
Dividends recognised as distribution	—	—	—	—	—	(1,183,858)	(1,183,858)	(108,672)	(1,292,530)
At 31 December 2015	7,621,088	31,864,032	2,708,507	63,143	13,029,223	22,233,281	77,519,274	2,301,555	79,820,829
Profit for the year	—	—	—	—	—	8,030,107	8,030,107	379,215	8,409,322
Other comprehensive income for the year	—	—	(1,277,798)	355,476	—	—	(922,322)	(106,191)	(1,028,513)
Total comprehensive income for the year	—	—	(1,277,798)	355,476	—	8,030,107	7,107,785	273,024	7,380,809
Capital injection from non-controlling shareholders of non-wholly owned subsidiaries	—	—	—	—	—	—	—	339,879	339,879
Appropriation to general reserves	—	—	—	—	2,178,593	(2,178,593)	—	—	—
Dividends recognised as distribution	57	—	—	—	—	(6,096,870)	(6,096,870)	(91,332)	(6,188,202)
Other	—	21	—	—	—	—	21	—	21
At 31 December 2016	7,621,088	31,864,053	1,430,709	418,619	15,207,816	21,987,925	78,530,210	2,823,126	81,353,336

(i) Capital reserve movement of the Group during the year arises from the selling of scrap shares.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	10,705,060	17,805,713
Adjustments for:		
Interest expenses	6,542,655	8,942,914
Share of results of associates and joint ventures	(402,864)	(289,812)
Depreciation and amortisation	293,417	279,485
Impairment losses	423,439	282,100
Gain on disposal of property and equipment and other intangible assets	(2,310)	(1,526)
Foreign exchange losses (gains), net	25,777	(294,674)
Net realised gains from disposal of available-for-sale financial assets	(1,216,911)	(4,085,008)
Dividend income and interest income from available-for-sale financial assets	(2,575,867)	(2,032,530)
Gain on other investments	(297)	(6)
Interest income and net realised gains from loan and receivable investments	(96,060)	(63,465)
Unrealised fair value changes in financial assets at fair value through profit or loss	112,049	(183,965)
Unrealised fair value changes in financial liabilities at fair value through profit or loss	(68,218)	—
Unrealised fair value changes in derivatives	(35,452)	42,275
Operating cash flows before movements in working capital	13,704,418	20,401,501
Decrease (increase) in advances to customers	10,213,297	(4,494,699)
Decrease in due from banks	—	1,000,000
Increase in other current assets	(1,820,711)	(1,064,852)
Decrease (increase) in interest receivables	436,060	(969,668)
Increase in financial assets held under resale agreements	(8,264,996)	(1,469,363)
Decrease (increase) in financial assets at fair value through profit or loss	21,666,713	(56,963,387)
Increase in financial liabilities at fair value through profit or loss	4,684,592	—
Decrease (increase) in deposits with exchanges and non-bank financial institutions	145,111	(2,242,856)
Decrease (increase) in pledged/restricted bank deposits	171,060	(240,008)
Decrease (increase) in clearing settlement funds-clients	10,578,580	(6,595,221)
Decrease (increase) in cash held on behalf of customers	21,389,206	(39,644,597)
(Decrease) increase in accounts payable to brokerage clients	(32,410,560)	46,671,522
(Decrease) increase in accrued staff costs	(670,416)	4,610,563
Increase in other accounts payable, other payables and accruals and other liabilities	2,701,714	9,945,930
(Decrease) increase in financial assets sold under repurchase agreements	(34,846,495)	30,684,032
Increase in due to banks and other financial institutions	8,856,395	627,000
(Decrease) increase in provisions	(27,221)	27,221
Cash from operations	16,506,747	283,118
Income taxes paid	(2,812,204)	(4,314,267)
Interest paid	(2,579,720)	(3,659,945)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>11,114,823</b>	<b>(7,691,094)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
<b>INVESTING ACTIVITIES</b>			
Dividends and interest received from investments		2,924,140	2,296,547
Purchases of property and equipment and other intangible assets		(389,460)	(390,179)
Proceeds from disposal of property and equipment and other intangible assets		4,520	19,984
Capital injection to associates		(303,156)	(888,577)
Capital injection to joint ventures		(214,871)	(699,020)
Disposal of associates		1,224	95,066
Acquisition of subsidiaries	69	16,176	—
Cash inflows arising from the consolidation of collective asset management schemes and funds		—	68,141
Cash outflows arising from the deconsolidation of collective asset management schemes and funds	49	(33,483)	(108,499)
Purchases or proceeds on disposal of available-for-sale financial assets, net		4,005,758	(57,946,352)
Purchases of loan and receivable investments		(2,085,778)	(241,416)
Proceeds from disposal of loan and receivable investments		268,253	250,515
Payment on other investment activities		(164,666)	(91,110)
Proceeds from other investment activities		30,000	14,549
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>4,058,657</b>	<b>(57,620,351)</b>

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
<b>FINANCING ACTIVITIES</b>			
Dividends paid to shareholders		(6,188,202)	(1,292,530)
Repayment of borrowings interest		(133,818)	(29,054)
Repayment of short-term financing payables and bonds interest		(4,720,061)	(2,624,944)
Repayment of long-term loans interest		(181,142)	(211,199)
Capital injection from non-controlling shareholders		339,879	159,234
Reduction of share capital paid to non-controlling shareholders		—	(2,500)
Proceeds from short-term financing payables and bonds issued		61,611,358	98,277,470
Proceeds from borrowings		3,967,864	—
Proceeds from long-term loans		2,260,082	469,168
Repayment of long-term loans		(3,000,000)	—
Repayment of short-term financing payables and bonds issued		(72,352,127)	(53,414,210)
Repayment of borrowings		—	(389,897)
Decrease in pledged/restricted bank deposits		—	399,148
Proceeds from sale of scrap shares		21	—
Proceeds from issuance of H shares		—	25,396,314
Transaction cost paid on issuance of H shares		(366,257)	(57,154)
Proceeds from other financing activities		31,219	—
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		<b>(18,731,184)</b>	66,679,846
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,557,704)</b>	1,368,401
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>20,382,120</b>	18,973,572
Effect of foreign exchange rate changes		93,086	40,147
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	39	<b>16,917,502</b>	20,382,120

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 1. GENERAL INFORMATION OF THE GROUP

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

The registered office of the Company is located at 43rd Floor, (Room 4301-4316) Metro Plaza, No. 183-187, Tianhe North Road, Tianhe District, Guangzhou, the People's Republic of China ("PRC").

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied a number of amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior year and on the disclosures set out in the consolidated financial statements.

The Group has not early applied the following new and amendments to IFRSs which are relevant to the Group that have been issued but are not yet effective.

IFRS 9	Financial instruments <sup>1</sup>
IFRS 15	Revenue from contracts with customers <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>1</sup>
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 7	Disclosure Initiative <sup>4</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to IAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the application of the new and revised IFRSs will have no material impact on the Group’s financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

#### IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

*Key requirements of IFRS 9 which are relevant to the Group are:*

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued**

Application of IFRS 9 in the future may have following impacts on the financial assets of the Group:

- The Group classified equity investments of RMB5,958.32 million, funds of RMB3,504.71 million and other investments of RMB13,547.10 million as available-for-sale financial assets as at 31 December 2016. Some of these financial assets may not be qualified to be designated, or the Group will not elect to designate them, as FVTOCI under IFRS 9. As a result, fair value changes arising from these financial instruments will be recognised as profit or loss instead of an investment revaluation reserve in the equity. If any of these financial assets are designated as FVTOCI, fair value changes arising from these financial assets will not be reclassified to the profit or loss on their disposals and only dividend income of these financial assets will be recognised in profit or loss;
- The Group classified debt securities of RMB58,676.28 million, asset management schemes of RMB6,660.69 million and wealth management products of RMB668.30 million as available-for-sale financial assets as at 31 December 2016. Some of these investments may fail to satisfy that they are held within a business model whose objective is both to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding and to sell financial assets. As a consequence, these investments may have to be classified subsequently as FVTPL instead of FVTOCI. Fair value arising from these financial instruments will be recognised in profit or loss;
- Financial assets measured at amortised costs under IFRS 9 and debt instruments classified as FVTOCI will be subject to impairment provision of IFRS 9. Generally, the impairment model of IFRS 9 will result in earlier loss recognition than that of IAS 39.

The Group has not yet launched a detailed study on the impact of implementation of IFRS 9 and therefore the above analysis is preliminary. It is based on the facts and circumstances as at 31 December 2016 and subject to changes. The Group is unable to provide an estimate of these effects when these financial statements are authorised.

**IFRS 15 Revenue from contracts with customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

#### IFRS 15 Revenue from contracts with customers – *continued*

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

In 2016, the IASB issued clarification to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

As the Group provides various services including securities and futures broking, investment management, securities underwriting and advisory services, implementations of IFRS 15 may have an impact on recognition or measurement of income from these services. The following two potential changes have been identified:

- Performance bonuses are recognised by the Group when certain criteria are met for their asset management services. Under IFRS 15, performance bonuses are regarded as variable considerations, which are only included in the transaction prices when they are highly probable that the revenue recognised would not be subject to significant future reversals as a result of subsequent re-estimation;
- IFRS provides specific criteria on capitalising certain contract costs. Costs that are directly attributable to obtaining a contract is capitalised and then amortised on a systematic basis.

The Group, however, has not yet launched a full study on the impacts of IFRS 15. The above analysis is preliminary and based on the facts and circumstances as at 31 December 2016. The Group is unable to provide an estimate of these effects when these financial statements are authorised.

#### IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued**

**IFRS 16 Leases – continued**

As set out in note 60, total operating lease commitment of the Group in respect of rental payment as at 31 December 2016 amounted to RMB599.08 million (31 December 2015: RMB532.45 million), however, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets".

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Notes to the Consolidated Financial Statements***For the year ended 31 December 2016***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Basis of consolidation – continued***Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Group served as the manager of asset management schemes and funds. These asset management schemes and funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 "Consolidated financial statements", they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such asset management schemes and funds for cash. These are presented as "Third-party interests in consolidated asset management schemes and funds" within other liabilities in the consolidated statement of financial position.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income taxes” and IAS 19 “Employee benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based payment” at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

**Notes to the Consolidated Financial Statements***For the year ended 31 December 2016***3. SIGNIFICANT ACCOUNTING POLICIES – continued****Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (or group of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

**Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Investments in associates and joint ventures– *continued*

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Investments in associates and joint ventures– continued**

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

When an investment in an associate or a joint venture is held by, or is held indirectly through, a group entity that is a venture capital organisation and similar entities, the Group may elect to measure investments in those associates and joint ventures at fair value through profit or loss in accordance with IAS 39.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group’s activities, as described below:

- (i) Commission income for broking business is recorded as income on a trade date basis, and service fees arising from broking business are recognised when services are rendered;
- (ii) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (iii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition;

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Revenue recognition – *continued*

- (iv) Consultancy and financial advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered;
- (v) Asset and fund management fee income is recognised when management services are provided; and
- (vi) Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

#### Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When building are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property and equipment – *continued*

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	nil	30 - 35 years
Electronic and communication equipment	nil	5 years
Motor vehicles	nil	4 - 6 years
Office equipment	nil	5 - 11 years
Improvements	nil	5 years

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Intangible assets

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading rights) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

The estimated useful lives of each class of intangible assets with finite useful lives are as follows:

<b>Classes</b>	<b>Useful lives</b>
Computer software	5 years
Others	5 years

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

##### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

##### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment or investment properties.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES – continued****Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **Employee benefits**

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

#### *Short-term social welfare*

Short-term social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

#### *Defined contribution plans*

Payments to defined contribution plans which include the mandatory social pension insurance plan and unemployment insurance plan managed by the Mainland government, Mandatory Provident Fund Scheme to the employees in Hong Kong and the annuity scheme for qualified employees, are recognised as expense when employees have rendered service entitling them to the contributions.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Employee benefits – continued

*Early retirement benefits*

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognised when the employees voluntarily retired before the normal retirement date, as approved by the management. Management recognised the early retirement benefits liability as at the end of the reporting period with the changes recognised in profit or loss.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before income tax” as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Taxation – *continued*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

*Financial assets*

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

##### *Financial assets – continued*

##### Financial assets at fair value through profit or loss – *continued*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is reported under in the net investment gains line item. Fair value is determined in the manner described in note 67.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including advances to customers, accounts receivable, other receivables, amount due from associates, loan and receivable investments, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, pledged/restricted bank deposits, bank balances are measured at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the effect of discounting would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets as at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of reporting period (see the accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it is probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

##### *Financial assets – continued*

##### *Impairment of financial assets – continued*

For certain categories of financial assets, such as advances to customers, accounts receivable, and financial assets held under resale agreements, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

Collective impairment allowances cover credit losses inherent in portfolios of loans receivable and other accounts with similar economic and credit risk characteristics where objective evidence for individual impaired items cannot be identified. In assessing the collective impairment, management makes assumptions both to define the way the Group assesses inherent losses and to determine the required input parameters, based on historical loss experience and current economic conditions. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to customers, accounts receivable, other receivables and financial asset held under resale agreements, where the carrying amount is reduced through the use of an allowance account. When an advance to customers, an account receivable, another receivables and a financial asset held under resale agreements is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

*Financial assets – continued*

Impairment of financial assets – *continued*

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

*Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading or it is financial liabilities designated at FVTPL.

A financial liability is classified as financial liabilities held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

#### Financial liabilities and equity instruments – *continued*

#### Financial liabilities at FVTPL – *continued*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the other gains and losses line item. Fair value is determined in the manner described in note 67.

#### Other financial liabilities

Other financial liabilities including borrowings, short-term financing payables, due to banks and other financial institutions, accounts payable to brokerage clients, accounts payable to underwriting clients, other payables, bonds payable, long-term loans and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

*Financial liabilities and equity instruments – continued*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

*Derivative financial instruments*

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

*Financial assets sold under repurchase agreements and financial assets held under resale agreements*

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as “financial assets at fair value through profit or loss” or “available-for-sale financial assets” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

*Securities lending*

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interests arisen from such agreements are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as “financial assets at fair value through profit or loss” or “available-for-sale financial assets”.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments– *continued*

##### *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

##### **Provision**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 of the consolidated financial statements, the directors of the Company are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

– *continued*

**Critical judgement in applying accounting policies**

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

*Determination of consolidation scope*

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor’s returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Fair value of financial instruments*

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations would require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments. Details of the fair value valuation are set out in note 67 of the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

– continued

#### Key sources of estimation uncertainty– continued

##### *Fair value of available-for-sale equity investments with restriction on disposal*

For available-for-sale equity investments which are subject to legally enforceable restriction that prevents the holders from disposing them within the specified period, the fair value of these listed shares is determined with reference to the quoted market prices with an adjustment of discount to reflect the effect of the restriction. The estimation of fair value of these shares includes assumptions that are not based on observable data. Changes in assumptions could affect the fair value of the available-for-sale equity investments. Details are set out in note 67 of the consolidated financial statements.

##### *Impairment of available-for-sale financial assets*

The determination of whether available-for-sale financial assets are impaired requires significant judgement. For listed available-for-sale equity investments, funds and asset management schemes invested in equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset on initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economies or the law, as well as industry and sector performance and the financial information regarding the investee that provide evidence that the cost of the equity securities may not be recoverable. For available-for-sale debt securities, wealth management and asset management schemes invested in debt securities and loans, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. For unlisted available-for-sale equity investments, the Group makes the judgement as to whether there is an objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of available-for-sale financial assets are set out in note 26.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

– continued

Key sources of estimation uncertainty– continued

*Impairment of loan and receivable investments and advances to customers*

The Group reviews its loan and receivable investments and advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group assesses the recoverable amounts of loan and receivable investments and advances to customers firstly on an individual basis principally by reviewing the collateral received and the creditworthiness of the customers then on a collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The policy for collective impairment allowances for loan and receivable investments and advances to customers of the Group is based on the evaluation of probability of default, loss given default and exposure at default of accounts and on management’s judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these loans and advances, including the current creditworthiness, and the past collection history of each loan. Details are set out in note 27 and note 28 of the consolidated financial statements.

*Income taxes*

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 40.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter refer to as the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group’s basis of organisation, whereby the businesses are organised and managed separately as individual strategic business unit that offers different services and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group’s operating segments are as follows:

- (a) Investment Banking, which primarily includes underwriting commissions and sponsorship and advisory fees from equity and debt underwriting and financial advisory services;
- (b) Wealth Management, which primarily includes fees and commissions earn from providing brokerage and investment advisory services to retail clients, as well as interest income earned from margin financing and securities lending activities, reverse repurchase transactions and cash held on behalf of clients, and fees earned from selling financial products developed by the Group and other financial institutions;
- (c) Trading and Institutional Client Services, which primarily includes investment gains and interest income earned from market-making in, and proprietary trading of equity, fixed income, derivative securities and other financial products, as well as fees and commissions earn from providing transaction consultation and execution, investment research and prime brokerage services to institutional clients;
- (d) Investment Management, which primarily includes management and advisory fees earn from providing asset management, mutual fund management and private fund management services to clients, as well as investment gains from alternative investments; and
- (e) Others, which primarily includes income from head office operations.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expenses as well as the share of result of its associates and joint ventures. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities. Inter-segment balances mainly resulted from branches’ operating funds injected by head office which are eliminated on consolidation. The segment result excludes income tax expense and shares of results of associates and joint ventures, while the segment assets and liabilities include prepaid taxes, current tax liabilities as well as interests in associates and joint ventures, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT REPORTING – continued

The operating and reportable segment information provided to the CODM for the years ended 31 December 2016 and 2015 is as follows:

	Investment banking RMB'000	Wealth management RMB'000	Trading and Institutional client services RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
<b>For the year ended</b>								
<b>31 December 2016</b>								
<b>Segment revenue and results</b>								
Segment revenue	2,751,132	11,747,048	6,066,981	6,409,969	757,168	27,732,298	—	27,732,298
Segment other income and gains/(other losses)	22,224	87,895	7,498	(359,208)	(2,784)	(244,375)	—	(244,375)
Segment revenue and other income	2,773,356	11,834,943	6,074,479	6,050,761	754,384	27,487,923	—	27,487,923
Segment expenses	(1,129,291)	(5,931,980)	(4,635,794)	(3,027,780)	(2,460,882)	(17,185,727)	—	(17,185,727)
Segment results	1,644,065	5,902,963	1,438,685	3,022,981	(1,706,498)	10,302,196	—	10,302,196
Share of results of associates and joint ventures	—	(605)	—	387,027	16,442	402,864	—	402,864
Profit/(loss) before income tax	1,644,065	5,902,358	1,438,685	3,410,008	(1,690,056)	10,705,060	—	10,705,060
<b>As at 31 December 2016</b>								
<b>Segment assets and liabilities</b>								
Segment assets	1,689,439	95,262,366	93,802,190	45,443,935	124,231,085	360,429,015	(1,411,000)	359,018,015
Deferred tax assets								783,339
Group's total assets								359,801,354
Segment liabilities	291,383	84,452,859	32,138,524	19,455,369	141,978,603	278,316,738	—	278,316,738
Deferred tax liabilities								131,280
Group's total liabilities								278,448,018
<b>Other segment information</b>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	368	125,634	10,835	37,388	119,192	293,417	—	293,417
Impairment losses	26	23,178	21,385	347,659	31,191	423,439	—	423,439
Capital expenditure	3,781	126,596	21,081	33,670	324,694	509,822	—	509,822

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 5. SEGMENT REPORTING – continued

	Investment banking RMB'000	Wealth management RMB'000	Trading and Institutional client services RMB'000	Investment management RMB'000	Others RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated total RMB'000
<b>For the year ended</b>								
<b>31 December 2015</b>								
<b>Segment revenue and results</b>								
Segment revenue	2,093,914	23,528,999	9,505,534	6,127,772	1,522,636	42,778,855	—	42,778,855
Segment other income and gains/(other losses)	6,756	54,755	(44)	(430,118)	322,611	(46,040)	—	(46,040)
Segment revenue and other income	2,100,670	23,583,754	9,505,490	5,697,654	1,845,247	42,732,815	—	42,732,815
Segment expenses	(1,395,434)	(12,030,672)	(4,545,656)	(2,716,298)	(4,528,855)	(25,216,915)	—	(25,216,915)
Segment results	705,236	11,553,082	4,959,834	2,981,356	(2,683,608)	17,515,900	—	17,515,900
Share of results of associates and joint ventures	—	(1,245)	—	279,499	11,558	289,812	—	289,812
Profit/(loss) before income tax	705,236	11,551,837	4,959,834	3,260,855	(2,672,050)	17,805,712	—	17,805,712
<b>As at 31 December 2015</b>								
<b>Segment assets and liabilities</b>								
Segment assets	1,575,274	132,640,569	86,520,180	33,119,775	166,382,775	420,238,573	(1,411,000)	418,827,573
Deferred tax assets								269,442
Group's total assets								419,097,015
Segment liabilities	834,912	114,345,555	79,794,796	16,041,244	127,981,317	338,997,824	—	338,997,824
Deferred tax liabilities								278,362
Group's total liabilities								339,276,186
<b>Other segment information</b>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	2,088	136,333	7,763	33,336	99,965	279,485	—	279,485
Impairment losses	587	133,332	—	148,124	57	282,100	—	282,100
Capital expenditure	3,662	123,149	19,282	40,777	435,332	622,202	—	622,202

The Group's non-current assets are mainly located in PRC (country of domicile). The Group's revenue are substantially derived from its operations in PRC. The Group's inter-segment revenue are not material and are not included in the report to the CODM.

No single customer contributes over 10% of the Group's revenue for the years ended 31 December 2016 and 2015.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. COMMISSION AND FEE INCOME

	2016 RMB'000	2015 RMB'000
Commission on securities dealing and broking and handling fee income	5,338,243	13,803,088
Underwriting and sponsors fees	2,169,565	1,441,856
Commission on futures and options contracts dealing and broking and handling fee income	341,544	320,170
Asset management and fund management fee income	4,159,583	3,597,426
Consultancy and financial advisory fee income	1,261,323	807,668
Others	120,530	76,232
	<u>13,390,788</u>	<u>20,046,440</u>

7. INTEREST INCOME

The following is the analysis excluding interest income from investments reported under net investment gains in note 8:

	2016 RMB'000	2015 RMB'000
Deposits with exchanges and non-bank financial institutions and bank balances	2,566,290	3,852,572
Margin financing and securities lending	4,357,854	7,593,990
Financial assets held under resale agreements	668,061	784,046
Equity return swaps	8,854	71,606
Financial leasing	120,330	—
Restricted equity incentive financing	48,594	6,610
Others	60,737	27,376
	<u>7,830,720</u>	<u>12,336,200</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 8. NET INVESTMENT GAINS

	2016 RMB'000	2015 RMB'000
Net realised gains from disposal of available-for-sale financial assets	1,216,911	4,085,008
Dividend income and interest income from available-for-sale financial assets	2,575,867	2,032,530
Net realised (losses) gains from disposal of financial assets at fair value through profit or loss	(371,104)	1,816,335
Dividend income and interest income from financial assets at fair value through profit or loss	2,777,056	2,320,245
Interest income and net realised gains from loan and receivable investments	96,060	63,465
Net realised gains (losses) from derivatives	52,202	(292,400)
Unrealised fair value change of financial instruments at fair value through profit or loss		
- financial assets at fair value through profit or loss	(112,049)	183,965
- financial liabilities at fair value through profit or loss	68,218	—
- derivatives	207,331	187,101
Others	298	(34)
	<u>6,510,790</u>	<u>10,396,215</u>

## 9. OTHER INCOME AND GAINS OR LOSSES

	2016 RMB'000	2015 RMB'000
Foreign exchange (losses) gains, net	(25,777)	294,674
Rental income	11,152	10,078
Government grants	188,541	110,752
Gain on disposal of property and equipment and other intangible assets	2,310	1,526
Gain on acquisition of a subsidiary (Note 69)	1,338	—
Commission from tax withholding and remitting	51,703	26,105
Loss on partial disposal of an associate	(1)	—
Third-party interest in consolidated asset management schemes and funds	(541,185)	(537,678)
Others	67,544	48,503
	<u>(244,375)</u>	<u>(46,040)</u>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. DEPRECIATION AND AMORTISATION

	2016 RMB'000	2015 RMB'000
Depreciation of property and equipment	215,966	215,041
Depreciation of investment properties	1,736	1,736
Amortisation of prepaid lease payments	9,628	9,628
Amortisation of other intangible assets	66,087	53,080
	<u>293,417</u>	<u>279,485</u>

11. STAFF COSTS

	2016 RMB'000	2015 RMB'000
Salaries, bonus and allowances	5,206,685	9,923,339
Short-term social welfare	242,903	202,353
Defined contribution plans	723,463	359,935
Early retirement benefits	21,949	35,906
Others	391,871	392,150
	<u>6,586,871</u>	<u>10,913,683</u>

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans.

In addition to the above social welfare plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on certain percentage of employees' salaries and recognised in profit or loss as expense. These annuity schemes are defined contribution plans.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 11. STAFF COSTS – continued

The Group also operates the Mandatory Provident Fund Scheme, also defined contribution plan, for all qualified employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The contributions to the defined contribution plans are expensed as incurred. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

### 12. COMMISSION AND FEE EXPENSES

	2016 RMB'000	2015 RMB'000
Securities and futures dealing and broking expenses	298,554	401,826
Underwriting and sponsors fee expenses	33,692	33,888
Other service expenses	43,696	25,727
	<u>375,942</u>	<u>461,441</u>

Note: Distribution expenses for fund and asset management business amounting to RMB594.40 million (2015: RMB466.50 million) are classified under other operating expenses in note 14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

13. INTEREST EXPENSES

	2016 RMB'000	2015 RMB'000
Borrowings	64,450	34,944
Short-term financing bills	—	276,093
Accounts payable to brokerage clients	292,576	444,527
Due to banks and other financial institutions	393,313	244,784
Structured notes	434,312	879,841
Financial assets sold under repurchase agreements	1,708,699	2,997,582
Gold leasing	128,328	489
Corporate bonds	1,094,364	1,618,023
Subordinated bonds	2,157,640	2,183,917
Long-term loans	180,150	211,200
Others	88,823	51,514
	<b>6,542,655</b>	<b>8,942,914</b>

14. OTHER OPERATING EXPENSES

	2016 RMB'000	2015 RMB'000
Taxes and surcharges	475,224	1,928,044
Distribution expenses for fund and asset management business	594,396	466,501
General and administrative expenses	672,274	776,487
Operating lease rentals in respect of rented premises	357,988	332,717
Advertisement and business development expenses	140,316	200,465
Data transmission expenses	191,335	195,955
Securities and futures investor protection funds	232,974	157,529
Provision (note 48)	—	27,221
Auditors' remuneration (Note)	7,628	6,958
Sundry expenses	291,268	245,415
	<b>2,963,403</b>	<b>4,337,292</b>

Note: Auditors' remuneration for the year ended 31 December 2016 refers to the remuneration to Deloitte Touche Tohmatsu Certified Public Accountants including its network of member firms, for the statutory audit service providing to the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 15. IMPAIRMENT LOSSES

	2016 RMB'000	2015 RMB'000
Impairment loss in respect of intangible assets (note 22)	50	57
Impairment loss in respect of available-for-sale financial assets	356,781	151,140
Impairment loss in respect of loan and receivable investments	26,383	—
Impairment loss in respect of advances to customers (note 28)	6,041	61,114
Reversal of impairment loss in respect of advance to customers (note 28)	(30,090)	—
Impairment loss in respect of accounts receivable (note 29)	968	49,211
Reversal of impairment loss in respect of accounts receivable (note 29)	(3,058)	(3,016)
Impairment loss in respect of other accounts receivable and other receivables (note 30)	5,286	1,701
Reversal of impairment loss in respect of other accounts receivable and other receivables (note 30)	(594)	(5,000)
Impairment loss in respect of financial leasing receivables (note 31)	11,961	—
Impairment loss in respect of financial assets held under resale agreements (note 33)	53,895	26,893
Reversal of impairment loss in respect of financial assets held under resale agreements (note 33)	(4,184)	—
	<u>423,439</u>	<u>282,100</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

16. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current tax:		
PRC Enterprise Income Tax	2,509,595	4,165,679
Hong Kong Profits Tax	53,560	49,132
Under provision in prior years:		
PRC Enterprise Income Tax	6,234	1,375
Hong Kong Profits Tax	(82)	(365)
Subtotal	<u>2,569,307</u>	4,215,821
Deferred income tax (note 40)	<u>(273,569)</u>	(22,462)
	<u><b>2,295,738</b></u>	<u>4,193,359</u>

Under the Enterprise Income Tax of the PRC (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the Company and its subsidiaries in the PRC is 25%, except for as mentioned below.

In accordance with provisions of the Notice of State Administration of Taxation on Relevant Issues Regarding Enterprise Income Tax Relating to the Implementation of the “Catalog of Encouraged Industries in the Western Region [2015 No.14] 《關於執行〈西部地區鼓勵類產業目錄〉有關企業所得稅問題的公告》 [2015年第14號], GF Xinde Investment Management Co., Ltd. (“GF Xinde”), a subsidiary of the Group, has applied for the tax concession to the relevant authority as its businesses are included in the “Catalog of Encouraged Industries in the Western Region”. However, as at 31 December 2016, the approval for the tax concession application has not been obtained. GF Xinde has calculated Enterprise Income Tax at a tax rate of 15% for the year 2016.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**16. INCOME TAX EXPENSE – continued**

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2016 RMB'000	2015 RMB'000
Profit before income tax	<u>10,705,060</u>	<u>17,805,712</u>
Tax at the statutory tax rate of 25%	2,676,265	4,451,428
Tax effect of share of profit of associates and joint ventures	(100,716)	(72,453)
Tax effect of expenses not deductible for tax purpose	101,262	73,339
Tax effect of income not taxable for tax purpose	(381,739)	(162,583)
Tax effect of tax losses not recognised	43,694	16,069
Utilisation of tax losses previously not recognised	(2,534)	(2,218)
(Increase) decrease in opening deferred tax assets resulting from a (increase) decrease in applicable tax rate	(6,064)	207
Effect of different tax rates of subsidiaries	(40,919)	(108,009)
Underprovision in prior years	6,152	1,010
Others	<u>337</u>	<u>(3,431)</u>
Income tax expense for the year	<u>2,295,738</u>	<u>4,193,359</u>

**17. EARNINGS PER SHARE**

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

	2016 RMB'000	2015 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>8,030,107</u>	<u>13,201,014</u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousand) (Note)	<u>7,621,088</u>	<u>7,153,423</u>
Earnings per share		
Basic earnings per share (RMB)	<u>1.05</u>	<u>1.85</u>
Diluted earnings per share (RMB)	<u>N/A</u>	<u>1.85</u>

Note: For the year ended 31 December 2016, there were no potential dilutive ordinary shares outstanding, thus no diluted earnings per share is presented. For the year ended 31 December 2015, the over allotment options granted by the Company in April 2015 has no significant impact in the computation of diluted earnings per share, and 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 2015.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
As at 1 January 2015	802,741	670,669	108,511	148,929	515,152	278,769	2,524,771
Additions	—	169,255	22,134	16,158	51,421	247,962	506,930
Disposals/written-off	—	(72,649)	(11,044)	(10,059)	(27,453)	—	(121,205)
Effect of foreign currency exchange differences	—	1,304	117	412	2,192	—	4,025
As at 31 December 2015	802,741	768,579	119,718	155,440	541,312	526,731	2,914,521
Additions	—	107,643	13,561	22,746	53,400	200,268	397,618
Acquired on acquisition of a subsidiary	—	113	1,335	445	—	—	1,893
Disposals/written-off	—	(75,695)	(14,207)	(12,098)	(26,815)	—	(128,815)
Effect of foreign currency exchange differences	—	2,030	175	311	1,444	—	3,960
As at 31 December 2016	802,741	802,670	120,582	166,844	569,341	726,999	3,189,177
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
As at 1 January 2015	254,952	451,753	72,886	95,173	362,546	—	1,237,310
Charge for the year	28,582	89,980	12,681	20,098	63,700	—	215,041
Eliminated on disposals/written-off	—	(72,250)	(11,044)	(9,895)	(26,308)	—	(119,497)
Effect of foreign currency exchange differences	—	777	81	171	893	—	1,922
As at 31 December 2015	283,534	470,260	74,604	105,547	400,831	—	1,334,776
Charge for the year	28,582	99,446	13,301	18,569	56,068	—	215,966
Acquired on acquisition of a subsidiary	—	6	1,087	29	—	—	1,122
Eliminated on disposals/written-off	—	(75,575)	(13,913)	(12,000)	(25,172)	—	(126,660)
Effect of foreign currency exchange differences	—	1,201	123	191	1,020	—	2,535
As at 31 December 2016	312,116	495,338	75,202	112,336	432,747	—	1,427,739
<b>CARRYING VALUES</b>							
As at 31 December 2016	490,625	307,332	45,380	54,508	136,594	726,999	1,761,438
As at 31 December 2015	519,207	298,319	45,114	49,893	140,481	526,731	1,579,745

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 financial leasing and accounted for as property and equipment.

The Group is still in the process of applying for the title certificates for its leasehold land and buildings with a carrying value of RMB17.97 million as at 31 December 2016 (31 December 2015: RMB19.91 million). The directors of the Company consider that this will not have significant impact on the consolidated financial statements for the year ended 31 December 2016.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 19. PREPAID LEASE PAYMENTS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Analysed for reporting purposes as:		
Current assets	9,628	9,628
Non-current assets	308,087	317,715
	<u>317,715</u>	<u>327,343</u>

## 20. INVESTMENT PROPERTIES

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>COST</b>		
At beginning of the year	52,087	52,087
At end of the year	52,087	52,087
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of the year	26,812	25,076
Provided for the year	1,736	1,736
At end of the year	28,548	26,812
<b>CARRYING VALUES</b>		
At end of the year	<u>23,539</u>	<u>25,275</u>

The fair value of the Group's investment properties at 31 December 2016 was RMB115.78 million (31 December 2015: RMB110.80 million).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20. INVESTMENT PROPERTIES – *continued*

Details of the Group’s investment properties and information about the fair value hierarchy as at the end of the year are as follows:

	Level 3 RMB’000	Fair value as at 31.12.2016 RMB’000
Commercial property units located in PRC	<u>115,781</u>	<u>115,781</u>
		Fair value as at
	Level 3 RMB’000	31.12.2015 RMB’000
Commercial property units located in PRC	<u>110,803</u>	<u>110,803</u>

The above investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of nil, using the straight-line method.

The carrying amount of Group’s investment properties 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 financial leasing and accounted for as investment properties. The Group’s investment properties are situated on land in the PRC under medium-term lease.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 21. GOODWILL

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>COST</b>		
Unit A - securities brokerage branches	76,574	76,574
Unit B - GF Financial Markets (UK) Limited	2,040	2,040
At beginning and end of the year	<u>78,614</u>	<u>78,614</u>
<b>ACCUMULATED IMPAIRMENT LOSSES</b>		
Unit A - securities brokerage branches	76,574	76,574
Unit B - GF Financial Markets (UK) Limited	—	—
At beginning and end of the year	<u>76,574</u>	<u>76,574</u>
<b>CARRYING VALUES</b>		
Unit A - securities brokerage branches	—	—
Unit B - GF Financial Markets (UK) Limited	2,040	2,040
Unit B - effect of foreign currency exchange differences	281	134
At end of the year	<u><u>2,321</u></u>	<u><u>2,174</u></u>

Unit A is the securities brokerage CGU acquired, the acquisition cost exceeds the fair value of net identifiable assets. The commercial registration of these securities brokerage branches in prior year were changed. As the CGU no longer generated future cash flows, Unit A was fully impaired in prior year.

Unit B is the CGU of GF Financial Markets (UK) Limited acquired by GF Futures (Hong Kong) Co., Limited, a wholly owned subsidiary of the Company. As at 31 December 2016, management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

The recoverable amount of the Unit B has been determined on the basis of value in use calculation. The calculation used cash flow projections based on financial budgets approved by management. The key assumptions include the discount rate which reflects the risk specific to Unit B, budgeted income and gross margin estimated based on the past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

22. OTHER INTANGIBLE ASSETS

	Trading seats RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
<b>COST</b>				
As at 1 January 2015	76,430	276,981	2,448	355,859
Additions	—	114,671	600	115,271
Disposals/written-off	—	(2,133)	—	(2,133)
Effect of foreign currency exchange differences	43	5	—	48
As at 31 December 2015	76,473	389,524	3,048	469,045
Additions	—	112,204	—	112,204
Disposals/written-off	—	(2,808)	(1,680)	(4,488)
Effect of foreign currency exchange differences	50	5	—	55
As at 31 December 2016	76,523	498,925	1,368	576,816
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
As at 1 January 2015	73,858	127,754	1,691	203,303
Charge for the year	—	52,591	489	53,080
Eliminated on disposals/written-off	—	(1,339)	—	(1,339)
Effect of foreign currency exchange differences	—	1	—	1
Impairment loss recognised in the year	57	—	—	57
As at 31 December 2015	73,915	179,007	2,180	255,102
Charge for the year	—	65,819	268	66,087
Eliminated on disposals/written-off	—	(1,022)	(1,680)	(2,702)
Effect of foreign currency exchange differences	—	3	—	3
Impairment loss recognised in the year	50	—	—	50
As at 31 December 2016	73,965	243,807	768	318,540
<b>CARRYING VALUES</b>				
As at 31 December 2016	2,558	255,118	600	258,276
As at 31 December 2015	2,558	210,517	868	213,943

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**22. OTHER INTANGIBLE ASSETS – continued**

Trading seats mainly comprise the trading seats in Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Stock Exchange and the Hong Kong Futures Exchange Limited. These seats allow the Group to trade securities and futures contracts on or through these exchanges.

**Impairment testing on trading seats with indefinite useful lives**

The trading seats held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading seats will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The trading seats are being used in the following CGUs and the carrying amount of trading seats is allocated as follows:

	<b>2016/12/31</b>	2015/12/31
	<b>RMB'000</b>	RMB'000
Securities brokerage - GF Securities Co., Ltd.	<b>371</b>	421
Securities brokerage - GF Securities (Hong Kong) Brokerage Limited	<b>385</b>	360
Futures brokerage	<b>1,802</b>	1,777
	<b>2,558</b>	2,558

**23. INVESTMENTS IN ASSOCIATES**

	<b>2016/12/31</b>	2015/12/31
	<b>RMB'000</b>	RMB'000
Cost of unlisted investments in associates	<b>1,430,094</b>	1,162,851
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>1,624,339</b>	1,389,611
	<b>3,054,433</b>	2,552,462
Unlisted investment in an associate at fair value through profit or loss (Note)	<b>34,688</b>	—
	<b>3,089,121</b>	2,552,462

Note: The Group elects to measure its investment in GEJIA Corporation of RMB34.69 million held through GF Xinde Capital Management Limited, a venture capital organization and an indirect wholly owned subsidiary, at fair value through profit or loss as the management measures the performance of this associate on a fair value basis as at 31 December 2016. Note 67 set out the valuation determination, including valuation techniques, key inputs and fair value information for the associate measured at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. INVESTMENTS IN ASSOCIATES – continued

Details of the Group’s significant associate at the end of the year are as follow:

Name of associate	Place and date of incorporation/ establishment	Equity interest held by the Group as at 31 December		Principal activities
		2016	2015	
易方達基金管理有限公司 E Fund Management Co., Limited (“E Fund”)	PRC 17 April 2001	25.00%	25.00%	Fund raising, fund selling, asset management, and other CSRC approved businesses

Summarised financial information of the material associate

Summarised financial information of the Group’s material associate is set out below. The summarised financial information below represents amounts shown in the associate’s financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

**E Fund**

	2016/12/31 RMB’000	2015/12/31 RMB’000
Total assets	10,581,230	9,158,625
Total liabilities	3,922,775	3,231,106
Net assets	6,658,455	5,927,519

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. INVESTMENTS IN ASSOCIATES – *continued*Summarised financial information of the material associate – *continued***E Fund** – *continued*

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Total revenue	<b>4,036,768</b>	3,982,541
Profit for the year	<b>1,340,099</b>	1,190,458
Other comprehensive income	<b>(292,485)</b>	226,769
Total comprehensive income	<b>1,047,614</b>	1,417,227
Dividends received from the associate during the year	<b>75,000</b>	75,000

The reconciliation of the above summarised financial information to the carrying amounts of the interests in E Fund recognised in the consolidated financial statements:

	<b>2016/12/31</b>	2015/12/31
	<b>RMB'000</b>	RMB'000
Net assets attributable to equity holders of the associate	<b>6,593,993</b>	5,839,038
Proportion of the Group's ownership interest	<b>25%</b>	25%
Proportion of equity interest held by the Group	<b>1,648,498</b>	1,459,760
Other adjustments	<b>1,150</b>	1
Carrying amount of the Group's interest	<b>1,649,648</b>	1,459,761



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. INVESTMENTS IN ASSOCIATES – *continued*

Aggregate information of associates that are not individually material

	2016 RMB'000	2015 RMB'000
The Group's share of profit (loss)	38,673	(5,067)
The Group's share of other comprehensive income	6,167	613
The Group's share of total comprehensive income	<u>44,840</u>	<u>(4,454)</u>
Aggregate carrying amount of the Group's interests in these associates	<u>1,439,473</u>	<u>1,092,701</u>

24. INVESTMENTS IN JOINT VENTURES

	2016/12/31 RMB'000	2015/12/31 RMB'000
Cost of unlisted investments in joint ventures	661,186	792,815
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>20,314</u>	<u>2,227</u>
	<u>681,500</u>	<u>795,042</u>

Aggregate information of joint ventures that are not individually material

	2016 RMB'000	2015 RMB'000
The Group's share of profit	26,647	955
The Group's share of other comprehensive income	9,374	(3)
The Group's share of total comprehensive income	<u>36,021</u>	<u>952</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**25. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES**

The Group served as the investment manager of structured entities (including asset management schemes and funds), therefore had power over them during the year. Except for the structured entities the Group has consolidated as detailed in note 68, in the opinion of the directors of the Company, the variable returns the Group is exposed to over these asset management schemes and funds that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The total net assets of unconsolidated structured entities in which the Group acted as investment manager and held financial interests is RMB512,804.39 million as at 31 December 2016 (31 December 2015: RMB527,372.28 million).

During the year, the amount of management fee income from the unconsolidated structured entities managed by the Group in which the Group had no interests was RMB2,650.78 million (2015: RMB3,075.85 million).

The table below shows the carrying amount of unconsolidated structured entities in which the Group had interests and its maximum exposure to loss in relation to those interests as at 31 December 2016 and 2015.

As at 31 December 2016

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	10,416,168	10,416,168
Available-for-sale financial assets	8,715,414	8,715,414
<b>Total</b>	<b>19,131,582</b>	<b>19,131,582</b>

As at 31 December 2015

	Carrying amount RMB'000	Maximum loss exposure RMB'000
Financial assets at fair value through profit or loss	27,201,707	27,201,707
Available-for-sale financial assets	6,887,755	6,887,755
Loan and receivable investments	29,685	29,685
<b>Total</b>	<b>34,119,147</b>	<b>34,119,147</b>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non-current</b>		
Measured at fair value:		
Equity investments	533,306	893,487
Funds	1,015	3,681
Asset management schemes launched by securities companies <sup>(i)</sup>	2,844,584	1,022,536
Others <sup>(ii)</sup>	13,232,007	13,438,619
Measured at cost less impairment:		
Equity investments <sup>(iii)</sup>	3,065,261	2,491,692
<b>Total</b>	<b>19,676,173</b>	<b>17,850,015</b>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(iv)</sup>	533,306	897,168
Unlisted	19,142,867	16,952,847
	<b>19,676,173</b>	<b>17,850,015</b>

As at 31 December 2016, the impairment allowance for non-current available-for-sale financial assets is RMB296.75 million (31 December 2015: RMB182.74 million), among which amounted to RMB286.10 million (31 December 2015: RMB176.94 million) is allowance for available-for-sale financial asset measured at cost less impairment.

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Current</b>		
Measured at fair value:		
Debt securities	58,676,282	64,338,083
Equity investments	5,425,014	5,422,382
Funds	3,503,693	4,878,563
Asset management schemes launched by securities companies <sup>(i)</sup>	3,816,102	3,856,945
Wealth management products launched by banks	668,300	21,000
Others	315,092	215,590
<b>Total</b>	<b>72,404,483</b>	<b>78,732,563</b>
<b>Analysed as:</b>		
Listed in Hong Kong	20,609	136,145
Listed outside Hong Kong <sup>(iv)</sup>	25,776,854	20,913,995
Unlisted	46,607,020	57,682,423
	<b>72,404,483</b>	<b>78,732,563</b>

As at 31 December 2016, the impairment allowance for current available-for-sale financial assets is RMB51.69 million (31 December 2015: RMB6.21 million).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 26. AVAILABLE-FOR-SALE FINANCIAL ASSETS – *continued*

- (i) The Group has committed to hold some of its investments in asset management schemes launched and managed by the Group till the end of the investment period, the amount of which is RMB1,046.18 million as at 31 December 2016 (31 December 2015: RMB854.85 million).
- (ii) Included in the balance is an investment in a special account managed by China Securities Finance Corporation Limited (the “CSFCL”). Pursuant to the agreements the Company entered into with the CSFCL, the Company contributed RMB13,863.79 million to the special account managed by the CSFCL in 2015. The Company is entitled to the profit or loss derived from the special account in proportion to the funding portion contributed. The Company determined the total fair value of the investment according to an evaluation report provided by the CSFCL, and the fair value is RMB13,011.02 million as at 31 December 2016 (31 December 2015: RMB13,177.22 million).
- (iii) The unlisted equity investments held by the Group are issued by private companies in, among others, the manufacturing industry, energy technology, and medical or electronic communication sectors. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity investments are measured at cost less impairment at the end of the year.
- (iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the “Listed outside Hong Kong” category.

Fair value of the Group’s available-for-sale investments are determined in the manner described in note 67.

As at 31 December 2016, the listed equity investments of the Group included approximately RMB1,559.34 million (31 December 2015: RMB1,881.93 million) of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period.

As at 31 December 2016, the Group entered into securities lending arrangements with clients that resulted in the transfer of available-for-sale financial assets (including equity investments and exchange-traded funds) with total fair values of RMB28.58 million (31 December 2015: RMB20.05 million) to clients. These securities continued to be recognised as financial assets of the Group.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

27. LOAN AND RECEIVABLE INVESTMENTS

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non-current</b>		
Asset management schemes <sup>(i)</sup>	161,833	168,300
Secured loan receivables <sup>(ii)</sup>	397,659	331,340
	<u>559,492</u>	<u>499,640</u>
Less: impairment on loan and receivable investment	—	—
	<u>559,492</u>	<u>499,640</u>
<b>Current</b>		
Asset management schemes	—	49,685
Secured loan receivables <sup>(iii)</sup>	1,858,489	50,268
	<u>1,858,489</u>	<u>99,953</u>
Less: impairment on loan and receivable investment	(27,246)	—
	<u>1,831,243</u>	<u>99,953</u>
<b>Total</b>	<u><u>2,390,735</u></u>	<u><u>599,593</u></u>

(i) As at 31 December 2016, the non-current asset management schemes were launched by asset management companies bearing interest at 10% (31 December 2015: 10.3%) per annum and would be repaid within two years.

(ii) As at 31 December 2016, the non-current secured loan receivables, which are secured by equity investments owned by borrowers, bears interest at 9% to 11% (31 December 2015: 2% to 13%) per annum and would be repaid within two years.

As at 31 December 2016, the current secured loan receivables, which are secured by unlisted equity investments and copyright owned by borrowers, bears interest at 2% to 26% (31 December 2015: 8%) per annum and would be repaid within one year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 28. ADVANCES TO CUSTOMERS

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non-current</b>		
Restricted equity incentive financing	<u>814,957</u>	<u>220,837</u>
<b>Current</b>		
Loans to margin clients	57,875,801	68,985,188
Restricted equity incentive financing	401,166	99,167
Less: impairment on advances to customers	<u>(90,629)</u>	<u>(114,649)</u>
	<u>58,186,338</u>	<u>68,969,706</u>
Total	<u><u>59,001,295</u></u>	<u><u>69,190,543</u></u>

Movements of impairment allowance during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	114,649	53,515
Impairment losses recognised	6,041	61,114
Reversal of impairment losses	(30,090)	—
Effect of foreign currency exchange differences	<u>29</u>	<u>20</u>
At 31 December	<u><u>90,629</u></u>	<u><u>114,649</u></u>

**Notes to the Consolidated Financial Statements***For the year ended 31 December 2016***28. ADVANCES TO CUSTOMERS – continued**

The credit facility limits to margin clients and restricted equity incentive financing clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients and restricted equity incentive financing clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 45 are interest bearing. The Group maintains a list of approved stocks at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the difference.

Advances to customers as at 31 December 2016 were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with undiscounted market values of approximately RMB196,166.93 million (31 December 2015: RMB242,671.68 million).

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of the business. As a result, no ageing analysis is disclosed.

There were 4 individually impaired debts for the year ended 31 December 2016 (2015: 6), and after force sale, the amount of uncollected principal and accrued interests is approximately RMB13.80 million (31 December 2015: RMB 15.90 million) which had been reclassified as accounts receivable and fully impaired.

As at 31 December 2016, the overall advances to customers have been assessed for impairment allowances on a collective assessment basis, which are based on the evaluation of probability of default, loss given default, exposure at default of accounts and management's judgement, including the current creditworthiness and the past collection statistics of individual accounts or a portfolio of accounts in view of the overall growing loan balance and economic condition.

The concentration of credit risk is limited due to the size and uncorrelated nature of the customer base.

## Notes to the Consolidated Financial Statements

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## 29. ACCOUNTS RECEIVABLE

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Accounts receivable from/related to:</b>		
Current		
Cash clients	167,515	360,601
Clearing house	18,928	7,914
Brokers	1,042,287	244,612
Asset management fee and trading seats commission	788,342	693,213
Advisory and financial planning fee	6,131	3,249
China Securities Investor Protection Fund Corporation for dormant accounts	26,455	26,455
Investment funds redemption receivable	52,000	311,000
Principals and deposits of equity return swaps	—	693,841
Others	156,956	226,611
	<b>2,258,614</b>	<b>2,567,496</b>
Less: allowance for doubtful debts	<b>(46,237)</b>	<b>(48,355)</b>
	<b>2,212,377</b>	<b>2,519,141</b>

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

	2016/12/31 RMB'000	2015/12/31 RMB'000
Current		
Within 1 year	2,169,503	2,381,525
Between 1 and 2 years	15,797	107,599
Between 2 and 3 years	580	1,441
More than 3 years	26,497	28,576
	<b>2,212,377</b>	<b>2,519,141</b>



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

29. ACCOUNTS RECEIVABLE – continued

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

	2016 RMB'000	2015 RMB'000
At 1 January	48,355	866
Impairment losses recognised	968	49,211
Reversal of impairment losses	(3,058)	(3,016)
Amount written off as uncollectible	(28)	—
Effect of foreign currency exchange differences	—	1,294
At 31 December	<u>46,237</u>	<u>48,355</u>

The normal settlement terms of accounts receivable from clients, brokers and clearing house are within two days after trade date. Trading limits are set for clients. Normal settlement terms of account receivable from asset management fee are within one month, and trading seats commission are settled on a quarterly basis. Normal settlement terms of accounts receivable from advisory and financial planning are determined in accordance with the contract terms, ranging from three months to six months after the service was provided.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by the management.

30. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non-Current</b>		
Investment prepayment	173,066	—
Entrusted loan	60,000	—
	<u>233,066</u>	—
Less: allowance for doubtful debts	(300)	—
	<u>232,766</u>	—

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Current</b>		
Interest receivable	2,516,570	3,131,238
Other accounts receivable <sup>(i)</sup>	45,938	45,938
Other receivables	218,900	128,336
Dividends receivables	26,673	6,507
Investment prepayments	—	80,111
Entrusted loan	—	30,000
Others	119,993	57,476
	<u>2,928,074</u>	<u>3,479,606</u>
Less: allowance for doubtful debts	(57,369)	(53,120)
	<u>2,870,705</u>	<u>3,426,486</u>

- (i) The balance represents amount arising from trading business, which is considered irrecoverable due to financial difficulties of counterparty and, therefore, is fully provided for allowance for doubtful debts.

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

	2016 RMB'000	2015 RMB'000
At 1 January	53,120	63,836
Impairment losses recognised	5,286	1,701
Reversal of impairment losses	(594)	(5,000)
Amounts written off as uncollectible	(132)	(7,468)
Effect of foreign currency exchange differences	(11)	51
At 31 December	<u>57,669</u>	<u>53,120</u>

Notes to the Consolidated Financial Statements

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31. FINANCIAL LEASING RECEIVABLES

	2016/12/31 RMB'000	2015/12/31 RMB'000
Analysis by statement purpose:		
Current assets	666,357	—
Non-Current assets	1,713,908	—
	<u>2,380,265</u>	<u>—</u>

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

	2016/12/31		2015/12/31	
	Minimum lease payments RMB'000	Present value RMB'000	Minimum lease payments RMB'000	Present value RMB'000
Within 1 year	781,721	669,705	—	—
1~2 years	839,757	762,717	—	—
2~3 years	574,215	534,561	—	—
Over 3 years	447,484	425,243	—	—
Total	<u>2,643,177</u>	<u>2,392,226</u>	<u>—</u>	<u>—</u>
Less: unrealized finance income	<u>(250,951)</u>	<u>N/A</u>	<u>—</u>	<u>—</u>
Balance of financial leasing receivables	2,392,226	2,392,226	—	—
Less: allowance for impairment	<u>(11,961)</u>	<u>(11,961)</u>	<u>—</u>	<u>—</u>
Financial leasing receivables, net	<u>2,380,265</u>	<u>2,380,265</u>	<u>—</u>	<u>—</u>

As at 31 December 2016, the effective interest rate is ranging from 5% to 9% per annum.

Movements of impairment allowance during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	—	—
Impairment losses recognised	11,961	—
At 31 December	<u>11,961</u>	<u>—</u>

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**32. AMOUNTS DUE FROM ASSOCIATES**

Amounts due from associates are unsecured, repayable on demand, and non-interest bearing. The Group expected to recover the amounts due from associates within one year from the end of the year.

**33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS**

	<b>2016/12/31</b>	2015/12/31
	<b>RMB'000</b>	RMB'000
<b>Non-current</b>		
Analysed by collateral type:		
Stock <sup>(i)</sup>	<b>3,900,655</b>	1,841,949
Less: impairment on financial assets held under resale agreements	<b>(21,442)</b>	(6,717)
	<b><u>3,879,213</u></b>	<u>1,835,232</u>
Analysed by market:		
Stock exchanges	<b><u>3,879,213</u></b>	<u>1,835,232</u>
<b>Current</b>		
Analysed by collateral type:		
Stock <sup>(i)</sup>	<b>10,348,146</b>	6,964,033
Bond <sup>(ii)</sup>	<b>7,789,005</b>	4,966,779
Fund	<b>—</b>	49
Less: impairment on financial assets held under resale agreements	<b>(55,162)</b>	(20,176)
	<b><u>18,081,989</u></b>	<u>11,910,685</u>
Analysed by market:		
Stock exchanges	<b><u>11,580,483</u></b>	7,033,206
Interbank bond market	<b><u>6,501,506</u></b>	4,877,479
	<b><u>18,081,989</u></b>	<u>11,910,685</u>

Notes to the Consolidated Financial Statements

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33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – continued

Movements of impairment allowance during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	26,893	—
Impairment losses recognised	53,895	26,893
Reversal of impairment losses	(4,184)	—
At 31 December	<u>76,604</u>	<u>26,893</u>

- (i) The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The fair value of the stock collateral is amounted to RMB43,140.58 million as at 31 December 2016 (31 December 2015: RMB34,495.26 million).
- (ii) Mainly for inter-bank pledged resale agreement and inter-bank outright resale agreement, and the fair value of collateral collected and underlying assets transferred to the Group is amounted to RMB7,893.46 million as at 31 December 2016 (31 December 2015: RMB5,071.83 million)

34. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading

	2016/12/31 RMB'000	2015/12/31 RMB'000
Debt securities	29,984,635	27,570,758
Equity investments	3,787,078	4,077,558
Funds	17,697,417	45,692,492
Other investments <sup>(i)</sup>	8,971,949	6,121,051
	<u>60,441,079</u>	<u>83,461,859</u>
<b>Analysed as:</b>		
Listed in Hong Kong	476,533	202,874
Listed outside Hong Kong <sup>(ii)</sup>	13,383,707	14,482,853
Unlisted <sup>(iii)</sup>	46,580,839	68,776,132
	<u>60,441,079</u>	<u>83,461,859</u>

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

Financial assets designated at fair value through profit or loss

	2016/12/31 RMB'000	2015/12/31 RMB'000
Convertible debt instruments	605,825	216,755
Exchangeable debt instruments	92,864	21,289
Equity investments	592,353	212,337
	<u>1,291,042</u>	<u>450,381</u>
<b>Analysed as:</b>		
Listed in Hong Kong	—	212,337
Listed outside Hong Kong <sup>(ii)</sup>	—	28,594
Unlisted	1,291,042	209,450
	<u>1,291,042</u>	<u>450,381</u>
Total	<u>61,732,121</u>	<u>83,912,240</u>

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

Fair value of the Group's financial assets at fair value through profit or loss are determined in the manner described in note 67.

As at 31 December 2016, 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 investments and exchange-traded funds) with total fair values of RMB279.13 million (31 December 2015: RMB503.78 million) to clients. These securities continued to be recognized as financial assets of the Group.

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35. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			
	2016		2015	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
PRC stock index futures <sup>(i)</sup>	—	—	—	—
Treasury bond futures <sup>(ii)</sup>	—	—	—	—
Commodity futures <sup>(ii)</sup>	—	—	—	—
Interest rate swaps <sup>(iii)</sup>	683,348	678,494	263,395	253,074
Equity return swaps <sup>(iii)</sup>	3,085	524	1,873	47,724
HK & U.S. stock index futures <sup>(iv)</sup>	—	14	—	11
Structured notes <sup>(v)</sup>	—	7,974	—	4,350
Stock option <sup>(vi)</sup>	6,023	4,965	5,311	4,295
Currency forward	—	41	—	—
	<u>692,456</u>	<u>692,012</u>	<u>270,579</u>	<u>309,454</u>

- (i) PRC stock index futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC stock index futures (including the "PRC SIF", "PRC SIH" and "PRC SIC") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2016 and 31 December 2015. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the year-end dates.

Details of the Group's PRC stock index futures are set out below:

	As at 31 December			
	2016		2015	
	Notional principal amounts RMB'000	Fair value RMB'000	Notional principal amounts RMB'000	Fair value RMB'000
PRC SIF	552,139	(11,954)	871,555	16,698
PRC SIH	137,123	(1,878)	253,099	5,280
PRC SIC	2,487	48	1,480	(5)
Less: settlement		<u>13,784</u>		<u>(21,973)</u>
Net position of PRC stock index future contracts		<u>—</u>		<u>—</u>

## Notes to the Consolidated Financial Statements

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## 35. DERIVATIVE FINANCIAL INSTRUMENTS – continued

- (ii) Treasury bond futures and commodity futures: 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 31 December 2016 and 31 December 2015. Accordingly, the net position of the treasury bond future contracts and commodity future contracts was nil at the year-end dates.

Details of the Group's treasury bond futures and commodity futures are set out below:

	As at 31 December			
	2016		2015	
	Notional principal amounts RMB'000	Fair value RMB'000	Notional principal amounts RMB'000	Fair value RMB'000
Treasury bond futures	411,014	2,868	4,015	3
Commodity futures	91,638	267	256,122	(502)
Less: settlement		(3,135)		499
Net position of treasury bond future contracts and commodity future contracts		—		—

- (iii) Interest rate swaps and equity return swaps:

The notional principal amount of the Group's interest rate swaps contracts as at 31 December 2016 was RMB90,847.00 million (31 December 2015: RMB77,006.00 million).

The notional principal amount of the Group's equity return swaps contracts was RMB1,848.39 million as at 31 December 2016 (31 December 2015: RMB21,434.46 million).

- (iv) HK stock index futures: the notional principal amount of the Group's HK stock index futures contracts was RMB20.16 million as at 31 December 2016 (31 December 2015: RMB19.74 million);

U.S. stock index futures: the notional principal amount of the Group's U.S. stock index futures contracts was RMB48.45 million as at 31 December 2016 (31 December 2015: RMB2.64 million).

- (v) The amounts represent the fair value of embedded derivatives of structured notes, details set out in notes 42 and 55.
- (vi) Stock option: represents the stock option contracts held by the Group, the notional principal amount of the Group's stock option contracts was RMB660.68 million as at 31 December 2016 (31 December 2015: RMB244.87 million).



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36. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Deposits with stock exchanges:		
Shanghai Stock Exchange	262,490	506,061
Shenzhen Stock Exchange	138,495	356,394
Hong Kong Stock Exchange	22,984	20,298
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	73,135	27,090
Shanghai Futures Exchange	857,123	677,490
Zhengzhou Commodity Exchange	177,808	147,041
Dalian Commodity Exchange	673,962	268,634
China Financial Futures exchange	1,894,998	2,783,718
Intercontinental Exchange, Inc.	6,938	6,493
China Securities Finance Corporation Limited	305,684	53,648
Shanghai Clearing House	121,070	58,881
Guarantee fund paid to China Financial Futures Exchange	20,113	20,137
China Beijing Equity Exchange	3,825	2,193
LME Clear Limited	86,811	199,293
Brokers	447,620	141,753
Others	39,629	8,672
	<u>5,132,685</u>	<u>5,277,796</u>

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## 37. CLEARING SETTLEMENT FUNDS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Clearing settlement funds held with clearing houses for:		
House accounts	3,871,328	2,772,183
Clients	17,871,298	28,449,878
	<u>21,742,626</u>	<u>31,222,061</u>

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

## 38. BANK BALANCES AND PLEDGED/RESTRICTED BANK DEPOSITS

## Bank balances

	2016/12/31 RMB'000	2015/12/31 RMB'000
House accounts	13,046,174	17,609,937
Cash held on behalf of customers <sup>(i)</sup>	67,251,310	88,640,516
	<u>80,297,484</u>	<u>106,250,453</u>

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

- (i) The Group maintain bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 45).

## Pledged/restricted bank deposits

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non-current</b>		
Restricted bank deposits for GF Securities Tower <sup>(ii)</sup>	<u>80,000</u>	<u>80,000</u>
<b>Current</b>		
Restricted bank deposits for purchase of follow-on offerings, funds and asset management schemes	<u>70,948</u>	<u>242,008</u>

- (ii) The amount represents deposit pledged for the construction in progress disclosed in note 18.

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39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	<b>2016/12/31</b>	2015/12/31
	<b>RMB'000</b>	RMB'000
Bank balances - house	<b>13,046,174</b>	17,609,937
Clearing settlement funds - house	<b>3,871,328</b>	2,772,183
	<b><u>16,917,502</u></b>	<u>20,382,120</u>

Cash and cash equivalent includes bank deposits with original maturity of more than three months held by the Group. As at 31 December 2016, bank deposits with original maturity of more than three months, which can be withdrawn on demand without prior notice to banks, held by the Group were RMB1,620.00 million (31 December 2015: RMB543.39 million).

40. DEFERRED TAXATION

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

	<b>2016/12/31</b>	2015/12/31
	<b>RMB'000</b>	RMB'000
Deferred tax assets	<b>783,339</b>	269,442
Deferred tax liabilities	<b>(131,280)</b>	(278,362)
	<b><u>652,059</u></b>	<u>(8,920)</u>

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## 40. DEFERRED TAXATION – continued

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

	Financial assets at fair value through profit or loss/ derivatives RMB'000	Accrued staff costs RMB'000	Available- for-sale financial assets RMB'000	Allowance for impairment losses RMB'000	Property and equipment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	(22,185)	709,648	(592,261)	58,235	(22,085)	(12,706)	118,646
(Charge) credit to profit or loss	(122,370)	102,763	18,240	7,350	984	15,495	22,462
Charge to other comprehensive income	—	—	(150,028)	—	—	—	(150,028)
At 31 December 2015	(144,555)	812,411	(724,049)	65,585	(21,101)	2,789	(8,920)
(Charge) credit to profit or loss	(46,190)	278,971	(36,599)	71,228	984	5,175	273,569
(Charge) credit to other comprehensive income	—	—	390,206	—	—	(2,796)	387,410
At 31 December 2016	(190,745)	1,091,382	(370,442)	136,813	(20,117)	5,168	652,059

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

As at 31 December 2016, the Group has unused tax losses of approximately RMB417.68 million (31 December 2015: RMB253.04 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. Most of these tax losses may be carried forward indefinitely.

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41. BORROWINGS

	<b>2016/12/31</b>	2015/12/31
	<b>RMB'000</b>	RMB'000
Secured short-term bank loans <sup>(i)</sup>	<b>768,074</b>	66,588
Unsecured short-term bank loans <sup>(ii)</sup>	<b>4,095,800</b>	829,422
	<b>4,863,874</b>	896,010

- (i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities from the banks. As at 31 December 2016, the total market value of securities pledged is amounted RMB2,323.86 million (31 December 2015: RMB1,220.23million) and the credit facilities utilised is RMB768.07 million (31 December 2015: RMB66.59 million), which bear interest rates ranging from HIBOR +1.30% to HIBOR +1.50%, or cost of fund rate of lending banks (31 December 2015: HIBOR +1.5%, or cost of fund rate of lending bank +1.5%) per annum.
- (ii) As at 31 December 2016, the Group's unsecured short-term bank loans bear fixed interest rates ranging from 1.06% to 4.57% (31 December 2015: nil), and variable interest rates ranging from HIBOR+1.25% to HIBOR +2.09% (31 December 2015: HIBOR+1.5% to HIBOR+2.2%, or cost of fund rate of lending banks +1.5%).

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>HKD</b>
	RMB'000
As at 31 December 2016	1,044,956
As at 31 December 2015	871,312

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## 42. SHORT-TERM FINANCING PAYABLES

	2016/12/31 RMB'000	2015/12/31 RMB'000
Unsecured and unguaranteed:		
Short-term bond payables (Note 1)	15,000,000	15,000,000
Principals of structured notes (Note 2)	1,329,741	6,643,800
	<u>16,329,741</u>	<u>21,643,800</u>

Note 1: Short-term bond payables

The details of short-term bond payables as at 31 December 2016 are as follow:

Name	Issue amount RMB'000	Issue date	Maturity date	Coupon rate
GF1602	5,000,000	14/04/2016	15/04/2017	3.10%
GF1603	5,000,000	12/05/2016	07/02/2017	3.28%
GF1604	5,000,000	20/05/2016	23/05/2017	3.27%

Note 2: Principals of structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company. The structured notes bear fixed rate interest or variable rate linked to certain stock index. The principals and interests are repayable upon maturity within one year. The structured notes with variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of stock index. For those embedded derivatives, they are accounted for in the consolidated financial statements under note 35 after being bifurcated from their respective host contracts.

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43. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Current</b>		
Financial liabilities held for trading		
Bonds	4,022,587	—
Stocks	86,557	—
Funds	34,826	—
	<u>4,143,970</u>	<u>—</u>
Analysed as:		
List in Hong Kong	86,557	—
Listed outside Hong Kong	34,826	—
Unlisted	4,022,587	—
	<u>4,143,970</u>	<u>—</u>
<b>Non-Current</b>		
Financial liabilities designated at fair value through profit or loss		
Equity return swap <sup>(i)</sup>	472,404	—
Analysed as:		
Unlisted	472,404	—
	<u>472,404</u>	<u>—</u>
<b>Total</b>	<u><u>4,616,374</u></u>	<u><u>—</u></u>

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

44. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Due to banks and other financial institutions	<u>10,606,395</u>	<u>1,750,000</u>

As at 31 December 2016, the ranges of effective interest rate on due to banks are 2.76% to 3.00% (31 December 2015: 2.56% to 3.20%) per annum. Among the balance, an amount of RMB1,206.39 million was pledged by the Group's securities amounting to RMB1,837.57 million as at 31 December 2016 (31 December 2015: nil).

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**45. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS**

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at 31 December 2016, included in the Group's accounts payable to brokerage clients were approximately RMB7,580.29 million (31 December 2015: RMB13,980.03 million) of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

**46. ACCRUED STAFF COSTS**

	<b>2016/12/31</b>	2015/12/31
	<b>RMB'000</b>	RMB'000
Salaries, bonus and allowances	<b>6,896,872</b>	7,610,686
Short-term social welfare	<b>1,068</b>	1,047
Defined contribution plans <sup>(i)</sup>	<b>3,012</b>	1,587
Early retirement benefits <sup>(ii)</sup>	<b>146,697</b>	143,895
Others	<b>94,400</b>	55,250
	<b><u>7,142,049</u></b>	<u>7,812,465</u>

- (i) The defined contribution plans refer to social pension insurance plan and unemployment insurance plan required by the government, and annuity schemes launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the Group sets up annuity schemes and Mandatory Provident Fund Scheme for qualified employees in the PRC and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis. The amounts accrued have been paid in subsequent periods.
- (ii) During the year, the Group recognised RMB21.95 million (2015: RMB35.91 million), as staff costs and paid RMB19.15 million (2015: RMB14.66 million), in respect of the early retirement benefits.



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47. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non-current</b>		
Deposits of financial leasing business	81,605	—
	<u>81,605</u>	<u>—</u>
<b>Current</b>		
Payables for open-ended fund clearing and other clearing	3,193,428	2,635,463
Interest payable	2,039,196	2,724,477
Commission payable and related accrued expenses for sale of funds	430,459	277,343
Other taxes	261,462	452,930
Accrued expenses	118,483	179,578
Payables for securities investor protection fund and futures investor protection fund	118,682	61,147
Futures risk reserve	104,057	91,215
Funds risk reserve	90,671	62,875
Project quality deposits <sup>(i)</sup>	40,000	40,000
Payable to R&F <sup>(ii)</sup>	507,889	423,955
Payable for equipment purchases	114,614	131,167
Block trade deposits	100,000	500,000
Deposits of equity return swaps	3,128	355,875
IPO expenses payable	—	361,149
Deposits of financial leasing business	3,250	—
Others <sup>(iii)</sup>	321,394	130,759
	<u>7,446,713</u>	<u>8,427,933</u>
Total	<u>7,528,318</u>	<u>8,427,933</u>

(i) The balances represent the project quality deposits from Guangzhou R & F Properties Corporation Co., Ltd. ("R&F") which is the construction agent of the GF Securities Tower, to ensure the construction quality of the GF Securities Tower.

(ii) The balances represent the construction expenditure of GF Securities Tower which R&F paid on behalf of the Company.

(iii) Others represent primarily other accounts payable and accrued operating expenses which are non-interest bearing and are repayable within one year.

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## 48. PROVISIONS

	2016/12/31 RMB'000	2015/12/31 RMB'000
At beginning of the year	60,581	33,360
Addition for the year	—	27,221
Utilisation of provision <sup>(i)</sup>	<u>(27,221)</u>	<u>—</u>
At end of the year	<u><b>33,360</b></u>	<u><b>60,581</b></u>

(i) The Company wrote off the penalty provision by making the payments to the Administrative Penalties from the CSRC.

## 49. OTHER LIABILITIES

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non - Current</b>		
Third-party interests in consolidated asset management schemes	<u>347,409</u>	<u>—</u>
<b>Current</b>		
Third-party interests in consolidated asset management schemes and funds	<u>12,887,728</u>	<u>10,515,964</u>
Total	<u><b>13,235,137</b></u>	<u><b>10,515,964</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.

During the year, the Group has disposed of and deconsolidated three of its schemes, which are not individually significant to the Group. On their respective dates of ceased to be controlled by the Group, total assets of RMB401.96 million mainly including financial assets at FVTPL of RMB366.67 million and assets measured at amortised cost of RMB35.29 million and total liabilities of RMB26.32 million mainly including accounts payable, and other payables and accruals and the proportion attributable to other schemes unit holders amounted to RMB345.04 million accounted as other liabilities were derecognised from the consolidated financial statements. The resulted cash outflow is amounted RMB33.48 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

50. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Current</b>		
Analysed by collateral type:		
Bonds <sup>(i)</sup>	44,465,839	65,195,761
Rights and interests in margin loans	—	20,200,000
Rights and interests in financial leasing receivables	310,720	—
Gold leasing <sup>(ii)</sup>	5,772,707	—
	<u>50,549,266</u>	<u>85,395,761</u>
Analysed by market:		
Stock exchanges	20,552,854	25,447,180
Interbank bond market	23,912,985	39,748,581
Shanghai gold exchange	5,772,707	—
Over the counter	310,720	20,200,000
	<u>50,549,266</u>	<u>85,395,761</u>

- (i) As at 31 December 2016, included in the balance is an amount of RMB10,349.73 million (31 December 2015: RMB18,009.29 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 RMB 10,951.60 million (31 December 2015: RMB18, 611.02 million).
- (ii) As at 31 December 2016, the fair value of gold transferred which is from leasing and is not recognised in the consolidated financial statements, is RMB 5,733.35 million (as at 31 December 2015: nil).

Sales and repurchase agreements are transactions in which the Group sell a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group are still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retain substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in note 58.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 51. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>
Share capital (in RMB'000)		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>

## 52. INVESTMENT REVALUATION RESERVE

The movements of investment revaluation reserve of the Group are set out below:

	2016/12/31 RMB'000	2015/12/31 RMB'000
At beginning of the year	2,708,507	1,952,136
Available-for-sale financial assets		
Net fair value changes during the year	(634,373)	4,877,937
Reclassification adjustment to profit or loss on disposal	(1,175,178)	(4,040,589)
Reclassification adjustment to profit or loss on impairment	235,246	—
Income tax impact	357,962	(127,300)
Share of fair value gain on available-for-sale financial assets of associates and joint ventures	(61,455)	46,323
At end of the year	<u>1,430,709</u>	<u>2,708,507</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

53. GENERAL RESERVES

General reserves comprise of the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company’s articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC (“PRC GAAP”), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalization. If the statutory reserve is capitalized into share capital, the remaining reserve is required to be no less than 25% of the Company’s registered capital before capitalization.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk; and in accordance with Interim Measures for the Supervision and Administration of Risk Reserve of the Public Offering of Securities Investment Fund, the Company, as a custodian of securities investment fund, is required to appropriate no less than 2.5% of fund custodian revenue as reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company’s PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve, the reserve for general risk and the transaction risk reserve.

The movements of general reserves of the Group are set out below:

As at 31 December 2016

	Opening RMB’000	Addition RMB’000	Closing RMB’000
Statutory reserve	3,966,788	617,822	4,584,610
Discretionary reserve	169,428	—	169,428
Reserve for general risk	4,655,538	837,258	5,492,796
Transaction risk reserve	4,237,469	723,513	4,960,982
	<u>13,029,223</u>	<u>2,178,593</u>	<u>15,207,816</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 53. GENERAL RESERVES – continued

As at 31 December 2015

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	2,841,276	1,125,512	3,966,788
Discretionary reserve	169,428	—	169,428
Reserve for general risk	3,346,629	1,308,909	4,655,538
Transaction risk reserve	3,040,390	1,197,079	4,237,469
	<u>9,397,723</u>	<u>3,631,500</u>	<u>13,029,223</u>

## 54. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	<b>2016/12/31</b> <b>RMB'000</b>	2015/12/31 RMB'000
At beginning of the year	<b>22,233,281</b>	13,847,625
Profit for the year	<b>8,030,107</b>	13,201,014
Appropriation to general reserves	<b>(2,178,593)</b>	(3,631,500)
Dividends recognised as distribution	<b>(6,096,870)</b>	(1,183,858)
At end of the year	<u><b>21,987,925</b></u>	<u>22,233,281</u>

As at 31 December 2016, included in the above balance is the Company's share of its subsidiaries' statutory reserve of RMB497.63 million (31 December 2015: RMB335.68 million) which cannot be used for profit distribution.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

55. BONDS PAYABLE

	2016/12/31 RMB'000	2015/12/31 RMB'000
Unsecured and unguaranteed:		
<b>Non-current</b>		
Corporate bonds (Note 1)	14,987,897	10,486,509
Subordinated bonds (Note 1)	43,286,136	49,470,704
Structured notes (Note 2)	—	12,312,973
	<u>58,274,033</u>	<u>72,270,186</u>
<b>Current</b>		
Corporate bonds(Note 1)	—	1,498,665
Subordinated bonds (Note 1)	9,000,000	—
Structured notes (Note 2)	6,250,564	5,478,016
	<u>15,250,564</u>	<u>6,976,681</u>

Note 1: Details of bonds as of 31 December 2016 are as follow:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
Corporate bonds				
13GF01	1,500,000	17/06/2013	17/06/2018	4.50%
13GF02	1,500,000	17/06/2013	17/06/2018	4.75%
13GF03	9,000,000	17/06/2013	17/06/2023	5.10%
16GF08	3,000,000	18/11/2016	18/11/2019	3.45%
Subordinated bonds				
14GF02	3,000,000	24/07/2014	24/07/2019	5.90%
15GF05	9,000,000	29/05/2015	29/05/2017	5.35%
15GF07	8,000,000	15/06/2015	15/06/2018	5.40%
16GF01	4,300,000	09/05/2016	09/05/2019	3.30%
16GF02	5,000,000	13/06/2016	13/06/2019	3.50%
16GF03	5,000,000	21/06/2016	21/06/2021	3.70%
16GF04	5,000,000	19/07/2016	19/07/2020	3.35%
16GF05	5,000,000	17/08/2016	17/08/2018	3.03%
16GF06	4,000,000	29/08/2016	29/08/2019	3.30%
16GF07	4,000,000	14/09/2016	14/09/2019	3.50%

Note 2: Structured notes

The amount represents principals received from investors and interest accrued for subscription of structured notes issued by the Company. The structured notes bear fixed rate interest ranging from 3.25% to 6.00% per annum (31 December 2015: 3.50% to 6.97%). Structured notes maturing within one year as at 31 December 2016 are classified under current liability.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 56. LONG-TERM LOANS

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Non-Current</b>		
Unsecured long-term loans <sup>(i)</sup>	2,296,800	3,469,168
Secured long-term loans <sup>(ii)</sup>	271,884	—
	<u>2,568,684</u>	<u>3,469,168</u>
<b>Current</b>		
Secured long-term loans - due within one year <sup>(ii)</sup>	<u>160,566</u>	—

(i) As at 31 December 2016, the balance mainly represents a long-term syndicated loan amounting to RMB 2,146.80 million. The loan carries interest at variable interest rate of HIBOR + 2.09% per annum, and the interest is repayable monthly and the principal is repayable within three years.

(ii) During the year, the Group obtained several long-term loans amounting to RMB432.45 million secured by rights and interests in financial leasing receivables. The loans bear fixed interest rates ranging from 4.28% to 4.99% per annum, and the principals and interests are repayable monthly, quarterly or semi-annually according to the borrowing agreements, with principals amounted to RMB160.57 million due within one year, principals amounted to RMB144.21 million due within two years, and the rest due within five years.

## 57. DIVIDENDS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Dividend recognised as distribution	<u>6,096,870</u>	<u>1,183,858</u>

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

Pursuant to the resolution of the shareholders meeting held on 9 March 2015, the Company distributed cash dividends of RMB2.00 for every 10 shares (tax included) based on 5.92 billion shares held amounting to RMB1.18 billion in total for the year ended 31 December 2014.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

58. TRANSFER OF FINANCIAL ASSETS

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security, rights and interests in a margin loan, rights and interests in financial leasing receivables (collectively as “the transferred assets”) and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of the transferred assets. The transferred assets are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of the transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights of the cash flows of the transferred assets, it does not have the ability to use the transferred assets during the term of the arrangements.

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2016

	Financial asset at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Financial assets held under resale arrangements RMB'000	Financial leasing receivables RMB'000	Total RMB'000
Carrying amount of transferred assets	3,742,867	29,608,016	1,125,514	399,514	34,875,911
Carrying amount of associated liabilities	(3,656,318)	(29,353,313)	(1,106,476)	(310,720)	(34,426,827)
Net position	<u>86,549</u>	<u>254,703</u>	<u>19,038</u>	<u>88,794</u>	<u>449,084</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

58. TRANSFER OF FINANCIAL ASSETS – *continued*Repurchase agreements – *continued*

## As at 31 December 2015

	Financial asset at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000	Financial assets held under resale arrangements RMB'000	Advances to customers RMB'000	Total RMB'000
Carrying amount of transferred assets	9,458,620	37,905,205	313,625	21,956,565	69,634,015
Carrying amount of associated liabilities	<u>(9,259,076)</u>	<u>(37,625,491)</u>	<u>(301,905)</u>	<u>(20,200,000)</u>	<u>(67,386,472)</u>
Net position	<u>199,544</u>	<u>279,714</u>	<u>11,720</u>	<u>1,756,565</u>	<u>2,247,543</u>

## Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss RMB279.13 million as at 31 December 2016 (31 December 2015: RMB503.78 million), as available-for-sale financial assets of carrying amount totalling RMB28.58 million as at 31 December 2016 (31 December 2015: RMB20.05 million), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

58. TRANSFER OF FINANCIAL ASSETS – continued

Securities borrowing from banks

As at 31 December 2016 and 2015, the type and fair values of securities borrowed from banks through inter-bank securities market trading platform are as follows:

<b>Type of Securities</b>	<b>2016/12/31 RMB'000</b>	2015/12/31 RMB'000
Government bonds	<b>13,601,692</b>	18,558,408
Financial bonds	<b>2,300,383</b>	1,300,522
Local government bonds	<b>2,879,577</b>	—
	<b><u>18,781,652</u></b>	<u>19,858,930</u>

As at 31 December 2016 and 2015, the above securities are due to return to banks before 17 March 2017 and 15 February 2016, respectively.

In order to borrow the securities mentioned above from banks, the Group has pledged its assets to banks, the type and fair values of assets pledged to banks as at 31 December 2016 and 2015 are as follows:

<b>Type of Assets</b>	<b>2016/12/31 RMB'000</b>	2015/12/31 RMB'000
Financial assets at fair value through profit or loss	<b>6,634,989</b>	1,881,915
Available-for-sale financial assets	<b>4,593,776</b>	10,447,239
Financial assets held under resale agreements	<b>258,316</b>	2,684,886
	<b><u>11,487,081</u></b>	<u>15,014,040</u>

59. CAPITAL COMMITMENTS

	<b>2016/12/31 RMB'000</b>	2015/12/31 RMB'000
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	<b><u>286,135</u></b>	<u>420,489</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 60. OPERATING LEASE COMMITMENTS

## The Group as lessee

As at 31 December 2016 and 31 December 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Within one year	238,497	205,983
In the second to fifth years inclusive	331,954	297,320
Over five years	28,629	29,147
Total	<u>599,080</u>	<u>532,450</u>

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

## The Group as lessor

During the year, the Group did not have material lease commitment as lessor.

## 61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2016

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution	Bonuses RMB'000	Total <sup>(i)</sup> RMB'000
			to pension schemes RMB'000		
<b>A) EXECUTIVE DIRECTORS:</b>					
Sun Shuming	—	1,393	189	10,361	11,943
Lin Zhihai	—	2,966	247	9,354	12,567
Qin Li	—	1,275	258	8,258	9,791
Sun Xiaoyan	—	1,257	258	7,627	9,142
Subtotal	—	<u>6,891</u>	<u>952</u>	<u>35,600</u>	<u>43,443</u>

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued

For the year ended 31 December 2016 – continued

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's	Bonuses RMB'000	Total <sup>(i)</sup> RMB'000
			contribution to pension schemes RMB'000		
<b>B) NON-EXECUTIVE DIRECTORS:</b>					
Shang Shuzhi	150	—	—	—	150
Li Xiulin	150	—	—	—	150
Chen Aixue	150	—	—	—	150
Subtotal	<u>450</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>450</u>

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's	Bonuses RMB'000	Total <sup>(i)</sup> RMB'000
			contribution to pension schemes RMB'000		
<b>C) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>					
Liu Jiwei	225	—	—	—	225
Yang Xiong	225	—	—	—	225
Tang Xin	225	—	—	—	225
Chan Kalok	225	—	—	—	225
Subtotal	<u>900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>900</u>

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued

For the year ended 31 December 2016 – continued

Name	Supervisor fee RMB'000	Salary and allowances RMB'000	Employer's	Bonuses RMB'000	Total <sup>(i)</sup> RMB'000
			contribution to pension schemes RMB'000		
<b>D) SUPERVISOR:</b>					
Wu Zhaoming	—	1,106	262	6,234	7,602
Cheng Huaiyuan	—	698	211	3,716	4,625
Zhan Lingzhi	126	—	—	—	126
TanYue <sup>(ii)</sup>	50	—	—	—	50
Gu Naikang <sup>(iii)</sup>	50	—	—	—	50
Subtotal	<u>226</u>	<u>1,804</u>	<u>473</u>	<u>9,950</u>	<u>12,453</u>

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

For the year ended 31 December 2015

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's	Bonuses RMB'000	Total <sup>(i)</sup> RMB'000
			contribution to pension schemes RMB'000		
<b>A) EXECUTIVE DIRECTORS:</b>					
Sun Shuming	—	1,395	95	15,508	16,998
Lin Zhihai	—	2,341	126	14,506	16,973
Qin Li	—	1,279	132	12,493	13,904
Sun Xiaoyan <sup>(iv)</sup>	—	1,090	131	11,763	12,984
Subtotal	<u>—</u>	<u>6,105</u>	<u>484</u>	<u>54,270</u>	<u>60,859</u>

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2015 – *continued*

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total <sup>(i)</sup> RMB'000
<b>B) NON-EXECUTIVE DIRECTORS:</b>					
Shang Shuzhi	120	—	—	—	120
Li Xiulin	120	—	—	—	120
Chen Aixue	120	—	—	—	120
Subtotal	<u>360</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>360</u>

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total <sup>(i)</sup> RMB'000
<b>C) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>					
Liu Jiwei	180	—	—	—	180
Yang Xiong	180	—	—	—	180
Tang Xin	180	—	—	—	180
Chan Kalok <sup>(iv)</sup>	120	—	—	—	120
Subtotal	<u>660</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>660</u>

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 61. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued

For the year ended 31 December 2015 – continued

Name	Supervisor fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Bonuses RMB'000	Total <sup>(i)</sup> RMB'000
<b>D) SUPERVISOR:</b>					
Wu Zhaoming	—	1,084	133	9,559	10,776
Cheng Huaiyuan	—	698	107	3,134	3,939
Zhan Lingzhi	100	—	—	—	100
Chak Mei Hing <sup>(vi)</sup>	33	—	—	—	33
Zhao Jin <sup>(vii)</sup>	66	—	—	—	66
Xu Xinzong <sup>(viii)</sup>	—	—	—	—	—
Subtotal	199	1,782	240	12,693	14,914

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

During the years ended 31 December 2016 and 31 December 2015, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

- (i) The Company did not operate any share option scheme during the years ended 31 December 2016 and 31 December 2015.
- (ii) TanYue was appointed as Supervisor in August 2016.
- (iii) Gu Naikang was appointed as Supervisor in August 2016.
- (iv) Sun Xiaoyan was appointed as executive director in April 2015.
- (v) Chan Kalok was appointed as independent non-executive director in April 2015.
- (vi) Chak Mei Hing resigned as supervisor in March 2015.
- (vii) Zhao Jin resigned as supervisor in August 2015.
- (viii) Xu Xinzong was appointed as supervisor in July 2015, but resigned in February 2016 for personal matters. No remuneration was paid to him for the year 2015.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

62. HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year include one director (2015: three directors), details of whose remuneration are set in note 61 above. Details of the remuneration for the year of the remaining four (2015: two) highest paid employees who are neither directors nor supervisors of the Company are as follows:

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Basic salaries and allowances	<b>3,438</b>	2,062
Bonuses	<b>131,761</b>	25,701
Employer's contribution to pension schemes	<b>580</b>	223
	<b><u>135,779</u></b>	<u>27,986</u>

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2016 and 31 December 2015.

There are four employees who are not directors nor supervisors of the Company, among which, one (2015: 0) employee's remuneration is more than HKD25.00 million and the remunerations of the remaining three (2015: 2) employees are below HKD25.00 million.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 63. RELATED PARTY TRANSACTIONS

## (1) Shareholders

The Group had the following material transactions and balances with shareholders:

*Transactions with shareholders*

	2016 RMB'000	2015 RMB'000
Commission and fee income		
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co., Ltd.*	—	21,873
Net investment gains		
遼寧成大生物股份有限公司		
– Liaoning Cheng Da Biotechnology Co., Ltd.*	<u>2,000</u>	<u>—</u>

*Balances with shareholders*

	2016/12/31 RMB'000	2015/12/31 RMB'000
Available-for-sale financial assets-stocks		
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.*	1,032,503	1,031,171
Available-for-sale financial assets-bonds		
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co., Ltd.*	—	84,160
Financial assets as FVTPL-financial assets held for trading - stocks		
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.*	2,813	2,809
遼寧成大股份有限公司		
– Liaoning Cheng Da Co., Ltd.*	1,052	1,650
遼寧成大生物股份有限公司(Note)		
– Liaoning Cheng Da Biotechnology Co., Ltd.*	<u>66,081</u>	<u>—</u>

\* English translated name is for identification purpose only.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

63. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties

The Group had the following material transactions and balances with associates during the year:

Transactions with associates

	2016 RMB'000	2015 RMB'000
<b>Commission and fee income</b>		
易方達基金管理下的基金		
– Funds under the management of E Fund	28,944	78,193
中證信用增進股份有限公司		
– China Securities Credit Investment Co., Ltd. *	700	—
珠海廣發信德環保產業投資基金合夥企業(有限合夥)		
– Zhuhai GF Xinde Environment Protection Industry Investment Partnership L.P. *	8,793	—
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥)		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	2,900	—
廣州廣發信德一期健康產業投資企業(有限合夥)		
– Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. *	6,040	—
廣發信德(珠海)醫療產業投資中心(有限合夥)		
– GF Xinde (Zhuhai) Medical Industrial Investment Center L.P. *	8,899	—
<b>Interest expense</b>		
廣東廣發互聯小額貸款股份有限公司		
– Guangdong GF Loan Co., Ltd.*	—	205

\* English translated name is for identification purpose only

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

63. RELATED PARTY TRANSACTIONS – *continued*(2) Other related parties – *continued**Balances with associates*

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Commission receivable from exchange trading units and distributing financial products</b>		
– E Fund	5,784	12,194
<b>Receivables from asset and fund management fee income</b>		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	2,900	—
– Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. *	1,520	—
<b>Short-term financing payables</b>		
– Guangdong GF Loan Co., Ltd. *	—	11,000
<b>Other accounts payable, other payables and accruals</b>		
– Guangdong GF Loan Co., Ltd. *	—	159

\* 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:

	2016 RMB'000	2015 RMB'000
Short-term benefits:		
– Salaries, allowance and bonuses	257,692	391,322
Post-employment benefits:		
– Employer's contribution to pension schemes/ annuity schemes	2,285	1,054
Total	259,977	392,376

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

63. RELATED PARTY TRANSACTIONS – *continued*

(4) Other transactions entered with shareholders

During the year, the Company's wholly owned subsidiary GF Xinde Investment Management Co., Ltd. has completed the capital injection of RMB6.00 million, RMB25.85 million and RMB95.00 million for Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd.\*(深圳前海廣發信德中山公用併購基金管理有限公司), Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P. \*(中山廣發信德公用環保夾層投資企業(有限合夥)) and Zhuhai GF Xinde Environment Protection Industry Investment Partnership L.P. (珠海廣發信德環保產業投資基金合夥企業(有限合夥)), respectively, which were established in 2015 under the agreement with Zhongshan Public Utilities Environment Protection Industry Investment Co., Ltd.\*(中山公用環保產業投資有限公司), a wholly owned subsidiary of Zhongshan Public Utilities Group Co., Ltd, a shareholder of the Company. As at 31 December 2016, Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd.\*(深圳前海廣發信德中山公用併購基金管理有限公司) and Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P. \*(中山廣發信德公用環保夾層投資企業(有限合夥)) were consolidated as subsidiaries in the consolidated financial statements; Zhuhai GF Xinde Environment Protection Industry Investment Partnership L.P. (珠海廣發信德環保產業投資基金合夥企業(有限合夥)) was classified as an associate in the consolidated financial statements.

During the year, the Company's wholly owned subsidiary GF Xinde Investment Management Co., Ltd. has completed the capital injection of RMB304.00 million for Zhuhai GF Xinde JiLin Aodong Medicine Industry Investment Center L.P. \*(珠海廣發信德敖東醫藥產業投資中心(有限合夥)), which was established in 2015 under the agreement with JiLin AoDong Pharmaceutical Industry Group Co., Ltd., a shareholder of the Company. As at 31 December 2016, Zhuhai GF Xinde JiLin Aodong Medicine Industry Investment Center L.P. \*(珠海廣發信德敖東醫藥產業投資中心(有限合夥)) was consolidated as a subsidiary in the consolidated financial statements.

\* English translated name is for identification purpose only

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	As at 31 December 2016					
	Gross amounts of financial assets recognised	Gross liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
Type of financial assets	RMB'000	RMB'000	RMB'000	Financial instruments	Collateral received	RMB'000
Advances to customers	3,179,444	(116,172)	3,063,272	—	(3,063,272)	—
Accounts receivable from clearing house, brokers and cash clients	1,449,341	(216,724)	1,232,617	(18,928)	—	1,213,689
Total	<u>4,628,785</u>	<u>(332,896)</u>	<u>4,295,889</u>	<u>(18,928)</u>	<u>(3,063,272)</u>	<u>1,213,689</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements - *continued*

As at 31 December 2016						
Type of financial liabilities	Gross	Gross	Net amounts	Related amounts not		
	amounts of	amounts of	of financial	set off in the		
	recognised	recognised	liabilities	consolidated statement		
	financial	financial	presented	of financial position		
	assets set	assets set	in the	Financial	Collateral	Net
	off in the	off in the	consolidated	instruments	pledged	amount
	consolidated	consolidated	statement			
	statement	statement	of financial	RMB'000	RMB'000	RMB'000
	of financial	of financial	position			
	position	position				
	RMB'000	RMB'000	RMB'000			
Accounts payable to margin clients, clearing house, brokers and cash clients	4,291,177	(332,896)	3,958,281	(18,928)	(17,216)	3,922,137

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements - *continued*

As at 31 December 2015						
Type of financial assets	Gross	Gross	Net amounts	Related amounts not		
	amounts of recognised financial assets	amounts of recognised financial liabilities set off in the consolidated statement of financial position	of financial assets presented in the consolidated statement of financial position	Financial instruments	Collateral received	Net amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances to customers	2,617,619	(104,729)	2,512,890	(2,512,890)	—	—
Accounts receivable from clearing house, brokers and cash clients	814,790	(201,663)	613,127	—	(7,914)	605,213
<b>Total</b>	<b>3,432,409</b>	<b>(306,392)</b>	<b>3,126,017</b>	<b>(2,512,890)</b>	<b>(7,914)</b>	<b>605,213</b>

As at 31 December 2015						
Type of financial liabilities	Gross	Gross	Net amounts	Related amounts not		
	amounts of recognised financial liabilities	amounts of recognised financial assets set off in the consolidated statement of financial position	of financial liabilities presented in the consolidated statement of financial position	Financial instruments	Collateral pledged	Net amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable to margin clients, clearing house, brokers and cash clients	5,639,954	(306,392)	5,333,562	—	(26,445)	5,307,117



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

The tables below reconcile the “Net amount of financial assets and financial liabilities presented in the consolidated statement of financial position” as set out above, to the line items presented in the consolidated statement of financial position.

Advances to customers

	2016/12/31 RMB'000	2015/12/31 RMB'000
Net amount of advances to customers as stated above	3,063,272	2,512,890
Amount not in scope of offsetting disclosures	<u>55,938,023</u>	<u>66,677,653</u>
Total amount of advances to customers as stated in note 28	<u><u>59,001,295</u></u>	<u><u>69,190,543</u></u>

Accounts receivable

	2016/12/31 RMB'000	2015/12/31 RMB'000
Net amount of accounts receivable as stated above	1,232,617	613,127
Amount not in scope of offsetting disclosures	<u>979,760</u>	<u>1,906,014</u>
Total amount of accounts receivable as stated in note 29	<u><u>2,212,377</u></u>	<u><u>2,519,141</u></u>

Accounts payable to brokerage clients

	2016/12/31 RMB'000	2015/12/31 RMB'000
Net amount of accounts payable to brokerage client as stated above	3,958,281	5,333,562
Amount not in scope of offsetting disclosures	<u>81,768,244</u>	<u>112,803,523</u>
Total amount of accounts payable to brokerage clients as stated in note 45	<u><u>85,726,525</u></u>	<u><u>118,137,085</u></u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 65. FINANCIAL INSTRUMENTS

## Categories of financial instruments

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Financial assets</b>		
Loans and receivables	198,267,864	232,510,279
Available-for-sale financial assets	92,080,656	96,582,578
Financial assets at fair value through profit or loss	61,732,121	83,912,240
Investment in an associate at fair value through profit or loss	34,688	—
Derivative financial assets	692,456	270,579
	<u>352,807,785</u>	<u>413,275,676</u>
<b>Financial liabilities</b>		
Derivative financial liabilities	692,012	309,454
Financial liabilities at amortised cost	264,713,158	329,194,147
Financial liabilities at fair value through profit or loss	4,616,374	—
	<u>270,021,544</u>	<u>329,503,601</u>

## 66. FINANCIAL RISK MANAGEMENT

## Risk management policies and organisation structure

## (1) Risk management policies

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

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

## 66. FINANCIAL RISK MANAGEMENT – *continued*

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

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

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

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, model risk and reputation risk; assessing, monitoring, reporting on and advising on the management of the Group’s venture capital; handling daily routine of the Risk Control Committee of the Group 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 Group’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.

### Credit risk

#### (1) *Credit risk exposure during the year*

Credit risk is the probability that the market value of debts may change due to the fact that the debtor or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group exposed to mainly relates to the following assets: (i) fixed income financial assets; (ii) 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

#### Credit risk management

In terms of the financing business, the credit risk exposure of margin financing and securities lending, security transaction with repurchase agreement, stock-pledged repo and financial leasing is derived from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. As at 31 December 2016 and 2015, the average ratio of guarantee maintained by the Group for all the clients who have liabilities in margin financing and securities lending of the Group is over 265.08% and 282.84%, respectively; As at 31 December 2016 and 2015, the average coverage ratio of contract performance for clients of security transactions with repurchase agreement is 272.73% and 285.74%, respectively, and the average coverage ratio of contract performance security for clients of stock-pledged repo is 249.36% and 469.98%, respectively. The guarantees provided are sufficient and the credit risk of financing business is managed at an acceptable level.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

66. FINANCIAL RISK MANAGEMENT – *continued*

Credit risk management – *continued*

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Advances to customers	59,001,295	69,190,543
Accounts receivable	2,212,377	2,519,141
Other accounts receivable and other receivables	2,992,463	3,370,573
Financial leasing receivables	2,380,265	—
Amounts due from associates	5,784	12,194
Loan and receivable investments	2,390,735	599,593
Available-for-sale financial assets <sup>(i)</sup>	63,454,478	64,497,368
Including: monetary funds	—	139,233
Including: securities lent to customers	28,584	20,052
Financial assets held under resale agreements	21,961,202	13,745,917
Financial assets at fair value through profit or loss(i)	40,957,811	47,586,694
Including: monetary funds	9,994,312	19,274,114
Including: securities lent to customers	279,129	503,778
Derivative financial assets	692,456	270,579
Deposits with exchanges and non-bank financial institutions	5,132,685	5,277,796
Clearing settlement funds	21,742,626	31,222,061
Pledged/restricted bank deposits	150,948	322,008
Bank balances	80,297,484	106,250,453
	<b>303,372,609</b>	<b>344,864,920</b>

(i) Financial assets at fair value through profit or loss and available-for-sale financial assets contain only debt securities, monetary funds managed by third parties, debt financing products and securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

#### Market risk

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

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

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

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

#### Interest rate risk

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

The tables below summarise the Group’s interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

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For the year ended 31 December 2016

66. FINANCIAL RISK MANAGEMENT – continued

Interest rate risk – continued

	As at 31 December 2016						Total RMB'000
	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	
<b>Financial assets</b>							
Advances to customers	6,030,198	7,171,524	44,943,723	814,956	—	40,894	59,001,295
Available-for-sale financial assets	1,013,346	9,885,705	27,549,191	26,610,252	1,684,603	25,337,559	92,080,656
Loan and receivable investments	—	—	1,831,243	559,492	—	—	2,390,735
Other accounts receivable, other receivables and prepayments	—	—	—	59,700	—	2,932,763	2,992,463
Financial assets held under resale agreements	6,198,270	2,408,703	9,475,016	3,879,213	—	—	21,961,202
Financial assets at fair value through profit and loss	1,532,474	18,274,575	12,062,714	16,162,628	3,017,782	10,681,948	61,732,121
Derivative financial assets	—	—	—	—	—	692,456	692,456
Deposits with exchanges and non-bank financial institutions	852,639	—	—	—	—	4,280,046	5,132,685
Clearing settlement funds	21,742,626	—	—	—	—	—	21,742,626
Pledged/restricted bank deposits	150,948	—	—	—	—	—	150,948
Bank balances	69,614,167	7,124,657	3,480,000	—	—	78,660	80,297,484
Accounts receivable	73,765	—	—	—	—	2,138,612	2,212,377
Amounts due from associates	—	—	—	—	—	5,784	5,784
Investment in an associate at fair value through profit or loss	—	—	—	—	—	34,688	34,688
Financial leasing receivables	51,375	58,334	556,647	1,680,881	33,028	—	2,380,265
<b>Subtotal</b>	<b>107,259,808</b>	<b>44,923,498</b>	<b>99,898,534</b>	<b>49,767,122</b>	<b>4,735,413</b>	<b>46,223,410</b>	<b>352,807,785</b>
<b>Financial liabilities</b>							
Borrowings	4,649,684	—	214,190	—	—	—	4,863,874
Short-term financing payables	23,520	5,291,380	10,304,050	—	—	710,791	16,329,741
Due to banks and other financial institutions	2,806,395	6,500,000	1,300,000	—	—	—	10,606,395
Accounts payable to brokerage clients	76,052,392	—	—	—	—	9,674,133	85,726,525
Other accounts payable, other payables and accruals	—	—	—	—	—	7,148,373	7,148,373
Other liabilities	3,633,457	7,231,403	1,133,146	347,409	—	889,722	13,235,137
Derivative financial liabilities	—	—	—	—	—	692,012	692,012
Financial assets sold under repurchase agreement	44,379,882	884,679	5,284,705	—	—	—	50,549,266
Bonds payable	15,410	52,290	30,291,516	33,998,419	8,989,478	177,484	73,524,597
Financial liabilities at fair value through profit and loss	—	—	—	—	—	4,616,374	4,616,374
Long-term loans	1,157	22,050	137,359	2,568,684	—	—	2,729,250
<b>Subtotal</b>	<b>131,561,897</b>	<b>19,981,802</b>	<b>48,664,966</b>	<b>36,914,512</b>	<b>8,989,478</b>	<b>23,908,889</b>	<b>270,021,544</b>
<b>Net interest-bearing position</b>	<b>(24,302,089)</b>	<b>24,941,696</b>	<b>51,233,568</b>	<b>12,852,610</b>	<b>(4,254,065)</b>	<b>22,314,521</b>	<b>82,786,241</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 66. FINANCIAL RISK MANAGEMENT – continued

## Market risk – continued

## Interest rate risk – continued

As at 31 December 2015

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest- bearing RMB'000	Total RMB'000
<b>Financial assets</b>							
Advances to customers	4,953,766	5,132,408	58,804,403	220,837	—	79,129	69,190,543
Available-for-sale financial assets	2,495,405	8,200,901	16,055,351	38,698,685	4,623,905	26,508,331	96,582,578
Loan and receivable investments	50,268	22,685	27,000	499,640	—	—	599,593
Other accounts receivable, other receivables and prepayments	—	—	30,000	—	—	3,340,573	3,370,573
Financial assets held under resale agreements	5,537,290	488,975	5,884,420	1,835,232	—	—	13,745,917
Financial assets at fair value through profit and loss	1,916,825	2,300,624	50,369,391	15,740,348	3,555,755	10,029,297	83,912,240
Derivative financial assets	—	—	—	—	—	270,579	270,579
Deposits with exchanges and non-bank financial institutions	1,419,802	—	—	—	—	3,857,994	5,277,796
Clearing settlement funds	31,222,061	—	—	—	—	—	31,222,061
Pledged/restricted bank deposits	322,008	—	—	—	—	—	322,008
Bank balances	96,669,819	7,211,634	1,893,390	—	—	475,610	106,250,453
Accounts receivable	6,521	—	—	—	—	2,512,620	2,519,141
Amounts due from associates	—	—	—	—	—	12,194	12,194
Subtotal	144,593,765	23,357,227	133,063,955	56,994,742	8,179,660	47,086,327	413,275,676
<b>Financial liabilities</b>							
Borrowings	477,110	—	418,900	—	—	—	896,010
Short-term financing payables	6,767,750	7,164,480	7,310,360	—	—	401,210	21,643,800
Due to banks and other financial institutions	1,750,000	—	—	—	—	—	1,750,000
Accounts payable to brokerage clients	110,119,503	—	—	—	—	8,017,582	118,137,085
Other accounts payable, other payables and accruals	—	—	—	—	—	7,789,492	7,789,492
Other liabilities	—	9,891,778	—	—	—	624,186	10,515,964
Derivative financial liabilities	—	—	—	—	—	309,454	309,454
Financial assets sold under repurchase agreement	65,709,830	883,927	18,802,004	—	—	—	85,395,761
Bonds payable	10,973,449	4,519,721	33,212,179	21,553,674	8,987,844	—	79,246,867
Long-term loans	—	—	3,000,000	469,168	—	—	3,469,168
Accounts payable to underwriting clients	—	—	—	—	—	350,000	350,000
Subtotal	195,797,642	22,459,906	62,743,443	22,022,842	8,987,844	17,491,924	329,503,601
Net interest-bearing position	(51,203,877)	897,321	70,320,512	34,971,900	(808,184)	29,594,403	83,772,075



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

66. FINANCIAL RISK MANAGEMENT – continued

Market risk – continued

Interest rate risk – continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at 31 December 2016 and 31 December 2015 were outstanding for the whole year. When reporting to the management on the interest rate risk, a 100 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	2016 RMB'000	2015 RMB'000
<b>Profit before income tax for the year</b>		
Increase by 100bps	(253,701)	(219,524)
Decrease by 100bps	<u>269,703</u>	<u>219,524</u>
<b>Other comprehensive income before income tax</b>		
Increase by 100bps	(515,554)	(1,032,419)
Decrease by 100bps	<u>523,130</u>	<u>1,091,472</u>

Currency risk

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 66. FINANCIAL RISK MANAGEMENT – continued

## Market risk – continued

## Price risk

Price risk is primarily about the unfavourable changes of share price, financial derivative instruments prices and commodity price that cause financial loss during the Group's on-balance and off-balance business. Quantitatively, price risk the Group facing is mainly the proportionate fluctuation in the Group's profits due to the price fluctuation of the trading financial instrument and the proportionate fluctuation in the Group's equity due to the price fluctuation of the available-for-sale financial instrument. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, risk sensitivity indicators, stress testing indicators calculated by Risk Management Department in daily risk monitoring.

## Sensitivity analysis

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

	2016 RMB'000	2015 RMB'000
<b>Profit before income tax for the year</b>		
Increase by 10%	1,037,764	885,506
Decrease by 10%	<u>(1,045,600)</u>	<u>(886,155)</u>
<b>Other comprehensive income before income tax</b>		
Increase by 10%	2,227,230	2,401,664
Decrease by 10%	<u>(2,227,230)</u>	<u>(2,401,664)</u>

## Liquidity risk

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

**66. FINANCIAL RISK MANAGEMENT – continued****Liquidity risk – continued**

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

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

**Undiscounted cash flows by contractual maturities**

The tables below present the cash flows payable by the Group within the remaining contractual maturities as at 31 December 2016 and 31 December 2015. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 66. FINANCIAL RISK MANAGEMENT – continued

## Liquidity risk – continued

## Undiscounted cash flows by contractual maturities – continued

## As at 31 December 2016

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	—	4,657,763	218,724	—	—	4,876,487	4,863,874
Short-term financing payables	—	5,846,750	10,933,691	—	—	16,780,441	16,329,741
Due to banks and other financial institutions	1,206,395	8,200,759	1,319,717	—	—	10,726,871	10,606,395
Accounts payable to brokerage clients	85,726,525	—	—	—	—	85,726,525	85,726,525
Other financial liabilities	4,273,638	750,684	3,250	81,605	—	5,109,177	5,109,177
Financial liabilities at fair value through profit or loss	4,616,374	—	—	—	—	4,616,374	4,616,374
Other liabilities	889,721	10,918,129	1,200,076	362,817	—	13,370,743	13,235,137
Financial assets sold under repurchase agreement	—	45,291,330	5,332,297	—	—	50,623,627	50,549,266
Bonds Payable	—	125,710	18,083,644	54,839,550	9,918,000	82,966,904	73,524,597
Long-term loans	—	43,054	203,673	2,718,488	—	2,965,215	2,729,250
	<u>96,712,653</u>	<u>75,834,179</u>	<u>37,295,072</u>	<u>58,002,460</u>	<u>9,918,000</u>	<u>277,762,364</u>	<u>267,290,336</u>
Derivative financial liabilities	<u>14</u>	<u>663,531</u>	<u>16,941</u>	<u>15,943</u>	<u>—</u>	<u>696,429</u>	<u>692,012</u>

## As at 31 December 2015

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	—	479,818	421,906	—	—	901,724	896,010
Short-term financing payables	—	14,376,422	7,626,984	—	—	22,003,406	21,643,800
Due to banks and other financial institutions	—	1,750,821	—	—	—	1,750,821	1,750,000
Accounts payable to brokerage clients	118,137,085	—	—	—	—	118,137,085	118,137,085
Other financial liabilities	3,892,144	801,320	331,552	40,000	—	5,065,016	5,065,016
Other liabilities	624,186	9,891,778	—	—	—	10,515,964	10,515,964
Financial assets sold under repurchase agreement	—	66,959,282	19,226,707	—	—	86,185,989	85,395,761
Bonds Payable	—	3,117,955	7,183,008	71,001,054	10,377,000	91,679,017	79,246,867
Long-term loans	—	55,427	167,499	3,639,661	—	3,862,587	3,469,168
Accounts payable to underwriting clients	—	350,000	—	—	—	350,000	350,000
	<u>122,653,415</u>	<u>97,782,823</u>	<u>34,957,656</u>	<u>74,680,715</u>	<u>10,377,000</u>	<u>340,451,609</u>	<u>326,469,671</u>
Derivative financial liabilities	<u>11</u>	<u>151,461</u>	<u>86,405</u>	<u>98,723</u>	<u>—</u>	<u>336,600</u>	<u>309,454</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

66. FINANCIAL RISK MANAGEMENT – *continued*

**Capital management**

The Group's objectives of capital management are:

To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

To support the Group's stability and growth;

To maintain a strong capital base to support the development of their business; and

To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100%;
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet assets) shall be no less than 8%;
3. Liquidity coverage ratio (high quality liquid asset divided by net cash outflow in 30 days) shall be no less than 100%;
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100%;
5. The ratio of net capital divided by net assets shall be no less than 20%;
6. The ratio of net capital divided by liabilities shall be no less than 8%;
7. The ratio of net assets divided by liabilities shall be no less than 10%;
8. The ratio of the value of proprietary equity securities and securities derivatives divided by net capital shall not exceed 100% ("equity concentration ratio"); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% ("non-equity concentration ratio").

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

66. FINANCIAL RISK MANAGEMENT – *continued*Capital management – *continued*

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemental capital and other adjustments as defined in the Administrative Measures.

As at 31 December 2016 and 2015, the Company maintained the above ratios as follows:

	<b>2016/12/31</b>	2015/12/31
Net capital (RMB'000)	<b>66,819,412</b>	63,468,958
Risk coverage ratio	<b>256.32%</b>	309.36%
Capital leverage ratio	<b>21.37%</b>	19.16%
Liquidity coverage ratio	<b>305.17%</b>	210.62%
Net stable funding ratio	<b>139.14%</b>	122.87%
The ratio of net capital divided by net assets	<b>93.22%</b>	87.74%
The ratio of net capital divided by liabilities	<b>40.61%</b>	31.17%
The ratio of net assets divided by liabilities	<b>43.57%</b>	35.53%
Equity concentration ratio	<b>32.09%</b>	37.93%
Non-equity concentration ratio	<b>156.62%</b>	212.61%

The above ratios are calculated based on the financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

67. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 31 December 2016 and 2015.

	As at 31 December 2016			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
Bonds Payable - subordinated bonds	52,286,136	52,163,691	(122,445)	Level 2
Bonds Payable - corporate bonds	14,987,897	15,285,208	297,311	Level 2

	As at 31 December 2015			Fair value hierarchy
	Carrying amount RMB'000	Fair value RMB'000	Difference RMB'000	
Bonds Payable - subordinated bonds	49,470,704	49,675,665	204,961	Level 2
Bonds Payable - corporate bonds	11,985,174	12,390,972	405,798	Level 2

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

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

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2016 RMB'000	2015 RMB'000				
<b>1) Financial assets at fair value through profit or loss</b>						
Debt instruments						
- Traded on stock exchanges	<b>12,059,247</b>	11,436,106	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Unlisted	<b>92,864</b>	209,450	Level 2	Recent transaction prices.	N/A	N/A
- Traded on inter-bank market	<b>17,925,388</b>	16,163,246	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	<b>605,825</b>	—	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	Default loss  Value of option	The higher the default loss, the lower the fair value.  The higher the value of option the higher the fair value
Equity instruments						
- Traded on stock exchanges	<b>1,659,360</b>	2,535,909	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Traded on stock exchanges (inactive)	—	262,423	Level 2	Adjusted quoted prices for stocks suspended for trading.	N/A	N/A
- Traded on national equities exchange and quotations	<b>1,840,383</b>	1,124,980	Level 2	Quoted bid prices in an active market. (Quoted from market makers)	N/A	N/A
- Traded on national equities exchange and quotations	<b>287,335</b>	154,246	Level 3	Adjusted quoted prices.	Discount for lack of marketability.	The higher the discount, the lower the fair value.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2016 RMB'000	2015 RMB'000				
- Unlisted	592,353	212,337	Level 3	Recent transaction price.	N/A	N/A
Funds						
- Funds with quoted bid prices	17,504,510	45,648,010	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Other funds	192,907	44,482	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
Other investments						
- Collective asset management schemes launched by financial institutions	3,147,994	2,862,226	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and equity securities (included listed in exchanges and listed in Interbank Bond Market) in each portfolio.	N/A	N/A
- Other asset management schemes/wealth management products	5,822,909	3,064,295	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and equity securities (included listed in exchanges and listed in Interbank Bond Market) in each portfolio.	N/A	N/A
- Collective asset management schemes launched by financial institutions	1,046	—	Level 3	Discounted cash flow with future cash flow that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty.	Default loss	The higher the default loss, the lower the fair value.
- Other asset management schemes/ wealth management products	—	194,530	Level 3	Based on the net asset values of the investment, determined with reference to third party valuation of underlying investment portfolio and adjustments of related expenses.	Third party valuation of underlying investment portfolio.	The higher the third party valuation, the higher the fair value.
	<u>61,732,121</u>	<u>83,912,240</u>				

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2016 RMB'000	2015 RMB'000				
<b>2) Available-for-sale financial assets</b>						
Debt instruments						
- Traded on stock exchanges	<b>20,763,945</b>	15,490,822	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Traded on inter-bank market	<b>37,912,337</b>	48,847,261	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	<b>3,818,660</b>	4,332,714	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Traded on stock exchanges (inactive)	<b>14,780</b>	65,547	Level 2	Adjusted quoted prices for stocks suspended for trading.	N/A	N/A
- Traded on national equities exchange and quotations	<b>565,545</b>	35,675	Level 2	Quoted bid prices in an inactive market. (Quoted from market makers)	N/A	N/A
- Restricted shares	<b>1,559,335</b>	1,881,933	Level 3	Discounted cash flows. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability.	The higher the discount, the lower the fair value.
Funds						
- Funds with quoted bid prices	<b>3,404,205</b>	3,378,619	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Other funds	<b>100,503</b>	1,503,625	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2016 RMB'000	2015 RMB'000				
Other investments						
- Collective asset management schemes launched by financial institutions	1,465,516	1,223,862	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	14,633,943	13,843,714	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	7,014	6,558	Level 2	Recent transaction prices.	N/A	N/A
- Collective asset management schemes launched by financial institutions	120,000	—	Level 3	Discounted cash flow with future cash flow that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty.	Default loss	The higher the default loss, the lower the fair value.
- Other asset management schemes/ wealth management products	4,649,612	3,480,556	Level 3	Discounted cash flow with future cash flow that are estimated based on the contractual terms, discounted at a rate that reflects the credit risk of counterparty.	Default loss	The higher the default loss, the lower the fair value.
	<u>89,015,395</u>	<u>94,090,886</u>				

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2016 RMB'000	2015 RMB'000				
3) Derivative financial instruments						
Equity return swaps - assets	3,085	1,873	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Equity return swaps - liabilities	(524)	(47,724)	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Structured notes - liabilities	(6,028)	(4,350)	Level 2	Calculated based on the interest expense linked to underlying stock indexes from stock exchanges in the PRC.	N/A	N/A
Structured notes - liabilities	(1,946)	—	Level 3	Calculated based on the default probability(the probability of the underlying asset does not achieve an agreed result),loss given default and expected loss.	Default probability.	The higher the probability the lower the fair value.
Interest rate swaps - assets	683,348	263,395	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2016 RMB'000	2015 RMB'000				
Interest rate swaps - liabilities	(678,494)	(253,074)	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Stock index futures - liabilities	(14)	(11)	Level 1	Quoted bid prices in an active market.	N/A	N/A
Stock options - assets	6,023	5,311	Level 1	Quoted bid prices in an active market.	N/A	N/A
Stock options - liabilities	(4,965)	(4,295)	Level 1	Quoted bid prices in an active market.	N/A	N/A
Currency forward - liabilities	(41)	—	Level 2	Recent transaction prices.	N/A	N/A

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

Financial assets/ financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	2016 RMB'000	2015 RMB'000				
<b>4) Financial liabilities at fair value through profit or loss</b>						
Bonds	4,022,587	—	Level 2	Discounted cash flows with future flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Stocks	86,557	—	Level 1	Quoted bid prices in an active market.	N/A	N/A
Funds	34,826	—	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity return swap	472,404	—	Level 3	Calculated based on the fair value of the underlying equity instruments.	The fair value of the underlying equity instruments	The higher the fair values of the underlying equity instruments, the higher the fair value.
	<u>4,616,374</u>	<u>—</u>				
<b>5) Designated at fair value through profit or loss</b>						
Investment in an associate	34,688	—	Level 3	Recent transaction prices.	N/A	N/A

Note: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures, treasury bond futures and commodity futures in PRC were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2016 and 2015. Accordingly, the net position of the stock index futures, treasury bond futures and commodity futures contracts in PRC was nil as at 31 December 2016 and 31 December 2015.

There were no significant transfers between Level 1 and 2 as at 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

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

As at 31 December 2016

	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	20,763,945	37,912,337	—	58,676,282
– Equity instruments	3,818,660	580,325	1,559,335	5,958,320
– Funds	3,404,205	100,503	—	3,504,708
– Other investments	—	16,106,473	4,769,612	20,876,085
Financial assets at fair value through profit or loss				
– Debt instruments	12,059,247	18,018,252	605,825	30,683,324
– Equity instruments	1,659,360	1,840,383	879,688	4,379,431
– Funds	17,504,510	192,907	—	17,697,417
– Other investments	—	8,970,903	1,046	8,971,949
Designated at fair value through profit or loss				
– Unlisted investment in an associate	—	—	34,688	34,688
Derivative financial assets	6,023	686,433	—	692,456
<b>Total</b>	<b>59,215,950</b>	<b>84,408,516</b>	<b>7,850,194</b>	<b>151,474,660</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	(121,383)	(4,022,587)	(472,404)	(4,616,374)
Derivative financial liabilities	(4,979)	(685,087)	(1,946)	(692,012)
<b>Total</b>	<b>(126,362)</b>	<b>(4,707,674)</b>	<b>(474,350)</b>	<b>(5,308,386)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

As at 31 December 2015

	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	15,490,822	48,847,261	—	64,338,083
– Equity instruments	4,332,714	101,222	1,881,933	6,315,869
– Funds	3,378,619	1,503,625	—	4,882,244
– Other investments	—	15,074,134	3,480,556	18,554,690
Financial assets at fair value through profit or loss				
– Debt instruments	11,436,106	16,372,696	—	27,808,802
– Equity instruments	2,535,909	1,387,403	366,583	4,289,895
– Funds	45,648,010	44,482	—	45,692,492
– Other investments	—	5,926,521	194,530	6,121,051
Derivative financial assets	5,311	265,268	—	270,579
Total	<u>82,827,491</u>	<u>89,522,612</u>	<u>5,923,602</u>	<u>178,273,705</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	<u>(4,306)</u>	<u>(305,148)</u>	<u>—</u>	<u>(309,454)</u>



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

Reconciliation of Level 3 fair value measurements

	2016			
	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Derivative financial liabilities RMB'000
At 1 January	561,113	—	5,362,489	—
Total gains/losses				
Profit or loss	(61,651)	—	300,265	1,611
Other comprehensive income	—	—	(123,624)	—
Purchases (issue)	1,400,667	472,404	4,503,793	(3,557)
Settlements/disposal	(238,140)	—	(3,075,137)	—
Transfers into level 3	233,942	—	—	—
Transfers out of level 3	(409,372)	—	(638,839)	—
As at end of the year	<u>1,486,559</u>	<u>472,404</u>	<u>6,328,947</u>	<u>(1,946)</u>
Total gains for the year for assets/liabilities held as at end of the year – included in net investment gains	<u>4,193</u>	<u>—</u>	<u>92,426</u>	<u>16</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

67. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

## Reconciliation of Level 3 fair value measurements

	2015	
	Financial assets at fair value through profit or loss RMB'000	Available- for-sale financial assets RMB'000
At 1 January	2,190,635	3,542,629
Total gains/losses		
Profit or loss	82,912	74,574
Other comprehensive income	—	1,133,764
Purchases	1,308,877	11,614,152
Settlements/disposal	(89,072)	(10,532,931)
Transfers into level 3	—	—
Transfers out of level 3	(2,932,239)	(469,699)
As at end of the year	<u>561,113</u>	<u>5,362,489</u>
Total gains for the year for assets/liabilities held as at end of the year		
– included in investment income	<u>9,430</u>	<u>—</u>

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the year are set out below:

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
廣發期貨有限公司 GF Futures Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 23 March 1993	100%	100%	RMB1,300,000,000	Commodity futures brokerage, financial futures brokerage, investment consulting and asset management
廣發商貿有限公司 GF Commodities Markets Co., Ltd.*	有限責任公司 Limited liability company	PRC 3 April 2013	100%	100%	RMB200,000,000	Trading and trading agent
廣發期貨(香港)有限公司 GF Futures (Hong Kong) Co., Limited*	有限責任公司 Limited liability company	Hong Kong 8 May 2006	100%	100%	HKD495,000,000	Futures brokerage
GF Financial Markets (UK) Limited (formerly known as "Natixis Commodity Markets Limited")	有限責任公司 Limited liability company	UK 2 February 1976	100%	100%	GBP30,000,000	Dealing in commodities and futures brokerage
廣發乾和投資有限公司 GF Qianhe Investment Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 11 May 2012	100%	100%	RMB3,750,000,000	Project investment, investment management and financial advisory
珠海乾亨投資管理有限公司 Zhuhai Qianheng Investment Management Co., Ltd.* <sup>(4)</sup>	有限責任公司 Limited liability company	PRC 26 March 2015	100%	100%	RMB900,000,000	Investment management
廣發合信產業投資管理有限公司 GF Hexin Industry Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 27 August 2015	100%	100%	RMB100,000,000	Project investment
珠海乾鑫投資合夥企業(有限合夥) Zhuhai Qianxin Investment Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited partnership	PRC 16 April 2015	66.67%	66.67%	RMB30,000,000	Project investment

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
珠海乾明投資合夥企業(有限合夥) Zhuhai Qianming Investment Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited partnership	PRC 20 April 2015	80%	80%	RMB25,000,000	Project investment
珠海乾貞投資管理有限公司 Zhuhai Qianzhen Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 24 April 2015	100%	100%	RMB10,000,000	Project investment, investment management
廣發合信(山東)產業投資管理有限公司 GF Hexin (Shandong) Industry Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 15 December 2015	100%	—	RMB10,000,000	Equity investment management
上海廣發恒進股權投資基金管理有限公司 Shanghai GF Henjin Equity Investment Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 30 November 2015	100%	—	RMB10,000,000	Equity investment management, investment advisory
廣發融資租賃(廣東)有限公司 Guangfa Financial Leasing (Guangdong) Co., Ltd.* (Note 69)	有限責任公司 Limited liability company	PRC 05 June 2015	100%	57.75%	RMB800,000,000	Financial Leasing
廣發基金管理有限公司 GF Fund Management Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 5 August 2003	51.13%	51.13%	RMB126,880,000	Fund raising, fund sales and fund management
廣發國際資產管理有限公司 GF International Investment Management Limited <sup>(2)</sup>	有限責任公司 Limited liability company	Hong Kong 10 December 2010	51.13%	51.13%	HKD300,000,000	Asset management

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
瑞元資本管理有限公司 Ruiyuan Capital Asset Management Co., Ltd.* <sup>(2)</sup> (Note 1)	有限責任公司 Limited liability company	PRC 4 June 2013	20.45%	20.45%	RMB75,000,000	Project investment, investment management, investment advisory
珠海瑞元祥和股權投資基金 合夥企業(有限合夥) Zhuhai Ruiyuan Xianghe Equity Investment Fund Partnership Enterprise L.P.* <sup>(2)</sup> (Note 2)	有限合夥 Limited Partnership	PRC 9 April 2014	8.56%	8.56%	RMB54,000,000	Non-listed company investment, non-public offering of stock investment
廣發國際資產管理(英國)有限公司 GF International Asset Management (UK) Company Limited	有限責任公司 Limited liability company	London 1 November 2014	51.13%	51.13%	GBP 2,000,100	Asset management
珠海好易投互聯網金融服務有限公司 Zhuhai Haoyitou Internet Financial Services Co., Ltd.* <sup>(3)</sup> (Note 1)	有限責任公司 Limited liability company	PRC 3 February 2015	20.45%	20.45%	RMB1,000,000	Internet finance
深圳瑞元基金管理有限公司 Shenzhen Ruiyuan Fund Management Co., Ltd.* <sup>(3)</sup> (Note 1)	有限責任公司 Limited liability company	PRC 15 December 2015	20.45%	20.45%	RMB5,000,000	Fund management
廣發控股(香港)有限公司 GF Holdings (Hong Kong) Corporation Limited <sup>(1)</sup>	有限責任公司 Limited liability company	Hong Kong 14 June 2006	100%	100%	HKD5,600,000,000	Investment holding
廣發投資(香港)有限公司 GF Investments (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 21 September 2011	100%	100%	HKD5,000,000	Investment holding

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

## General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
廣發融資(香港)有限公司 GF Capital (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD130,000,000	Advisory services
廣發資產管理(香港)有限公司 GF Asset Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD325,000,000	Asset management
廣發證券(香港)經紀有限公司 GF Securities (Hong Kong) Brokerage Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD2,800,000,000	Securities brokerage
廣發財富管理(香港)有限公司 GF Wealth Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 20 November 2014	100%	100%	HKD3,000,000	Financial management
廣發投資管理(香港)有限公司 GF Investment Management (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 7 October 2011	100%	100%	HKD3,800,000	Advisory services
廣發證券(加拿大)有限公司 GF Securities (Canada) Company Limited	有限責任公司 Limited liability company	Canada 10 March 2014	100%	100%	CAD10,000,000	Financial management
廣發金控(深圳)投資管理有限公司 GF Jinkong (Shenzhen) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 1 April 2014	100%	100%	RMB10,000,000	Investment advisory
廣發信德資本管理有限公司 GF Xinde Capital Management Limited	有限責任公司 Limited liability company	British Virgin Islands 3 September 2014	100%	100%	USD100	Investment management
GF Bright Investment Limited <sup>⑨</sup>	有限責任公司 Limited liability company	British Virgin Islands 21 August 2015	100%	100%	USD0	Equity investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
GF Energy Investment Limited	有限責任公司 Limited liability company	British Virgin Islands 6 August 2015	91.85%	91.85%	USD1	Equity investment
GF Wise Ltd. (previously known as "GF Tarena Ltd.")	有限責任公司 Limited liability company	British Virgin Islands 9 August 2012	100%	62.99%	USD50,000	Investment trading
廣發投資(開曼)有限公司 GF Investments (Cayman) Company Limited	有限責任公司 Limited liability company	Cayman Islands 8 September 2011	100%	100%	USD600,000	Advisory services
廣發合夥有限公司 GF Partners Ltd.	有限責任公司 Limited liability company	Cayman Islands 26 May 2011	51%	51%	USD1	Investment trading
廣發中國優勢基金(有限合夥) GF China Advantage Fund L.P. (Note 2)	有限合夥 Limited partnership	Cayman Islands 2 June 2011	57.12%	57.12%	USD20,004,400	Investment trading
廣發全球資本有限公司 GF Global Capital Limited	有限責任公司 Limited liability	Hong Kong 26 November 2015	100%	100%	HKD1,600,000,000	Investment trading
SF Project (Cayman) Limited <sup>(3)</sup>	有限責任公司 Limited liability	Cayman Islands 16 December 2016	100%	—	USD0.1	Investment holding
廣發信德投資管理有限公司 GF Xinde Investment Management Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 3 December 2008	100%	100%	RMB2,800,000,000	Equity investment, equity investment management and advisory
新疆廣發信德穩勝投資管理有限公司 Xinjiang GF Xinde Wensheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 25 March 2013	100%	100%	RMB20,500,000	Equity investment

## Notes to the Consolidated Financial Statements

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## 68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

## General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
深圳前海廣發信德中山公用 併購基金管理有限公司 Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 11 July 2015	60%	60%	RMB10,000,000	Equity investment equity investment management
珠海廣發信德款東基金管理 有限公司 Zhuhai GF Xinde Aodong Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 21 July 2015	60%	60%	RMB20,000,000	Project investment investment management
上海廣發永胥股權投資管理 有限公司 Shanghai GF Yong Capital Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 20 August 2015	51%	51%	RMB5,000,000	Equity investment investment management
珠海廣發信德厚源投資 企業(有限合夥) Zhuhai GF Xinde Hou Yuan Investment Enterprise L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 27 November 2014	65.17%	65.17%	RMB90,569,621	Equity investment, equity investment management and advisory
珠海廣發信德新界泵業產業 投資基金(有限合夥) GFXD Shimage Pump Industry Fund L.P.* (Note 2)	有限合夥 Limited partnership	PRC 11 July 2015	40%	40%	RMB100,000,000	Equity investment
上海廣發信德資產管理有限公司 Shanghai GF Xinde Asset Management Co., Ltd. (3)	有限責任公司 Limited liability Company	British Virgin Islands 5 June 2015	100%	100%	USD50,000	Investment



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
上海廣發信德資產管理 中心(有限合夥) Shanghai GF Xinde Asset Management Center L.P.* (3) (Note 2)	有限合夥 Limited partnership	PRC 27 April 2015	100%	100%	RMB10,000,000	Investment
廣發信德智勝投資管理 有限公司 GF Xinde Zhisheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 18 November 2014	100%	100%	RMB50,000,000	Equity investment and trust management
廣發信德醫療資本管理 有限公司 GF Xinde Healthcare Capital Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 12 September 2013	55%	55%	RMB50,000,000	Investment management
珠海廣發信德東醫藥產業 投資中心(有限合夥) Zhuhai GF Xinde Aodong Medical Industry Investment Centre L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 28 October 2015	60%	—	RMB50,000,000	Equity investment
中山廣發信德公用環保夾層 投資企業(有限合夥) Zhongshan GF Xinde Pulic Utilities Environment Protection Mezzanine Investment Partnership L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 30 September 2015	59.99%	—	RMB43,004,300	Equity investment
珠海廣發信德今緣股權投資 基金 (有限合夥) Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 13 June 2016	60%	—	RMB250,000,000	Equity investment

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
珠海橫琴金投廣發信德厚摯股權投資合夥企業(有限合夥) Zhuhai Hengqin Jintou GF Xinde Houzhi Equity Investment Partnership L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 30 September 2016	65.67%	—	RMB58,250,000	Equity investment
深圳市大河飼料有限公司 Shenzhen Dahe Feed Co., Ltd.*	有限責任公司 Limited liability company	PRC 29 January 2007	100%	—	RMB453,600,000	Animal husbandry and fisheries aquaculture technology services, enterprise consulting
廣發證券資產管理(廣東)有限公司 GF Securities Asset Management (Guangdong) Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 2 January 2014	100%	100%	RMB1,000,000,000	Asset management

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
廣發金管家睿利債券分級 1號集合資產管理計劃 GF Golden Majordomo RUILI No. 1 Debt Obligation Asset Management Scheme* (Note 5)	資產管理計劃 Asset management scheme	PRC 9 April 2013	11.38%	7.83%	RMB12,446,415,126	Bond investment
廣發資管ALPHA+集合 資產管理計劃1號 GF Asset Management ALPHA+ Collective Asset Management Scheme* (Note 5)	資產管理計劃 Asset management scheme	PRC 24 July 2014	58.59%	48.33%	RMB17,067,525	Securities investment
廣發資管壘智陸港通智選2號 集合資產管理計劃 GF Asset Management Xizhi Lugangtong Zhixuan No.2 Collective Asset Management Scheme* (Note 5)	資產管理計劃 Asset management scheme	PRC 1 June 2015	59.28%	53.89%	RMB109,206,944	Securities investment
廣發金管家理財法寶量化 對沖集合資產管理計劃1期 GF Golden Majordomo Financial Management Quantitative Hedge Collective Asset Management Scheme Series 1* (Note 5)	資產管理計劃 Asset management scheme	PRC 25 April 2013	73.61%	55.51%	RMB75,612,228	Securities investment
廣發量子對沖19號資產管理計劃 GF Quantitative Market Neutral Fund Series 19* (2) (Note 4)	資產管理計劃 Asset management scheme	PRC 21 November 2014	86.82%	86.82%	RMB528,762	Securities investment
廣發量子對沖35號 資產管理計劃 GF Quantitative Market Neutral Fund Series 35* (Note 4)	資產管理計劃 Asset management scheme	PRC 14 March 2016	10.53%	—	RMB342,598	Securities investment

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

## General information of subsidiaries – continued

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
廣發二次方資產管理計畫 GF Quadratic Asset Management Scheme* (Note 4)	資產管理計畫 Asset management scheme	PRC 25 December 2014	68.47%	66.67%	RMB10,778,319	Securities investment
廣發雙武精選資產管理計畫 GF Shuangwu Selective Asset Management Scheme* (Note 4)	資產管理計畫 Asset management scheme	PRC 25 April 2016	33.33%	—	RMB30,001,910	Securities investment
廣發分級特定多客戶資產管理計畫1號 GF Structure Specific Multiple Client Asset Management Scheme No. 1* <sup>(2)</sup> (Note 4)	資產管理計畫 Asset management scheme	PRC 31 October 2014	20.01%	50.00%	RMB251,372,147	Securities investment
瑞元股票精選對沖1號 瑞元資本鑫瑞分級1號投資 Ruiyuan Selective Stock Market Neutral Series 1* <sup>(2)</sup> (Note 4)	資產管理計畫 Asset management scheme	PRC 29 September 2014	39.23%	41.72%	RMB159,028	Securities investment
瑞元資本鑫瑞分級1號投資 Ruiyuan Xinrui Structured Asset Management Scheme No.1* <sup>(2)</sup> (Note 4)	資產管理計畫 Asset management scheme	PRC 15 June 2016	50.02%	—	RMB31,260,938	Securities investment
瑞元資本大數據精選1號 Ruiyuan Capital huge data Selective Asset Management Scheme No.1* <sup>(2)</sup> (Note 4)	資產管理計畫 Asset management scheme	PRC 14 April 2015	35.90%	30.98%	RMB20,228,930	Securities investment
瑞元資本鑫瑞5號資產管理計畫 Ruiyuan Capital Xinrui Asset Management Scheme No.5* <sup>(2)</sup> (Note 4)	資產管理計畫 Asset management scheme	PRC 26 February 2014	85.88%	84.12%	RMB31,970,838	Securities investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
瑞元資本場宸股權投資專項 資產管理計劃 Ruiyuan Capital Jingchen Equity Investment Special Asset Management Scheme* (Note 4)	資產管理計劃 Asset management scheme	PRC 2 February 2016	29.16%	—	RMB34,303,497	Equity investment
瑞元興悅分級資產管理計劃 Ruiyuan Xingyue Structured Asset Management Scheme* (Note 4)	資產管理計劃 Asset management scheme	PRC 14 July 2016	71.79%	—	RMB30,001,740	Securities investment
瑞元資本主題投資 2號資產管理計劃 Ruiyuan Capital Subject Structured Asset Management Scheme* No.2*(Note 4)	資產管理計劃 Asset management scheme	PRC 28 June 2016	11.76%	—	RMB85,008,000	Securities investment
廣發期駿2期資產管理計畫 GF Qijun Asset Management Scheme NO.2* (Note 6)	資產管理計劃 Asset management scheme	PRC 5 April 2016	40.00%	—	RMB20,000,758	Futures trading
廣發期貨期匯FOF1期 資產管理計畫 GF Future Qihui FOF1 Asset Management Scheme * (Note 6)	資產管理計劃 Asset management scheme	PRC 6 April 2016	100.00%	—	RMB27,500,600	Funds investment
廣發期貨期匯FOF2期 資產管理計畫 GF Future Qihui FOF2 Asset Management Scheme* (Note 6)	資產管理計劃 Asset management scheme	PRC 29 June 2016	32.56%	—	RMB121,653,088	Funds investment
廣發信德碧桂園二期 專項資產管理計畫 GF Xinde Country Garden Asset Management Scheme No.2* (Note 7)	資產管理計劃 Asset management scheme	PRC 6 May 2016	17.82%	—	RMB1,100,000	Debt investment

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*General information of subsidiaries – *continued*

Name of principal scheme	Type of legal entity registered	Place and date of incorporation	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
			2016	2015		
廣發信德興業太陽能 專項資產管理計畫 GF Xinde Singyes Solar Asset Management Scheme* (Note 7)	資產管理計畫 Asset management scheme	PRC 25 May 2016	20.00%	—	RMB272,429,000	Debt investment
廣發信德合興包裝海外並購 專項資產管理計畫 GF Xinde Hexing Packaging Oversea M&A Asset Management Scheme* (Note 7)	資產管理計畫 Asset management scheme	PRC 29 June 2016	20.00%	—	RMB161,833,333	Debt investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

General information of subsidiaries – continued

Name of fund	Type of legal entity registered	Place and date of incorporation	Class of share	Effective equity interest held by the Group		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
				as at 31 December 2016	2015		
廣發中國成長基金 GF China Growth Fund (Note 3)	投資基金 Investment fund	Cayman Islands 27 July 2009	Participating	87.98%	86.97%	Class-A - USD74,051.74 shares Class-B - HKD10,000 shares	Investment trading
			Management	100%	100%	- USD100 shares	
廣發中國價值基金 GF Investment Series SPC - GF China Value Fund (Segregated Portfolio) (Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 11 April 2011	Participating	97.76%	97.76%	Class-A - USD65,463.494 shares	Investment trading
廣發人民幣聚焦基金 GF Investment Series SPC - GF RMB Focus Fund (Segregated Portfolio) (Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 11 April 2011	Participating	100%	100%	Class-A - RMB204,406.918 shares - USD154.537 shares - HKD121.256 shares	Investment trading
廣發全球投資機會基金 GF Investment Series SPC - GF Global Investment Opportunities Fund (Segregated Portfolio) (Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 26 June 2015	Participating	100%	45.31%	USD57,999.95 shares	Investment trading
GTEC Halo Tactical CTA Fund SP(Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 13 May 2016	Participating	100%	—	USD10,000,000	Investment trading
GTEC Neutron Equity Market Neutral Fund SP(Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 13 May 2016	Participating	83.33%	—	USD60,000,000	Investment trading

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

## General information of subsidiaries – continued

Name of fund	Type of legal entity registered	Place and date of incorporation	Class of share	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2016	Principal activities
				2016	2015		
GTEC Pandion Multi-Strategy Fund SP (Note 3)	獨立資產組合 Segregated portfolio	Cayman Islands 13 May 2016	Participating	83.33%	—	USD60,000,000	Investment trading
黃金財富機會基金 Gold Fortune Opportunity Fund <sup>(2)</sup> (Note 4)	投資基金 Investment fund	Cayman Islands 6 November 2013	Participating	15.51%	14.86%	USD47,148,709	Investment trading
GFIIIM China RQFII Balanced Fund (Note 4)	投資基金 Investment fund	PRC 11 April 2014	Participating Management	51.13%	0.10%	RMB1,435,873	Securities Investment
GFI China Investment Fund (Note 4)	投資基金 Investment fund	Luxembourg 19 June 2015	Participating	51.13%	51.13%	EUR1,330,970	Investment trading

\* These subsidiaries do not have official English names. English translated names are for identification only.

- (1) These subsidiaries are directly held by the Company.
- (2) Being subsidiaries, principal schemes and a fund held by GF Fund Management Co., Ltd. and consolidated since acquisition by the Group.
- (3) The subsidiaries were newly established and the capital injections are still in the process.
- (4) On 25 January 2017, the registered capital of Zhuhai Qianheng Investment Management Co., Ltd. has been changed to RMB1,100 million.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of others subsidiaries would in the opinion of the directors, result on particulars excessive length. The major operation area of the principal subsidiaries is in PRC.

Note 1: Ruiyuan Capital Asset Management Co., Ltd. (“Ruiyuan Capital”) is a non-wholly owned subsidiary of GF Fund Management Co., Ltd. (“GF Fund”), According to the Company Articles of Ruiyuan Capital, GF Fund has majority vote rights in the board of directors, thus the Group is able to exercise control over its operations. Zhuhai Haoyitou Internet Financial Services Co., Ltd. and Shenzhen Ruiyuan Fund Management Co., Ltd. are both wholly owned subsidiary of Ruiyuan Capital. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 2: The Group holds great financial interests in such limited partnership, and according to the partnership agreement, the Group hold significant financial interests and acts as general partner and is able to exercise control over its operations and such limited partnership is regarded as consolidated structured entities of the Group. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

General information of subsidiaries – *continued*

Note 3: GF Holdings (Hong Kong) Corporation Limited (“GFHK”) is appointed as investment manager and holds significant financial interests in GF China Growth Fund, GF Investment Series SPC - GF China Value Fund (Segregated Portfolio), GF Investment Series SPC - GF RMB Focus Fund (Segregated Portfolio), GF Investment Series SPC - GF Global Investment Opportunities Fund (Segregated Portfolio), GTEC Halo Tactical CTA Fund SP, GTEC Neutron Equity Market Neutral Fund SP and GTEC Pandion Multi-Strategy Fund SP. The directors of the Group are of the opinion that the above mentioned funds are regarded as consolidated structured entities of GFHK as GFHK is able to exercise control over their operations.

Note 4: GF Fund is appointed as investment manager and holds significant financial interests in GF Quantitative Market Neutral Fund Series 19, GF Quantitative Market Neutral Fund Series 35, GF Quadratic Asset Management Scheme, GF Shuangwu Selective Asset Management Scheme, and GF Structure Specific Multiple Client Asset Management Scheme No. 1.

Ruiyuan Capital is appointed as investment manager and holds significant financial interests in Ruiyuan Selective Stock Market Neutral Series 1, Ruiyuan Capital Xinrui Structured Asset Management Scheme No. 1, Ruiyuan Capital huge data Selective Asset Management Scheme No.1, Ruiyuan Capital Xinrui Asset Management Scheme No. 5, Ruiyuan Capital Jingchen Equity Investment Special Asset Management Scheme, Ruiyuan Xingyue Structured Asset Management Scheme and Ruiyuan Capital Subject Structured Asset Management Scheme No.2. The effective equity in the subsidiary represents equity interest held directly or indirectly by the Group.

In addition, GF International Investment Management Limited, a wholly owned subsidiary of GF Fund, is appointed as investment manager and holds significant financial interests in Gold Fortune Opportunity Fund, GFIIIM China RQFII Balanced Fund and GF China Investment Fund, and held significant financial interest in the fund. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 5: GF Securities Asset Management (Guangdong) Co. Ltd. (“GFAM”) is appointed as investment manager and undertakes the management of the assets of the GF Golden Majordomo RUILI No.1 Debt Obligation Asset Management Scheme, GF Asset Management ALPHA+ Collective Asset Management Scheme, GF Asset Management Xizhi Lugangtong Zhixuan No.2 Collective Asset Management Scheme and GF Golden Majordomo Financial Management Quantitative Hedge Scheme Series 1 since their establishment, and the Group held significant financial interest in the schemes mentioned above and the directors of the Group are of the opinion that these schemes are regarded as consolidated structured entities of the Group as GFAM is able to exercise control over their operations. The effective equity in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 6: GF Futures Co., Ltd. (“GF Futures”) is appointed as investment manager and undertakes the management of the assets of GF Qijun Asset Management Scheme NO. 2, GF Future Qihui FOF1 Asset Management Scheme and GF Future Qihui FOF2 Asset Management Scheme, and the Group holds significant financial interest in these schemes, and the directors of the Group are of the opinion that these schemes are regarded as consolidated structured entities of the Group as GF futures is able to exercise control over their operations. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 7: Being a wholly owned subsidiaries of GF Xinde Investment Management Co., Ltd (“GF Xinde”), GF Xinde Zhisheng Investment Management Co., Ltd. (“Xinde Zhisheng”) is appointed as investment manager and undertakes the management of the Assets of GF Xinde Country Garden Asset Special Management Scheme No.2, GF Xinde Singyes Solar Special Asset Management Scheme and GF Xinde Hexing Packging Oversea M&A Special Asset Management Scheme. GF Xinde holds significant financial interest in these schemes, and the directors of the Group are of the opinion that the above mentioned schemes are regarded as consolidated structured entities of the Group as the Group is able to exercise control over their operations. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

## Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary, GF Fund, which was acquired in 2014, and has material non-controlling interests before certain intragroup adjustments:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
		non-controlling interests		non-controlling interests		non-controlling interests	
				RMB'000	RMB'000	RMB'000	RMB'000
GF Fund <sup>(i)</sup>	PRC	48.87%	48.87%	369,359	388,246	2,235,887	2,019,337

(i) GF Fund was accounted for as an associate of the Group prior to its acquisition by the Group in 2014.

Summarised financial information in respect of the GF Fund that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup adjustments.

	2016/12/31 RMB'000	2015/12/31 RMB'000
Total assets	6,725,185	6,156,151
Total liabilities	2,038,159	1,927,086
Equity attributable to owners of GF Fund	4,575,172	4,132,058
Non-controlling interests of subsidiaries of GF Fund	111,854	97,007

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

68 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

Details of non-wholly owned subsidiaries that have material non-controlling interests – *continued*

	<b>Year ended 31 December 2016 RMB'000</b>	Year ended 31 December 2015 RMB'000
Revenue	<u>2,476,937</u>	<u>2,922,516</u>
Expenses	<u>1,526,855</u>	<u>1,844,981</u>
Profit for the year	<u>773,618</u>	<u>890,346</u>
Profit attributable to owners of GF Fund	755,798	794,446
Profit attributable to the non-controlling interests of subsidiaries of GF Fund	<u>17,820</u>	<u>95,900</u>
Profit for the year	<u>773,618</u>	<u>890,346</u>
Other comprehensive income attributable to owners of GF Fund	(185,804)	146,404
Other comprehensive income attributable to the non-controlling interests of subsidiaries of GF Fund	<u>214</u>	<u>(214)</u>
Other comprehensive income for the year	<u>(185,590)</u>	<u>146,190</u>
Total comprehensive income attributable to owners of GF Fund	569,994	940,850
Total comprehensive income attributable to the non-controlling interests of subsidiaries of GF Fund	<u>18,034</u>	<u>95,686</u>
Total comprehensive income for the year	<u>588,028</u>	<u>1,036,536</u>
Dividends paid to non-controlling interests of GF Fund	<u>62,000</u>	<u>62,000</u>
Net cash inflow from operating activities	<u>742,361</u>	<u>1,903,666</u>
Net cash outflow from investing activities	<u>(473,846)</u>	<u>(1,584,334)</u>
Net cash outflow from financing activities	<u>(130,067)</u>	<u>(299,612)</u>
Effect of foreign exchange rate changes	14,213	(6,761)
Net cash inflow	<u>152,661</u>	<u>12,959</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 69. BUSINESS COMBINATION

## Subsidiaries acquired

*GF Financial Leasing (Guangdong) Co., Ltd.*

GF Financial Leasing (Guangdong) Co., Ltd. (“GFFL”) was established by GF Qianhe Investment Co., Ltd. (“GF Qianhe”), a wholly owned subsidiary of the Company and an independent third party in 2015, and was accounted for as a joint venture as at 31 December 2015. On 13 January 2016, GF Holdings (Hong Kong) Corporation Limited (“GFHK”), another wholly owned subsidiary of the Company purchased the remaining equity interests of GFFL from the third party at a consideration of RMB50.04 million. Since then, GFFL became a subsidiary of the Group and was consolidated in the Group’s financial statements thereafter.

This acquisition has been accounted for using the acquisition method of accounting.

	RMB'000
<i>Consideration transferred</i>	
Cash	50,043
<i>Assets acquired and liabilities recognised at the date of acquisition</i>	
Property and equipment	830
Available-for-sale financial assets	320,800
Other accounts receivable and other receivables	31,224
Bank balances	53,335
Accrued staff costs	(1,835)
Other accounts payables	(3,697)
Current tax liabilities	(947)
	<u>399,710</u>
<i>Gains arising on acquisition</i>	
Consideration paid in cash	50,043
Fair value of previously held interests of GFFL	348,329
Less: net assets acquired	<u>(399,710)</u>
Gain on acquisition reported under other income and gains	<u>1,338</u>

The directors of the Company hold the opinion that, the fair value of Group’s equity interest in GFFL on the acquisition date was equal to the book value of the net asset of GFFL shared by the Group, thus no gain on deemed disposal of a joint venture was recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

69. BUSINESS COMBINATION – continued

Subsidiaries acquired – continued

*GF Financial Leasing (Guangdong) Co., Ltd. – continued*

	RMB'000
<i>Impact on cash flow for the year on acquisition of GFFL</i>	
Consideration paid in cash during the year (Note 1)	—
Less: Bank balances and cash acquired	53,335
	53,335
	53,335

Note 1: As the consideration was transferred in year 2015, the cash inflow on acquisition of GFFL for the year is RMB53.34 million.

*Shenzhen Dahe Feed Co., Ltd.*

GF Xinde Investment Management Co., Ltd., a wholly owned subsidiary of the Group has acquired 100% of Shenzhen Dahe Feed Co., Ltd.'s ("Dahe Feed") equity from an independent third party, with consideration paid in cash amounted to RMB37.16 million. The fair value the Dahe Feed's recognisable net asset which mainly including bank balances and account receivable was equal to the cash consideration paid on the acquisition date, thus neither goodwill nor gain on acquisition was recognised in the consolidated financial statements. The revenue, net profit and cash flow generated from Dahe Feed's operation from the acquisition date to the end of the year is immaterial.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

## Statement of financial position

	2016/12/31 RMB'000	2015/12/31 RMB'000
Non-current assets		
Property and equipment	1,486,225	1,294,349
Prepaid lease payments	308,087	317,715
Investment properties	23,539	25,275
Other intangible assets	212,697	171,598
Investments in subsidiaries	14,453,143	13,603,143
Investments in associates	1,198,948	1,198,948
Available-for-sale financial assets	15,128,555	13,712,193
Advances to customers	814,957	220,837
Financial assets held under resale agreements	3,879,213	1,835,232
Pledged/restricted bank deposits	80,000	80,000
Deferred tax assets	634,474	267,491
Total non-current assets	<u>38,219,838</u>	<u>32,726,781</u>
Current assets		
Prepaid lease payments	9,628	9,628
Advances to customers	55,123,066	66,456,815
Accounts receivable	182,529	907,378
Other accounts receivables, other receivables and prepayments	2,082,163	2,850,698
Amounts due from subsidiaries	2,227,520	253,165
Amounts due from associates	5,784	12,194
Available-for-sale financial assets	61,110,012	71,062,671
Financial assets held under resale agreements	17,254,872	10,429,135
Financial assets at fair value through profit or loss	42,069,244	68,679,031
Derivative financial assets	688,867	270,579
Deposits with exchanges and non-bank financial institutions	820,230	965,996
Clearing settlement funds	19,439,348	29,649,477
Pledged/restricted bank deposits	67,948	232,008
Bank balances	65,730,224	92,837,632
Total current assets	<u>266,811,435</u>	<u>344,616,407</u>
Total assets	<u>305,031,273</u>	<u>377,343,188</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Statement of financial position - *continued*

	2016/12/31 RMB'000	2015/12/31 RMB'000
Current liabilities		
Short-term financing payables	16,329,741	21,643,800
Financial liabilities at fair value through profit or loss	4,022,587	—
Due to banks and other financial institutions	9,400,000	1,750,000
Accounts payable to brokerage clients	70,177,162	102,194,207
Accounts payable to underwriting clients	—	350,000
Accrued staff costs	5,882,020	6,658,737
Other accounts payable, other payables and accruals	6,580,269	7,741,185
Amounts due to subsidiaries	17,254	197,593
Provisions	33,360	60,581
Current tax liabilities	447,108	616,272
Derivative financial liabilities	691,750	309,443
Financial assets sold under repurchase agreements	47,608,556	82,392,860
Bonds payable	15,250,564	6,976,681
Total current liabilities	<u>176,440,371</u>	<u>230,891,359</u>
Net current assets	<u>90,371,064</u>	<u>113,725,048</u>
Total assets less current liabilities	<u>128,590,902</u>	<u>146,451,829</u>
Capital and reserves		
Share capital	7,621,088	7,621,088
Capital reserve	31,679,140	31,679,119
Investment revaluation reserve	576,933	1,244,094
General reserves	14,462,702	12,608,882
Retained profits	15,977,006	18,028,460
Total equity	<u>70,316,869</u>	<u>71,181,643</u>
Non-current liabilities		
Bonds payable	58,274,033	72,270,186
Long-term loans	—	3,000,000
Total non-current liabilities	<u>58,274,033</u>	<u>75,270,186</u>
Total equity and non-current liabilities	<u>128,590,902</u>	<u>146,451,829</u>

## Notes to the Consolidated Financial Statements

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70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

## Movement in the Company's reserves

*Capital reserve*

As at 31 December 2016

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Capital premium	31,679,003	—	31,679,003
Others	116	21	137
	<u>31,679,119</u>	<u>21</u>	<u>31,679,140</u>

As at 31 December 2015

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Capital premium	8,587,701	23,091,302	31,679,003
Others	116	—	116
	<u>8,587,817</u>	<u>23,091,302</u>	<u>31,679,119</u>

	2016/12/31 RMB'000	2015/12/31 RMB'000
<b>Investment revaluation reserve</b>		
At beginning of the year	1,244,094	1,495,533
Available-for-sale financial assets net fair value changes during the year	(198,243)	2,700,024
Reclassification adjustment to profit or loss on disposal	(712,690)	(3,035,276)
Reclassification adjustment to profit or loss on impairment	21,385	—
Income tax impact	222,387	83,813
At end of the year	<u>576,933</u>	<u>1,244,094</u>



Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

70. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

Movement in the Company’s reserves – continued

General reserve

As at 31 December 2016

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	3,951,458	617,822	4,569,280
Discretionary reserve	169,428	—	169,428
Reserve for general risk	4,344,012	618,176	4,962,188
Transaction risk reserve	4,143,984	617,822	4,761,806
	<u>12,608,882</u>	<u>1,853,820</u>	<u>14,462,702</u>

As at 31 December 2015

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	2,825,946	1,125,512	3,951,458
Discretionary reserve	169,428	—	169,428
Reserve for general risk	3,218,035	1,125,977	4,344,012
Transaction risk reserve	3,018,472	1,125,512	4,143,984
	<u>9,231,881</u>	<u>3,377,001</u>	<u>12,608,882</u>

Retained profits

	2016/12/31 RMB'000	2015/12/31 RMB'000
At beginning of the year	18,028,460	11,564,681
Profit for the year	5,899,236	11,024,638
Appropriation to general reserves	(1,853,820)	(3,377,001)
Dividends recognised as distribution	(6,096,870)	(1,183,858)
At end of the year	<u>15,977,006</u>	<u>18,028,460</u>

## Notes to the Consolidated Financial Statements

*For the year ended 31 December 2016*

### 71. OUTSTANDING LITIGATIONS

As at 31 December 2016 and 2015, the Group involved as defendant in certain lawsuit with claim amounts of approximately RMB20.76 million and RMB5.11 million, respectively. Based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The directors of the Company are of the opinion the final court judgment will not have a significant impact on the Group's financial position or operations.

### 72. SUBSEQUENT EVENTS

In accordance with the 2016 profit distribution plan approved by the board of directors on 24 March 2017, the Company proposed cash dividends of RMB3.50 per 10 shares (inclusive of tax) to shareholders based on the number of shares held as at the record date. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

