



STOCK CODE: 1776.HK 000776.SZ

(A JOINT STOCK COMPANY INCORPORATED IN
THE PEOPLE'S REPUBLIC OF CHINA WITH LIMITED LIABILITY)

中期報告

Interim Report 2022

IMPORTANT

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

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

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

The 2022 interim financial report of the Company prepared in accordance with the International Accounting Standards has not been audited but has been reviewed by Ernst & Young. Unless otherwise stated, the financial data stated in this report is denominated in RMB.

The Company has no plan to distribute cash dividends and bonus shares or convert capital reserves into share capital for the first half of 2022.

Forward-looking statements included in this interim report, including future plans, do not constitute a substantive commitment to investors by the Company. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.

The Company has prepared this interim report in both Chinese and English languages. In case any discrepancy arises in the interpretation between the Chinese and the English versions of this interim report, the Chinese version shall prevail.

WARNING ABOUT MATERIAL RISK FACTORS

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

In response to the risks mentioned above, the Company has established and maintained a comprehensive internal control system, compliance and a comprehensive risk management system to ensure that the Company operates healthily within an extent of controllable, predictable and tolerable risks. Investors are advised to read the "Management Discussion and Analysis" as set out in Section 3 of this report carefully and to pay particular attention to the above risk factors.

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DOCUMENTS AVAILABLE FOR INSPECTION

- (1) The Report on Review of Interim Financial Information (H Shares).
- (2) The original copies of all corporate documents and announcements publicly disclosed during the Reporting Period.
- (3) Other relevant information.

DEFINITIONS

Term	Definition
Reporting Period	first half of 2022 (January 1, 2022 to June 30, 2022)
the Company, Company, parent company, GF Securities	GF Securities Co., Ltd.
the Group, Group	the Company and its subsidiaries which fall within the scope of the consolidated financial statements
Jilin Aodong	Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司)
Liaoning Cheng Da	Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司)
Zhongshan Public Utilities	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司)
HKSCC Nominees	HKSCC Nominees Limited
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司)
GF Brokerage (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券(香港)經紀有限公司)
GF 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

Term	Definition
GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司)
GFFL	Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
GF Charity Foundation	GF Securities Social Charity Foundation in Guangdong Province
the PRC	Mainland China
CSRC	the China Securities Regulatory Commission
Guangdong Bureau of the CSRC	Guangdong Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
BSE	the Beijing Stock Exchange
SZSE Listing Rules	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Company Law	Company Law of the PRC (中華人民共和國公司法)
Securities Law	Securities Law of the PRC (中華人民共和國證券法)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (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

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

DEFINITIONS

Term	Definition
GMRA Agreements	Global Master Repurchase Agreement
VaR	Value at Risk
A Share(s)	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on a domestic stock exchange and traded in Renminbi
H Share(s)	foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
CPA, auditor, Ernst & Young	Ernst & Young Hua Ming LLP and Ernst & Young, accounting firms appointed by the Company
WIND	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In this 2022 interim report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.

SECTION 1

COMPANY PROFILE

SECTION 1 COMPANY PROFILE

I. COMPANY PROFILE

Stock Name	廣發證券	Stock Code	000776 (SZSE); 1776 (Hong Kong Stock Exchange)
Listing venues of the shares	SZSE and Hong Kong Stock Exchange		
Name in Chinese	廣發證券股份有限公司		
Short Name in Chinese	廣發證券		
Name in English	GF Securities Co., Ltd.		
Short Name in English	GF SECURITIES		
Legal Representative of the Company	Lin Chuanhui		

II. CONTACT PERSONS AND CONTACT INFORMATION

Secretary of the Board and Securities Affairs Representative

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

III. OTHER INFORMATION

1. Company Contact Channels

There was no change in the registered address of the Company, the business address of the Company and its postal code, the Company website and E-mail during the Reporting Period. Please refer to the 2021 Annual Report for details.

SECTION 1 COMPANY PROFILE

2. Information Disclosure and Place of Inspection

There was no change in the name of newspapers designated by the Company for information disclosure, the website designated by the CSRC for publication of the interim reports and the place where the interim report of the Company was maintained during the Reporting Period. Please refer to the 2021 Annual Report for details.

3. Other Relevant Information

N/A

SECTION 2

ACCOUNTING DATA AND FINANCIAL INDICATORS SUMMARY

SECTION 2 ACCOUNTING DATA AND FINANCIAL INDICATORS SUMMARY

I. KEY ACCOUNTING DATA (CONSOLIDATED STATEMENTS)

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

Unit: RMB million

Item	January to June 2022	January to June 2021	Change
Total revenue and other income	16,813	21,727	-22.62%
Profit before income tax	5,575	8,219	-32.17%
Net profit attributable to owners of the Company	4,198	5,888	-28.71%
Net cash from/(used in) operating activities	12,654	(19,517)	–
Basic earnings per share (RMB/share)	0.55	0.77	-28.57%
Return on weighted average net assets (%)	3.90	5.87	Decrease by 1.97 percentage points

Item	June 30, 2022	December 31, 2021	Change
Total assets	581,023	535,855	8.43%
Total liabilities	467,481	425,054	9.98%
Equity attributable to owners of the Company	109,417	106,625	2.62%
Total share capital (shares in million)	7,621	7,621	0.00%
Equity per share attributable to owners of the Company (RMB/share)	14.36	13.99	2.64%
Gearing ratio (%) (Note 1)	73.96	72.92	Increase by 1.04 percentage points

Notes:

1. *Gearing ratio = (Total liabilities – Accounts payable to brokerage clients) / (Total assets – Accounts payable to brokerage clients)*
2. *In calculating equity per share attributable to owners of the Company as indicated in the table above, the perpetual subordinated bonds issued by the Company was included. After excluding such impact, equity per share attributable to ordinary shareholders of the Company as at the end of the Reporting Period was RMB13.87.*

SECTION 2 ACCOUNTING DATA AND FINANCIAL INDICATORS SUMMARY

II. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profits from January to June 2022 and January to June 2021 and the net assets as at June 30, 2022 and December 31, 2021 as disclosed in the consolidated financial statements of the Company prepared in accordance with the International Accounting Standards are consistent with those in accordance with China's Accounting Standards.

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

Unit: RMB

Item	June 30, 2022	December 31, 2021	Change
Core net capital	61,470,993,701.49	61,666,929,489.73	-0.32%
Supplementary net capital	2,750,000,000.00	4,500,000,000.00	-38.89%
Net capital	64,220,993,701.49	66,166,929,489.73	-2.94%
Net assets	95,469,696,768.24	91,874,588,306.90	3.91%
Total risk capital reserves	38,073,964,497.28	33,466,481,546.48	13.77%
Total on- and off-balance sheet assets	428,654,454,279.56	389,168,701,675.84	10.15%
Risk coverage ratio	168.67%	197.71%	Decrease by 29.04 percentage points
Capital leverage ratio	14.56%	16.03%	Decrease by 1.47 percentage points
Liquidity coverage ratio	210.10%	238.90%	Decrease by 28.80 percentage points
Net stable funding ratio	145.35%	163.37%	Decrease by 18.02 percentage points
Net capital/net assets	67.27%	72.02%	Decrease by 4.75 percentage points
Net capital/liabilities	21.49%	23.88%	Decrease by 2.39 percentage points
Net assets/liabilities	31.95%	33.16%	Decrease by 1.21 percentage points
Proprietary equity securities and its derivatives/net capital	54.93%	49.57%	Increase by 5.36 percentage points
Proprietary non-equity securities and its derivatives/net capital	366.07%	290.54%	Increase by 75.53 percentage points

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

IV. REVIEW OF THE AUDIT COMMITTEE

The Audit Committee under the Board has reviewed and confirmed the report on review of interim financial information of the Group for the six months ended June 30, 2022 disclosed in accordance with the International Accounting Standards, and has no objection against matters including the accounting policies and practices adopted by the Group.

SECTION 3

MANAGEMENT DISCUSSION AND ANALYSIS

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

(I) The Group’s Main Business Type

The Group is a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China’s quality enterprises and many investors with demand for financial products and services. The Group has built a diversified business serving the various needs of corporations, individuals, institutional investors, financial institutions and government clients. The main business of the Group can be classified into four segments, namely investment banking, wealth management, trading and institution and investment management.

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

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

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

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

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

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The primary securities business of the Group relies on China's economic growth, accumulation of household wealth and the development and performance of China's capital markets, including the issuance, investment and trading of financial products (such as stocks, bonds and wealth management products). These important factors are affected by the combination of economic environment, regulatory environment, investor sentiment and international market, which have shown an overall stable and healthy trend. During the Reporting Period, the principal businesses and the operating model of the Group have had no significant changes, which was in line with the development of the industry, with major operating indicators ranking among the top in the industry.

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

During the Reporting Period, the development of the industry in which the Group operates was as follows: (1) Since the comprehensive deepening of reforms, the reforms at both sides of investment and financing have continued to advance. In terms of financing-side reform, the multi-level capital market continued to improve, and the securities industry showed a steady and developing trend. The report of the 19th National Congress of the Communist Party of China clearly put forward the need to strengthen financial services for the real economy and raise the proportion of direct financing. After the establishment of the STAR Market and launch of the pilot registration system in 2019 and the promotion of the pilot registration system for the ChiNext Board in 2020, the establishment of a multi-level capital market has taken another milestone in 2021. The Beijing Stock Exchange has been established and it has implemented a registration system, focusing on serving the financing needs of "specialized, refined, featured and innovative" small and medium-sized technology companies. According to the deployment of the Central Economic Work Conference, with the implementation of a comprehensive share issuance registration system in 2022, the development of the capital market will usher in a new chapter. In terms of investment-side reform, the relevant policies have facilitated the entry of medium and long-term funds into the market. In 2022, the CSRC issued the Opinions on Accelerating the High-quality Development of the Public Fund Industry (《關於加快推進公募基金行業高質量發展的意見》) and the Measures for the Supervision and Administration of Managers of Publicly Offered Securities Investment Funds (《公開募集證券投資基金管理人監督管理辦法》) to support the development of public funds and promote the development and growth of institutional investors. The market-making system on the STAR Market was officially launched, and the pilot fund investment advisory business was gradually expanded. (2) The wealth of residents has been accumulated and allocation structure has changed, and China has entered into a golden cycle of wealth management. With the continuous growth of China's economy and the wealth of residents, asset management industry of China has developed rapidly. In recent years, under the influence of "housing is for living in, not for speculation", the new regulations on assets management and the deepening reform of capital market, the standardized and NAV-measured asset management industry represented by public funds has become the sector with the most vitality and growth potential in the financial sub-field. The percentage of the standardized financial assets in the household asset allocation of China will increase, and there will be a huge room for development in resident wealth management business. (3) The change in investor structure and the increasing proportion of institutional investors have brought diversified business opportunities. With the robust development of public fund and private fund, the degree of participation of professional institutional investors, such as insurance funds, bank wealth management funds

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

and offshore funds, has increased, which have not only alleviated the pressure of declining commission rate, but also brought diversified business opportunities such as custody, derivatives and market-making transactions. (4) Capital market was further opened up. On the one hand, the restrictions on foreign investment in China's securities industry and asset management industry have been further loosened. On the other hand, overseas institutional investors have been actively introduced through various measures such as abolishing QFII quotas, lowering entry barriers and facilitating investments for overseas investment institutions, expanding cooperation with international indices agencies and connecting ETFs, and the internationalization of the capital market is accelerating. (5) The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area expressly stated establishing an international financial hub, putting great efforts on the development of the featured financial industry, orderly promoting the interconnectivity of the financial markets and providing support to optimize the modern financial service system, which will allow the Group to leverage on regional advantages to take a lead in the Guangdong-Hong Kong-Macao Greater Bay Area through forward-looking strategic arrangements. (6) The investment research business has driven the high-quality development of the industry. The research business was based on institutional investor services to improve the service quality of institutional investors and expand the scope of services. Meanwhile, it can fully empower wealth management, investment transaction and other business lines of investment banks, so as to drive high-quality development of all business lines through research business. (7) Customer-oriented and one-stop comprehensive financial services have gradually become a common proposition in the industry. The securities industry was exploring group-based, whole-industry-chain operations, and strengthening departmental collaboration under the premise of compliance to meet customer integration requirements. (8) Digital transformation has become an important direction for the development of the industry. The securities industry seeks to transform and upgrade its business model through digital transformation.

II. ANALYSIS ON CORE COMPETITIVENESS

(I) Excellent corporate culture

An excellent corporate culture is the most fundamental source of strength for the Company to grow and flourish. In making continuous progress in developing its corporate values and excellent cultural genes with the core value of "inquisitiveness and integrity", the Company forms its mission of "creating values to realize the dream of serving the country with financial services" and the operation and management philosophy of "stable growth, continual innovations, performance driven culture and coordinated and efficient business strategies". The Company advocates achieving success with professionalism and pioneering with innovations, along with its persistence in adhering to the path of professional development. Embracing professionalism, responsibility and professional pursuit, we endeavour to become a top-notch investment banking and wealth management institution. The Company insists on serving the overall strategy of the country, the real economy and residential wealth management, and actively fulfills its social responsibilities. It always focuses on the development of every major business when optimizing and strengthening its core businesses, in order to meet its customers' needs with high-quality financial services, and to create returns for its shareholders with a promising operation performance.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Forward-looking strategic doctrine

In the early days of development during the 1990s, the founding team of the Company, which mainly consists of intellectuals from universities and colleges, has clearly proposed the development strategy of “running with shareholding system and group structure and in an internationalized and standardized manner”, pointing the direction of the development of the Company. Under the leadership of the previous leading bodies of the Company, which were committed to our development and renewal, the Company has improved, enriched and upgraded the aforesaid development strategy in the critical period of innovation and transformation in the industry, ensuring the Company’s forefront position in the industry over the past 30 years. With its shares listed and traded on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange in 2010 and 2015, respectively, the Company is the third securities company in China with its A+H shares listed through IPO. The Company is one of the first securities companies in the industry to set up futures and fund companies, and established its Hong Kong branch in 2006. The Company has a sound corporate governance structure and a standardized system for continuous compliance with internal and external requirements.

Over the past 23 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). A long-term stable shareholding structure ensures the continuity and stability of our management team, supporting our commitment to the strategic path of “sticking to the blueprint until the end”.

(III) A securities group that has a financial platform with outstanding comprehensive strength

The Company possesses licenses for a full range of services including investment banking, wealth management, trading and institution and investment management. The Company, through its subsidiaries, provides global and domestic clients with comprehensive financial services, covering futures, publicly-offered funds, asset management, private investment fund, alternative investment and overseas business, forming the financial platform of a securities group with securities business as the core and businesses that cover domestic and global markets.

The Company has a complete business system, a rational and balanced business structure, as well as industry-leading comprehensive financial service capabilities. With main operating indicators ranking among the top ten securities companies in China for 28 consecutive years, the Company is one of the most influential securities companies in China’s capital market. The parent company and its subsidiaries have developed together, and each subsidiary has been ranking among the forefront in the industry in which it operates. At the end of June 2022, the fund management scale of GF Fund and E Fund after excluding monetary funds ranked third and first in the industry, respectively. In the second quarter of 2022, GF Asset Management ranked fifth in the industry in terms of the average monthly scale of private assets under active management. GFHK has all necessary business licenses, with its capital strength at the forefront among the Hong

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Kong subsidiaries as Chinese-funded securities companies. GF Futures has formed a business network covering derivatives markets through Hong Kong and London. In recent years, GF Xinde and GF Qianhe have won numerous honors such as “Top 50 Private Equity Investment Institutions in China” and “Top 10 Securities Company Equity Investment Institutions in China” by Zero2IPO, respectively.

(IV) Leading core businesses

The Company enjoys advantages as it is deeply rooted in the core location of Guangdong-Hong Kong-Macao Greater Bay Area with customer resources. It promotes the innovative spirit of “leading innovation, pragmatic and enterprising” by adhering to being customer-centric, developing and innovating based on customer needs, and striving to provide better services. Over the past 30 years, with solid professional ability, outstanding innovation ability and the concept of creating value for customers, the Company has developed from a securities business department with only RMB10 million of working capital to a large national comprehensive securities company with strong capital strength and outstanding core business advantages.

The Company has industry-leading investment and research capabilities, and has won the first prize of “Best Local Research Team of New Fortune”, “Golden Bull Research Institute” and other industry authoritative awards for consecutive years by committing to build a “research + N” business model. With industry-leading wealth management capability, it has provided wealth management services to nearly 16 million customers through 330 branches and business departments and more than 4,100 securities investment consultants in China. In 2021, the net income from the agency sale of financial products ranked fifth in the industry. We realized full development in various operations of the investment banking business, with a comprehensive business chain ranking among the top in the industry in terms of ability to provide services. We have ranked among the top ten for consecutive 14 years in terms of the number of IPOs, and have ranked first for three times. The Company has committed to the principle of driving business development by technological innovation by increasing input into financial technology and actively employing advanced concepts, techniques and tools, so as to continuously enhance harmonization of our financial technology and operation and promote their digital transformation.

(V) Philosophy of compliance and steady development

The Company is one of the first batch of pilot compliance management brokerages selected by the CSRC, one of the first brokerages to implement a comprehensive risk management strategy in the industry, and one of the few 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 1980’s to the early 1990’s. Over the past 30 years, the Company has been adhering to the philosophy of “stable growth” while maintaining the focus on developing its major business lines. It has been firmly conforming to the compliance base line, and has set up and continued to improve the comprehensive risk management system. With these efforts, the Company has survived challenges including a series of crackdown on the industry and market fluctuations.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(VI) First-class professional talents

The Company has been respecting knowledge and talents since its inception. It has been recognized as an “army of doctors” in the capital markets and has established a postdoctoral working station in 1999, which was the first one in China. The Company believes that relying on first-class talents is the key to develop itself into a first-class securities company and have a professional, high-caliber and loyal talent team that has strong sense of responsibility and shares the culture of the Company. As of now, the management team members have an average of approximately 26 years of managerial experience in the areas of securities, finance and economics and have served an average term of over 16 years. They also have extensive experience in operation and management. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees were approximately 2.36% and 2.58%, respectively. In recent years, the Company has been building a team consists of young personnel by recruiting young people who are competent and willing to deliver performance, so as to further strengthen our vitality and enterprising spirit in providing unfailing driving force for long-term development of the Company.

III. ANALYSIS ON PRINCIPAL BUSINESS

(I) Overview

Since 2022, faced with an exceptionally complex and difficult situation, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, various governmental departments in different regions have been thoroughly implementing the decisions and arrangements of the CPC Central Committee and the State Council, efficiently coordinating the epidemic prevention and control with economic and social development, stepping up macro policy adjustments, and effectively implementing a package of policies and measures to stabilize the economy. As a result, the resurgence of the pandemic has effectively been put under control, the national economy has stabilized and rebounded, the production demand has improved marginally, the market prices have remained basically stable, people’s livelihood has been guaranteed in an effective and efficient way, high quality development has continued, and the overall social situation has remained stable, with a year-on-year GDP growth of 2.5% (Source: National Bureau of Statistics, 2022).

Since 2022, the capital market reforms have continued to deepen, the market structure has been remarkably optimized, various market segments have developed in dislocation, the multi-level market system has continued to improve, the function of optimizing resource allocation has been further brought into play, and high-level institutional liberalization has been steadily promoted. According to data released by Securities Association of China (derived from unaudited financial statements), as of June 30, 2022, the total assets of 140 securities companies in the industry amounted to RMB11.20 trillion, an increase of 5.76% from the end of 2021; their net assets amounted to RMB2.68 trillion, an increase of 4.28% from the end of 2021; their net capital amounted to RMB2.06 trillion, an increase of 3.00% from the end of 2021; their customers’ transaction settlement fund balances (including margin capital) amounted to RMB2.13 trillion, an increase of 12.11% from the end of 2021. For the first half of 2022, 115 companies out of the

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

140 securities companies in the industry were profit-making and recorded an aggregate operating income of RMB205.919 billion, a year-on-year decrease of 11.40%, of which net income from the securities trading agency service business (including rental of trading unit seats) amounted to RMB58.307 billion, a year-on-year increase of 0.46%; net income from securities underwriting and sponsorship business amounted to RMB26.771 billion, a year-on-year decrease of 0.04%; net income from financial advisory business amounted to RMB3.137 billion, a year-on-year increase of 2.72%; net income from investment consulting business amounted to RMB2.818 billion, a year-on-year increase of 17.37%; net income from asset management business amounted to RMB13.319 billion, a year-on-year decrease of 7.94%; net interest income amounted to RMB29.659 billion, a year-on-year decrease of 3.87%; securities investment gains, including fair value changes, amounted to RMB42.979 billion, a year-on-year decrease of 38.41%; and net profit for the first half of 2022 amounted to RMB81.195 billion, a year-on-year decrease of 10.06% (source: Securities Association of China, 2022).

In the first half of 2022, under the guidance of the Board of Directors, the management of the Company led all staff to make concerted efforts to achieve stable growth in the operating results of the Company, in accordance with the working principle of “maintaining stability, making positive changes and promoting quality development of the Company” and the working plan of “enhancing the core businesses and overall competitiveness of the Company”. As of June 30, 2022, total assets of the Group amounted to RMB581,023 million, representing an increase of 8.43% as compared to the end of last year, and equity attributable to owners of the Company was RMB109,417 million, representing an increase of 2.62% from the end of last year. During the Reporting Period, total revenue and other income of the Group was RMB16,813 million, representing a year-on-year decrease of 22.62%; total expenses were RMB11,576 million, representing a year-on-year decrease of 18.50%; and net profit attributable to owners of the Company was RMB4,198 million, representing a year-on-year decrease of 28.71%.

(II) Analysis of principal businesses

The principal businesses of the Group can be divided into four segments, namely investment banking business, wealth management business, trading and institution business and investment management business.

1. *Investment banking business segment*

The Group's investment banking business segment mainly comprises of equity financing business, debt financing business and financial advisory business.

(1) Equity financing business

Since 2022, affected by the pandemic and fluctuations in the secondary market, the issuance pace of the equity financing market has slowed down as a whole. In the first half of 2022, the number and total amount of equity financing projects (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance includes the ones for purchase of assets)) in the A share market were 370

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and RMB710.037 billion, respectively, representing a year-on-year decrease of 33.09% and 7.07%, respectively. Specifically, the number and financing size of IPOs were 171 and RMB311.920 billion, respectively, representing a decrease of 30.20% and an increase of 47.86% year-on-year, respectively; while the number and financing size of refinancing projects were 199 and RMB398.117 billion, respectively, representing a year-on-year decrease of 35.39% and 28.03%, respectively. (Source: WIND, 2022).

During the Reporting Period, the Company leveraged the advantages of the Group's platform to optimise its regional and industrial deployments, established a comprehensive service mechanism, increased its efforts to develop quality customers and projects and constantly strengthened compliance and risk control management, so as to promote the steady development of its investment banking business. In the first half of 2022, the Company completed 7 equity financing projects for which the Company acted as a lead underwriter, and the lead underwritten amount was RMB7.534 billion. Details are set out in the table below.

Item	From January to June 2022		From January to June 2021	
	Lead underwritten amount (RMB100 million)	Number of lead underwritten projects	Lead underwritten amount (RMB100 million)	Number of lead underwritten projects
Initial public offering (IPO)	14.00	3	–	–
Refinancing offering	61.34	4	–	–
Total	75.34	7	–	–

Source: Statistics of the Company, 2022.

(2) Debt financing business

In the first half of 2022, there were repeated and scattered outbreaks of the COVID-19 pandemic, which had some impact on economic stability. With the implementation of various policies and measures to stabilize economic growth, the financing environment has gradually improved. From January to June 2022, the issue size of major credit bonds¹ was RMB7.91 trillion, representing a slight increase as compared to the same period of last year. The issue size of corporate bonds and enterprise bonds both recorded a decline. Specifically, the issue size of corporate bonds and enterprise bonds were RMB1,514.434 billion and RMB216.677 billion, respectively, representing a year-on-year decrease of 9.13% and 1.00%, respectively. The issue size of the debt financing instruments of non-financial enterprises and the non-policy financial bonds were RMB4,430.462 billion and RMB1,724.522 billion, respectively, representing a year-on-year increase of 5.32% and 3.67%, respectively (Source: WIND, 2022).

During the Reporting Period, the Company increased its investment in bond underwriting business to provide customers with comprehensive financial services. It also intensified efforts to develop customers in key regions, and continued to strengthen due diligence, risk management and quality control to build a solid bottom line for risk prevention and control. In the first half of 2022, the Company acted as the lead underwriter for 87 bonds, with a lead underwritten amount of RMB66.291 billion.

Item	From January to June 2022		From January to June 2021	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	87.84	11	44.22	8
Corporate bonds	283.92	46	–	–
Debt financing instruments of non-financial enterprises	59.30	9	–	–
Financial bonds	231.85	21	4.80	5
Total	662.91	87	49.02	13

Source: Statistics of the Company, 2022.

¹ Major credit bonds include corporate bonds, enterprise bonds, debt financing instruments of non-financial enterprises, non-policy financial bonds and exchangeable Bonds.

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(3) Financial advisory business

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

In the first half of 2022, the M&A market was less active due to the impact of multiple factors such as the macro-economic situation and the COVID-19 pandemic. 79 listed companies announced their major assets restructuring with a total trading size of RMB144.556 billion, representing a year-on-year decrease of 38.51%. There were 15 M&A and restructuring projects approved by the CSRC's Committee for M&A and Restructuring, representing a year-on-year decrease of 11.76% (Source: WIND, 2022). During the Reporting Period, guided by the industrial policies, financial policies and regional development policies of the PRC, the Company actively participated in the M&A and restructuring activities of high-quality enterprises.

In 2021, the Beijing Stock Exchange was unveiled, aiming to serve "earlier, smaller and newer" companies and develop in a dislocation with the Shanghai Stock Exchange and Shenzhen Stock Exchange. As of the end of June 2022, there were a total of 6,728 companies listed on the NEEQ and 100 companies listed on the Beijing Stock Exchange. In terms of market liquidity, the activity level of the NEEQ market in the first half of 2022 decreased as compared to the same period of last year, with a turnover of RMB43.529 billion from January to June, representing a year-on-year decrease of 28.72% (Source: NEEQ, 2022). From January to June 2022, the turnover of the Beijing Stock Exchange was RMB108.242 billion with 7.663 billion shares being traded (Source: website of the Beijing Stock Exchange, 2022). The introduction of relevant policies of the Beijing Stock Exchange, which has lowered the threshold for qualified investors, and the deepened reform of the NEEQ market, have brought new opportunities for the Company's investment banking business.

During the Reporting Period, the Company adhered to the core principle of discovering value. Leveraging on its outstanding research capabilities, the Company strengthened business synergy and provided high-quality integrated services for valued customers. As of the end of June 2022, the Company sponsored a total of 32 companies listed on the NEEQ as the lead brokerage (Source: NEEQ, Statistics of the Company, 2022).

In addition, in respect of the overseas investment banking business, the Company carried out such business primarily through its indirect wholly-owned subsidiary, GF Capital (Hong Kong). During the Reporting Period, GF Capital (Hong Kong) completed 9 projects in which it acted as lead underwriter (including IPO, refinancing and bond offering) and financial adviser.

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2. *Wealth management business segment*

The Group's wealth management business segment mainly comprises brokerage and wealth management business, margin financing and securities lending business, re-purchase transaction business and financial leasing business.

(1) Brokerage and wealth management business

The Group provides brokerage services for its customers to buy and sell stocks, bonds, funds, futures and other tradable securities.

As of the end of June 2022, the SSE Composite Index and the SZSE Component Index declined by 6.63% and 13.20%, respectively, as compared to the end of last year, and the total trading volume of stocks and funds in the two markets was RMB124.56 trillion, representing a year-on-year increase of 7.63% (Source: WIND, 2022).

In the first half of 2022, the Company developed customers through multiple channels and scenarios so as to expand and strengthen its retail customer base. It leveraged the combined advantages of online operations to create a comprehensive financial service user platform. The Company strengthened strategic research based on market conditions and recommended suitable products for customers based on customers' needs, in an effort to improve customer experience. It accelerated the platformization and ecologicalization of institutional customer services, so as to push up its institution business to a higher level. The Company promoted the construction of a comprehensive service system for corporate customers, focusing on the services for the customer base of listed companies. It accelerated the establishment of new outlets, formulated the outlet establishment plan for the future, and supported the sustainable development and wealth management transformation of the Company. The Company consolidated compliance risk management, and supported business transformation and development, so as to further enhance its competitiveness.

As of the end of June 2022, the balance maintained by the agency sales of financial products of the Company recorded an increase of 3.24% as compared to the end of last year and the Company ranked third amongst the securities dealers in terms of the balance of public fund maintained in the agency sales of non-monetary market (Source: Asset Management Association of China (中國基金業協會), 2022). The number of the Company's mobile-phone securities users exceeded 39.11 million, representing an increase of approximately 4% as compared to the end of last year; during the Reporting Period, the sales and transfer amount of financial products of the Yitaojin E-commerce platform (including Cash Return (現金增利) and Taojin Market (淘金市場)) amounted to RMB111.7 billion.

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From January to June 2022, the trading volume of stocks and funds of the Company was RMB9.98 trillion (bilateral statistics), representing a year-on-year increase of 12.93%.

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

Item	From January to June 2022		From January to June 2021	
	Trading volume as agent (RMB100 million)	Market share (%)	Trading volume as agent (RMB100 million)	Market share (%)
Stocks	87,615.32	3.83	82,776.40	3.85
Funds	12,165.18	5.99	5,577.04	3.44
Bonds	203,282.04	4.78	162,140.46	4.83
Total	303,062.54	4.49	250,493.91	4.42

Note 1: The data is from the statistics of SSE, SZSE and WIND, 2022;

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

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

The financial products agency sales of the Company in the first half of 2022 are shown in the table below:

Type	Total sales amount for the period (RMB100 million)	Total redeemed amount for the period (RMB100 million)
Fund products	448.56	312.72
Trust products	138.08	138.76
Other financial products	1,979.93	1,950.68
Total	2,566.56	2,402.16

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

In respect of the futures brokerage business, the Group carried out the futures brokerage business through its wholly-owned subsidiary, GF Futures, and provides trading and settlement services for customers in major international commodity and derivative markets through the wholly-owned subsidiary of GF Futures, GF Futures (Hong Kong), and the wholly-owned subsidiary of GF Futures (Hong Kong), GF Financial Markets (UK) Limited.

In regions outside of the PRC, the Group provides brokerage services for high-net-worth individuals and retail customers primarily through its indirectly wholly-owned subsidiary, GF Brokerage (Hong Kong), covering financial products such as stocks and bonds listed on the Hong Kong Stock Exchange and overseas exchanges, using its self-developed Yitaojin (易淘金) international version of trading system to develop overseas wealth management business vigorously. In the first half of 2022, the brokerage business continued its transformation towards wealth management. Despite the decline in global markets, the net revenue and balance of our products both recorded a year-on-year growth, while the number of enterprise customers also increased.

(2) Margin financing and securities lending business

In the first half of 2022, the A-share market showed a general downward trend with firstly declining and then rising. As of the end of June 2022, the CSI 300, the ChiNext Index and the CSI 500 Index recorded a decrease of 9.22%, 15.41% and 12.30%, respectively. The capital market continued to expand and maintained a daily trading volume ranging from RMB0.6 trillion to RMB1.4 trillion. As of the end of June 2022, the balance of margin financing and securities lending in the SSE and SZSE was RMB1,603.331 billion, representing a decrease of 12.49% as compared to the end of 2021 (Source: WIND, 2022).

In the first half of 2022, the Company based its businesses on its roots and adhered to its “customer-centric” concept, promoting healthy and steady business development while maintaining good customer service and compliance and risk control. As of the end of June 2022, the balance of margin financing and securities lending of the Company was RMB83.344 billion, representing a decrease of 11.34% as compared to the end of 2021, and the market share was 5.20%.

(3) Repurchase transaction business

In the first half of 2022, the scale of stock pledged business in the market continued to shrink. During the Reporting Period, the Company conducted a robust stock pledged business and continued to strengthen the threshold for risk control of the stock pledged business and optimize its business structure. The scale of stock pledged business maintained a dynamic balance. As of the end of June 2022, the balance of the exchange traded Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB11.486 billion, representing a decrease of 10.83% as compared to the end of 2021.

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(4) Financial leasing

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

In the first half of 2022, the financial leasing industry was put under great pressure. GFFL continued to strengthen the construction and optimization of its comprehensive risk management system. As of the end of June 2022, the net amount of the lease receivables amounted to RMB490 million.

3. *Trading and institution business segment*

The Group's trading and institution business segment mainly includes the equity and derivatives trading business, fixed income sales and trading business, OTC sales and trading business, alternative investment business, investment research business and asset custody business.

(1) Equity and derivatives trading business

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

In the first half of 2022, the A-share market showed a trend of overall decline with firstly declining and then rising. As of the end of June 2022, the CSI 300, the CSI 500 and the Hang Seng Index fell by 9.22%, 12.30% and 6.57%, respectively as compared to the end of 2021. In the derivatives market, the liquidity of derivatives increased gradually in line with the gradual opening up of the market.

During the Reporting Period, in respect of its equity investment, the Company adhered to the idea of value investment by properly controlling its positions based on market fluctuations with an investment yield better than the relevant market index performance. In respect of its derivatives investment, the Company was in a better position to seize the trading opportunities brought about by market fluctuations and achieved better returns. Meanwhile, the Company maintained market liquidity, reduced drastic market volatility, improved pricing efficiency and satisfied the investment needs of public investors through market maker services. As of the end of June 2022, the Company provided market making services for 62 companies listed on the NEEQ. During the Reporting Period, the Company was granted the "Outstanding Fund Market Maker", the "Outstanding Option Market Maker", the "Outstanding Public REITs Market Maker" and the "Best Commodity ETF Market Maker" awards for the year 2021 by the SSE; and the "Outstanding ETF Liquidity Provider" and the "Outstanding Stock Option Market Maker" awards for the year 2021 by the SZSE.

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(2) Fixed income sales and trading business

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

The Company conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market making services, such as government bonds, policy-based financial bonds, medium term notes, short-term financing bonds, enterprise bonds, company bonds, government bond futures, interest rate swaps and standard bond forward. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the interest risk arising from trading transactions and market-making business.

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

(3) OTC sales and trading business

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

As a primary dealer of OTC derivatives business, in the first half of 2022, the Company continued to vigorously strengthen team and system construction and continuously improved its product design and innovation, strategy innovation and trading and sales capabilities. Through the income swaps and OTC options businesses, the Company continued to provide institutional customers with investment strategies and risk management solutions with OTC derivatives as the vehicle.

As of the end of June 2022, the Company had issued 30,951 OTC products in aggregate with an aggregate amount of approximately RMB1,118.632 billion. The market value of the products as at the end of the Reporting Period was approximately RMB108.807 billion. Specifically, the Company issued 4,583 new OTC products with an aggregate amount of RMB92.181 billion in the first half of 2022.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(4) Alternative investment business

The Group actively carried out alternative investment business with its own funds through GF Qianhe, a wholly-owned subsidiary. Currently, the Group mainly focuses on equity investment business.

In the first half of 2022, GF Qianhe focused on advanced manufacturing, healthcare, new consumption, hard technology, soft technology, special opportunities investment and other major fields. During the Reporting Period, GF Qianhe had 18 new investment projects with a total investment of RMB0.96 billion.

(5) Investment research business

The investment research business of the Group mainly comprises investment research services provided in various areas such as macro economy, strategy, fixed income, financial engineering, industry and listed companies for institutional clients, and earned commission fee for sub-position transactions from institutional clients. Specifically, our investment research services cover the provision of research reports and customized investment research services for the National Social Security Fund, public funds, insurance companies, private funds, financial companies, wealth management subsidiaries of banks, securities companies and other institutional investors in Hong Kong and the PRC. The Group's equity research covers nearly 800 A shares listed companies in the PRC in 27 industries, and nearly 160 companies listed in Hong Kong and the US.

The Company is highly recognized in the industry for its outstanding research capacity and has received numerous awards such as 1st in the "Best Domestic Research Teams (本土最佳研究團隊)" by New Fortune for consecutive years from 2017 to 2021 and the "Top 5 Golden Bull Research Team (五大金牛研究團隊)" award by "China Securities Industry Analyst Golden Bull Award (中國證券業分析師金牛獎)" for consecutive years. The Company is also among the top in the "Seller Analyst Crystal Ball Award (賣方分析師水晶球獎)", the "Best Analyst of Shanghai Stock Exchange (上證報最佳分析師)", the Sina "Golden Kirin" Best Analysts (新浪"金麒麟"最佳分析師) and the "Gold Analysts of the 21st Century (21世紀金牌分析師)". In order to further promote the research-driven business model and strengthen the promotion and support of research to the Company's core business as well as domestic and overseas professional exchanges, the Company established a primary sector industrial research institute during the Reporting Period to empower the development of its entire business chain.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(6) Asset custody business

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

In the first half of 2022, the private fund industry actively adapted to the new changes posed by the epidemic and continued to develop in a standardized and professional manner with market resources further aggregating in medium and large high-quality private fund managers. The brokerage settlement model was adopted for public fund products which provided service opportunities for the asset custody business of securities companies. The custody outsourcing services in respect of bank wealth management products was gradually opened to securities companies, which also created opportunities for securities companies to provide outsourcing services.

During the Reporting Period, the Company actively expanded the market, strengthened infrastructure construction, improved comprehensive service capabilities and enhanced risk control system to consistently improve customer satisfaction. As of the end of June 2022, the total scale of assets in respect of which the Company asset custody and fund services was RMB534.848 billion, representing an increase of 1.69% as compared with the end of 2021, of which the scale of trust products was RMB265.436 billion and the scale of products in respect of which the Company provided fund services was RMB269.412 billion.

4. *Investment management business segment*

The Group's investment management business segment mainly covers asset management business, public fund management business and private fund management business.

(1) Asset management business

The Group provides asset management services 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 wholly-owned subsidiaries, namely GF Asset Management and GF Futures and an indirect wholly-owned subsidiary, namely GF Asset Management (Hong Kong).

In the first half of 2022, the CSRC promulgated the "Measures for the Supervision and Administration of Managers of Publicly Offered Securities Investment Funds" and its supporting rules to moderately relax the restrictions on the number of public fund licenses held by the same entity, which will help the asset management segment of securities companies to apply for public fund management business qualification and expand their business scope. However, the asset management segment of securities companies will also face fierce competition with fund management companies with first-mover advantages.

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GF Asset Management manages client assets which invest in various asset categories with various investment strategies, including fixed-income investment, equity investment, quantitative investment and cross-border products. The clients of GF Asset Management mainly include commercial banks, trust companies, other institutional investors and affluent population including the high-net-worth individuals. During the Reporting Period, GF Asset Management continued to consolidate its core capabilities such as active management, product design and innovation, channel marketing, compliance risk control and financial technology, strengthened infrastructure construction and continuously improved its operation mechanism.

As of the end of June 2022, the net value of collective asset management schemes, single asset management schemes and specific asset management schemes of GF Asset Management decreased by 23.55%, 33.74% and 32.67%, respectively, as compared with the end of 2021, and its total scale decreased by 26.43% as compared with the end of 2021. The asset management scale of GF Asset Management as of the end of June 2022 is as follows:

	Net value of asset management (RMB100 million)	
	June 30, 2022	December 31, 2021
Collective asset management business	2,695.50	3,525.61
Single asset management business	859.98	1,297.97
Specific asset management business	73.29	108.85
	<hr/>	<hr/>
Total	3,628.76	4,932.44

Source: Statistics of the Company, 2022; the sum of the sub-items may be deviated from the aggregated data, which is caused by rounding.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of June 2022, the scale of regulatory entrusted fund of GF Asset Management ranked ninth (source: the Securities Association of China, 2022). In the second quarter of 2022, the average monthly scale of private asset management of GF Asset Management ranked fifth (source: Asset Management Association of China, 2022) in the securities industry.

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

(2) Public fund management service

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

In the first half of 2022, the public fund industry maintained its growth resilience with its scale hitting a record high. Meanwhile, the guidelines and requirements of the regulatory authorities for high-quality development became clearer. The “Opinions on Accelerating the Promotion of High-quality Development of the Public Fund Industry 《關於加快推進公募基金行業高品質發展的意見》” set the tone for the industry’s high-quality development and drew a clear path; The top-level design was continuously improved to further encourage the development of emerging business formats such as pension and public REITs.

As of the end of June 2022, the Company held 54.53% interest in GF Fund. GF Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, other institutional investors and high-net-worth individuals. In addition, GF Fund can invest the capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China’s capital market in the form of RQFII through GF International Investment Management Limited, its wholly-owned subsidiary. As of the end of June 2022, the public funds managed by GF Fund in aggregate reached RMB1,310.000 billion, representing an increase of 15.97% as compared to the end of 2021, and the total fund size excluding money market funds amounted to RMB714.238 billion, ranking third in the industry (Source: Statistics of the Company, WIND, 2022).

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of June 2022, the Company held 22.65% interest in E Fund, and was one of the three parallel largest shareholders. E Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, enterprise annuity and other institutional investors as well as high-net-worth individuals. In addition, E Fund can invest capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII. As of the end of June 2022, the public funds managed by E Fund in aggregate reached RMB1,623.824 billion, representing a decrease of 4.84% as compared to the end of 2021, and the total public fund size excluding money market funds was RMB1,143.124 billion, ranking first in the industry (Source: Statistics of the Company, WIND, 2022).

(3) Private fund management services

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

In the first half of 2022, GF Xinde focused on industries such as biomedicine, intelligent manufacturing and corporate services. As of the end of June 2022, the total size of funds managed by GF Xinde was nearly RMB15 billion.

In the overseas market, the Group is engaged in overseas private equity fund business mainly through its indirect wholly-owned subsidiary GF Investments (Hong Kong) and institutions thereunder, and has completed investment mainly in fields of high-end manufacturing, TMT, biomedical and big consumption. Several investment projects have exited by way of mergers and acquisitions or listing on the stock exchanges in Hong Kong, the United States and other regions.

IV. ANALYSIS ON FINANCIAL STATEMENTS

(I) Analysis on Consolidated Statement of Profit or Loss

Revenue composition

Unit: RMB' 000

Item	January to June 2022	January to June 2021	Amount of increase/ decrease	Percentage of increase/ decrease
Commission and fee income	8,316,208	9,016,437	-700,229	-7.77%
Interest income	6,315,995	6,651,609	-335,614	-5.05%
Net investment gains	193,816	4,305,291	-4,111,475	-95.50%
Other income and gains or losses	1,986,740	1,754,079	232,661	13.26%
Total revenue and other income	<u>16,812,759</u>	<u>21,727,416</u>	<u>-4,914,657</u>	<u>-22.62%</u>

For the period from January to June 2022, total revenue and other income of the Group was RMB16,813 million, representing a decrease of 22.62% as compared with RMB21,727 million for the corresponding period of last year, which was reflected by (1) commission and fee income of RMB8,316 million, representing a decrease of RMB700 million or 7.77% as compared with the corresponding period of last year, primarily attributable to a decrease of RMB341 million in securities brokerage business commission and fee income as compared with the corresponding period of last year and a decrease of RMB411 million in asset management and fund management fee income as compared with the corresponding period of last year; (2) interest income of RMB6,316 million, representing a decrease of RMB336 million or 5.05% as compared with the corresponding period of last year, primarily attributable to a decrease of RMB145 million in interest income from margin financing and securities lending as compared with the corresponding period of last year and a decrease of RMB243 million in interest income from debt instruments at fair value through other comprehensive income as compared with the corresponding period of last year; (3) net investment gains of RMB194 million, representing a decrease of RMB4,111 million or 95.50% as compared with the corresponding period of last year, primarily attributable to the decreases of net realized gains from disposal and unrealised fair value changes of financial instruments at fair value through profit or loss; and (4) other income and gains of RMB1,987 million, representing an increase of RMB233 million or 13.26% as compared with the corresponding period of last year, primarily attributable to an increase of RMB791 million in third-party interests in consolidated structured entities as compared with the corresponding period of last year, which was partially offset by a decrease of RMB599 million in commodity trading income as compared with the corresponding period of last year.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Expenses composition

Unit: RMB' 000

Item	January to June 2022	January to June 2021	Amount of increase/ decrease	Percentage of increase/ decrease
Depreciation and amortization	404,801	369,258	35,543	9.63%
Staff costs	4,163,509	5,670,828	-1,507,319	-26.58%
Commission and fee expenses	152,761	169,991	-17,230	-10.14%
Interest expenses	4,293,134	4,238,701	54,433	1.28%
Other operating expenses	2,759,439	3,389,185	-629,746	-18.58%
Credit loss expense	-209,240	363,580	-572,820	-
Impairment losses	11,451	1,371	10,080	735.23%
Total expenses	11,575,855	14,202,914	-2,627,059	-18.50%

For the period from January to June 2022, total expenses of the Group were RMB11,576 million, representing a decrease of 18.50% from RMB14,203 million for the corresponding period of last year, which was primarily reflected by (1) the decrease in staff costs of RMB1,507 million as compared with the corresponding period of last year, primarily attributable to the decrease in the provision on salaries, bonuses and allowances; (2) the decrease in other operating expenses of RMB630 million as compared with the corresponding period of last year, primarily attributable to the decrease in commodity trading costs; and (3) the decrease in credit loss expense of RMB573 million as compared with the corresponding period of last year, primarily attributable to the decrease in impairment losses from advances to customers and financial assets held under resale agreements.

For the period from January to June 2022, the Group realized net profit attributable to owners of the Company of RMB4,198 million, representing a year-on-year decrease of 28.71%; basic earnings per share were RMB0.55, representing a year-on-year decrease of 28.57%; and return on weighted average net assets was 3.90%, representing a year-on-year decrease of 1.97 percentage points.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Analysis on Consolidated Statement of Financial Position

Unit: RMB' 000

	June 30, 2022	Composition	December 31, 2021	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Non-current assets	27,055,738	4.66%	26,561,595	4.96%	494,143	1.86%
Of which: Financial assets at fair value through profit or loss	8,898,897	1.53%	8,036,844	1.50%	862,053	10.73%
Investments in associates	5,688,951	0.98%	5,946,763	1.11%	-257,812	-4.34%
Property and equipment	3,138,667	0.54%	3,080,732	0.57%	57,935	1.88%
Investments in joint ventures	2,370,054	0.41%	2,309,857	0.43%	60,197	2.61%
Deferred tax assets	2,266,979	0.39%	2,118,832	0.40%	148,147	6.99%
Right-of-use assets	1,936,248	0.33%	1,977,816	0.37%	-41,568	-2.10%
Financial assets held under resale agreements	1,399,881	0.24%	1,411,423	0.26%	-11,542	-0.82%
Current assets	553,967,589	95.34%	509,293,729	95.04%	44,673,860	8.77%
Of which: Financial assets at fair value through profit or loss	155,238,350	26.72%	116,427,568	21.73%	38,810,782	33.33%
Bank balances	133,993,366	23.06%	119,312,820	22.27%	14,680,546	12.30%
Debt instruments at fair value through other comprehensive income	109,135,727	18.78%	110,475,096	20.62%	-1,339,369	-1.21%
Advances to customers	85,612,001	14.73%	97,230,768	18.14%	-11,618,767	-11.95%
Clearing settlement funds	25,289,524	4.35%	27,694,381	5.17%	-2,404,857	-8.68%
Deposits with exchanges and non-bank financial institutions	16,518,955	2.84%	12,495,113	2.33%	4,023,842	32.20%
Financial assets held under resale agreements	15,912,032	2.74%	18,580,809	3.47%	-2,668,777	-14.36%
Total assets	581,023,327	100.00%	535,855,324	100.00%	45,168,003	8.43%

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

	June 30, 2022	Composition	December 31, 2021	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Current liabilities	398,687,640	85.28%	341,863,046	80.43%	56,824,594	16.62%
Of which: Accounts payable to brokerage clients	144,970,626	31.01%	126,731,097	29.82%	18,239,529	14.39%
Financial assets sold under repurchase agreements	114,971,452	24.59%	81,230,200	19.11%	33,741,252	41.54%
Bonds payable	45,406,207	9.71%	62,302,836	14.66%	-16,896,629	-27.12%
Short-term financing payables	39,914,332	8.54%	27,876,760	6.56%	12,037,572	43.18%
Other accounts payables, other payables and accruals	22,521,560	4.82%	12,592,000	2.96%	9,929,560	78.86%
Due to banks and other financial institutions	10,991,137	2.35%	11,617,488	2.73%	-626,351	-5.39%
Financial liabilities at fair value through profit or loss	9,856,783	2.11%	8,577,682	2.02%	1,279,101	14.91%
Net current assets	155,279,949		167,430,683		-12,150,734	-7.26%
Non-current liabilities	68,792,890	14.72%	83,190,935	19.57%	-14,398,045	-17.31%
Of which: Bonds payable	62,024,752	13.27%	76,380,096	17.97%	-14,355,344	-18.79%
Total liabilities	467,480,530	100.00%	425,053,981	100.00%	42,426,549	9.98%
Total equity	113,542,797		110,801,343		2,741,454	2.47%

As of June 30, 2022, total assets of the Group were RMB581,023 million, representing an increase of RMB45,168 million or 8.43% as compared with that at the end of last year; total liabilities were RMB467,481 million, representing an increase of RMB42,427 million or 9.98% as compared with that at the end of last year; non-current assets were RMB27,056 million, representing an increase of 1.86% as compared with that at the end of last year; current assets were RMB553,968 million, representing an increase of 8.77% as compared with that at the end of last year; current liabilities were RMB398,688 million, representing an increase of 16.62% as compared with that at the end of last year; and non-current liabilities were RMB68,793 million, representing a decrease of 17.31% as compared with that at the end of last year.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Among the Group's assets, each of financial assets at fair value through profit or loss, bank balances, debt instruments at fair value through other comprehensive income and advances to customers had a relatively high proportion, accounting for 28.25%, 23.06%, 18.78% and 14.73% of total assets of the Group, respectively, and collectively accounting for 84.82% of total assets of the Group. Financial assets at fair value through profit or loss increased by RMB39,673 million or 31.87% as compared with that at the end of last year, primarily attributable to the increase in the scale of investments in public funds, commercial notes and debt securities; bank balances increased by RMB14,681 million or 12.30% as compared with that at the end of last year, primarily attributable to the increase in customer bank balances; debt instruments at fair value through other comprehensive income decreased by RMB1,339 million or 1.21% as compared with that at the end of last year, primarily attributable to the decrease in the scale of investments in bonds; and advances to customers decreased by RMB11,619 million or 11.95% as compared with that at the end of last year, primarily attributable to the decrease in the scale of margin financing and securities lending business.

Among the Group's liabilities, each of accounts payable to brokerage clients, financial assets sold under repurchase agreements, bonds payable and short-term financing payables had a relatively high proportion, accounting for 31.01%, 24.59%, 22.98% and 8.54% of total liabilities of the Group, respectively, and collectively accounting for 87.12% of total liabilities of the Group. Accounts payable to brokerage clients increased by RMB18,240 million or 14.39% as compared with that at the end of last year, primarily attributable to the increase in customer deposits; financial assets sold under repurchase agreements increased by RMB33,741 million or 41.54% as compared with that at the end of last year, primarily attributable to the increase in scale of the pledged sold under repurchase business; bonds payable decreased by RMB31,252 million or 22.53% as compared with that at the end of last year, primarily attributable to the decrease in corporate bonds due to partial repayment; and short-term financing payables increased by RMB12,038 million or 43.18% as compared with that at the end of last year, primarily attributable to the increase in short-term financing bills and structured notes.

As of June 30, 2022, the Group's equity attributable to owners of the Company was RMB109,417 million, representing an increase of RMB2,792 million or 2.62% as compared with that as of the end of last year. Excluding the effect of accounts payable to brokerage clients, the Group's gearing ratio was 73.96%, representing an increase of 1.04 percentage points as compared with that of 72.92% as of the end of last year, while the Group's assets and liabilities structure remained relatively stable.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and debt financing

As of June 30, 2022, total borrowings and bonds financing of the Group amounted to RMB149,054 million. The following table sets forth details of the Group's borrowings and bonds financing:

Unit: RMB' 000

	June 30, 2022	December 31, 2021
Short-term borrowings	1,573,062	916,545
Short-term financing payables	39,914,332	27,876,760
Bonds payable	107,430,959	138,682,932
Long-term loans	135,190	338,675
	<hr/>	<hr/>
Total	149,053,543	167,814,912

For details of the interest rates and maturities of short-term borrowings, short-term financing payables, bonds payable and long-term loans, please refer to Notes 35, 36, 44 and 45 to the financial report attached below.

Apart from borrowings and bonds financing instruments, the Group also raised funds through inter-bank lending, brokers lending as well as on-market and OTC repurchase. As at the end of the Reporting Period, the balance due to banks and other financial institutions amounted to RMB10,991 million and the balance of financial assets sold under repurchase agreements amounted to RMB114,971 million.

The aforesaid debts totaled RMB275,016 million.

Save as disclosed in this report, as of June 30, 2022, the Group did not have any outstanding mortgages, pledges, debentures, loan capital, bank overdrafts, borrowings or other similar debts or liabilities under acceptances or letter of credits, any guarantees or other material contingent liabilities.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Analysis on the Consolidated Statement of Cash Flows

As of June 30, 2022, cash and cash equivalents of the Group amounted to RMB17,734 million, representing a decrease of 19.52% as compared with that of RMB22,036 million for the corresponding period of 2021, of which: net cash from operating activities from January to June 2022 was RMB12,654 million, as compared with the net cash used in operating activities of RMB19,517 million for the corresponding period of 2021, which was mainly attributable to the increase in net cash inflow from financial assets sold under repurchase agreements and advances to customers, partially offset by the increase in net cash outflow in respect of financial assets at fair value through profit or loss; net cash from investing activities from January to June 2022 was RMB2,883 million, representing a decrease of 80.47% as compared with that of RMB14,761 million for the corresponding period of 2021, which was mainly attributable to the decrease in net cash inflow in respect of the disposal of financial instruments at fair value through other comprehensive income; net cash used in financing activities from January to June 2022 was RMB19,193 million, as compared with the net cash from financing activities of RMB6,903 million for the corresponding period of 2021, which was mainly attributable to the increase in net cash outflow from the repayment of short-term financing payables and bonds payable.

(IV) Explanation of changes in the consolidation scope of financial statements

The changes in the Group's consolidation scope of financial statements during the Reporting Period are detailed in the notes to the condensed consolidated financial statements "53. Change of scope of consolidation".

(V) Change in principal accounting policies and accounting estimates

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Item	June 30, 2022 RMB	Reason of restrictions
Bank balance	4,695,858,805.15	Risk reserves
Bank balance	7,834,351.32	Fund freezing
Financial assets at fair value through profit or loss (FVTPL)	20,593,072,985.61	Pledged or transferred for repurchase business
Financial assets at FVTPL	553,652,741.04	Transferred for margin financing and securities lending business
Financial assets at FVTPL	5,626,287,508.53	Pledged for bond lending business
Financial assets at FVTPL	2,556,090,828.58	Pledged for due to banks and other financial institutions business
Financial assets at FVTPL	3,853,797,250.00	Pledged for compensation of deposits for futures business
Financial assets held under resale agreements	1,828,177,592.66	Pledged or transferred for repurchase business
Financial assets held under resale agreements	519,403,696.33	Pledged for due to banks and other financial institutions business
Financial assets at fair value through other comprehensive income (FVTOCI)	457,740,603.36	Pledged for refinancing business
Financial assets at FVTOCI	80,254,026,531.83	Pledged or transferred for repurchase business
Financial assets at FVTOCI	538,505,340.00	Pledged for refinancing business
Financial assets at FVTOCI	3,809,723,884.20	Pledged for bond lending business
Financial assets at FVTOCI	58,982,500.77	Pledged for due to banks and other financial institutions business
Lease receivables	105,693,356.60	Due to short-term borrowings or long-term borrowings
Total	125,458,847,975.98	

V. ANALYSIS ON INVESTMENT CONDITIONS

1. General

Investment in the Reporting Period (RMB)	Investment of the same period of last year (RMB)	Change
1,000,000,000.00	1,000,000,000.00	–

Note: The amount of investment in the Reporting Period is the amount of the Company's investment in GF Qianhe.

2. Material equity investments made during the Reporting Period

N/A

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

N/A

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

4. Financial asset investment

(1) Securities investment

Unit: RMB' 0,000

Type of securities	Stock code	Short name	Investment cost	Accounting measurement mode	Book value at the beginning of the period	Accumulative		Purchase amount of the period	Sales amount of the period	Profit or loss		Accounting subject	Source of capital
						Profit or loss from the fair value change accounted into equity	Profit or loss during the Reporting Period						
Fund	003281	Guangfa Huoqibao B	674,312.79	Measured at fair value	670,959.43	-	-	1,046,503.43	1,055,483.68	12,361.42	674,340.60	Held for trading	Self-owned
Fund	270014	GF Money Market Fund B	481,698.49	Same as above	330,645.91	-	-	704,442.50	559,903.71	6,584.16	481,768.86	Held for trading	Self-owned
Fund	000662	Yinhua Live Money F	457,307.37	Same as above	107,531.03	-	-	380,400.02	34,224.13	3,628.22	457,335.14	Held for trading	Self-owned
Bond	200005	20 Interest-bearing Treasury Bond 05	335,183.84	Same as above	109,618.07	231.17	228.44	247,386.46	21,408.51	3,563.26	339,387.72	Held for trading/ Other debt investments	Self-owned
Others	87648W	Collective Asset Management Plan No. 2	396,261.75	Same as above	337,577.72	-	-	-	11,400.00	2,625.34	328,803.06	Held for trading	Self-owned
Bond	210012	21 Interest-bearing Treasury Bond 12	296,316.55	Same as above	317,859.39	11.27	407.42	81,546.43	100,348.11	4,537.70	304,002.83	Held for trading/ Other debt investments	Self-owned
Fund	000621	E Fund Cash Return Fund B	260,456.84	Same as above	186,362.07	-	-	170,000.00	100,000.00	4,109.08	260,471.15	Held for trading	Self-owned
Bond	2000001	20 COVID-19 Relief Treasury Bond 01	236,478.09	Same as above	-	-	117.58	240,684.93	5,711.70	1,677.00	236,767.81	Other debt investments	Self-owned
Fund	002183	GF Tiantianhong B	236,170.54	Same as above	202,877.11	-	-	315,705.80	285,643.22	3,223.25	236,162.94	Held for trading	Self-owned
Bond	220007	22 Interest-bearing Treasury Bond 07	198,827.41	Same as above	-	-1,165.49	-	400,744.79	200,614.22	-1,441.01	198,689.56	Held for trading	Self-owned
Other securities investments held at the end of the period			23,483,487.32	-	21,385,537.46	-64,726.76	88,230.64	N/A	N/A	174,220.69	24,093,223.70	-	-
Total			27,056,500.99	-	23,648,968.19	-65,649.81	88,984.08	N/A	N/A	215,089.11	27,610,953.37	-	-

Notes:

- This table is sorted by the ratio of the book value at the end of the period to the total securities investment of the Company at the end of the period and only contains the top ten securities held by the Company at the end of the period. Other securities investments refer to investments in other securities other than the top ten securities. Any single securities investment at the end of the period was less than 5% of the Company's total assets as of June 30, 2022.
- Profit or loss during the Reporting Period included interest income, investment income and profit or loss from changes in fair value obtained by the Company from holding such securities during the Reporting Period.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Derivative investment conditions*

N/A

5. Use of proceeds

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

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

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

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

As of June 30, 2022, RMB12.504 billion out of the proceeds raised from the issuance of H Shares was used for the wealth management business to mainly develop margin financing and securities lending business and build a strategic Internet financial platform and wealth management platform; RMB4.986 billion was used for the investment management business, investment banking business and trading and institution business to mainly increase the asset size under the investment management, increase input into the seed funds, innovate and develop investment management products, and participate in various financial products markets as a market maker and provide liquidity support; RMB3.443 billion was used for the international business to mainly increase input into the investment management, trading and institution businesses in Hong Kong; the remaining RMB4.126 billion was temporarily used to replenish the working capital and develop short-term investment business. Upon approval from relevant regulatory authorities, the Company is expected to utilize the remaining proceeds raised from the H Share issuance for international business of the Company in accordance with the use of proceeds as disclosed in the Company's H Share Prospectus by December 31, 2023. Such estimation is based on the information currently available to the Company and will be adjusted according to the actual development of the Company.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

VI. SALE OF MAJOR ASSETS AND EQUITY

1. Sale of major assets

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

2. Sale of major equity

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND PARTICIPATING STOCK COMPANIES

Principal subsidiaries and participating stock companies

Unit: RMB' 0,000

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Net profit
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sale.	RMB1,900,000,000	4,086,947.24	352,195.62	14,668.35
GF Xinde	Subsidiary	Equity investment; providing financial advisory services on equity investment to clients and other businesses approved by CSRC.	RMB2,800,000,000	467,966.10	436,995.07	7,598.70
GFHK	Subsidiary	Investment holding, undertaking investment banking, sale and transactions, asset management, equity investment and other businesses permitted by regulatory rules through professional subsidiaries.	HKD5,600,000,000	2,558,519.42	441,036.46	-24,352.05
GF Qianhe	Subsidiary	Project investment; investment management.	RMB7,103,500,000	1,147,033.40	1,078,432.49	-8,797.56
GF Asset Management	Subsidiary	Securities asset management (including overseas securities investment management business of Qualified Domestic Institutional Investor).	RMB1,000,000,000	823,934.48	631,728.18	1,153.81
GFFL	Subsidiary	Leasing business (foreign-invested enterprises shall operate with approval letter or certificate); financial leasing services (limited to foreign-invested enterprises); commercial factoring business related to main business (only for financial leasing enterprises); purchase of leased property at home and abroad (foreign-invested enterprises shall operate with approval letter or certificate); residual value disposal and maintenance of the leased property (foreign-invested enterprises shall operate with approval letter or certificate); leasing transaction consultation and guarantee (foreign-invested enterprises shall operate with approval letter or certificate); medical equipment leasing services; financial leasing of class III medical devices (limited to foreign-invested enterprises).	RMB800,000,000	90,255.42	66,383.21	-770.78
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB140,978,000	1,478,610.08	903,022.41	100,196.50
E Fund	Participating stock company	Publicly offered securities investment fund management, fund sale, asset management for specific customers.	RMB132,442,000	2,132,428.73	1,251,406.60	172,602.25

Acquisition and disposal of subsidiaries during the Reporting Period

Please refer to the notes to the condensed consolidated financial statements “53. Change of scope of consolidation”.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Explanation on the status of principal subsidiaries

During the Reporting Period, GF Xinde recorded net profit of RMB76 million, representing a year-on-year decrease of 87.57%, GFHK and GF Qianhe recorded the net loss of RMB244 million and RMB88 million, respectively, which was mainly due to the decrease in profit or loss arising from financial instruments held for trading mainly affected by market fluctuations; GF Asset Management recorded net profit of RMB12 million, representing a year-on-year decrease of 96.02%, which was mainly due to the decrease in profit or loss arising from financial instruments held for trading and asset management fee income.

VIII. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Please refer to the notes to the condensed consolidated financial statements “53.1 Consolidated structured entities”.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

IX. RISK EXPOSURE AND RESPONSIVE MEASURES OF THE COMPANY

1. During the Reporting Period, the risks affecting the business and operating activities of the Company mainly include: policy risk, liquidity risk, market risk, credit risk, compliance risk, operation risk, information technology risk, reputation risk etc., which are mainly reflected in the following areas:

(1) Policy risk

Policy risk refers to the adverse effect on the operation of securities companies due to changes in national macro-control measures, law and regulations, regulatory policies and trading rules relating to the securities industry. On the one hand, the national macro-control measures can greatly affect the securities market, and the change and adjustment in macro policies, interest rates and exchange rates are closely related to the tendency of the financial markets, which directly affects the operation performance of the securities companies; on the other hand, securities 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 securities 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 of the Company.

(2) Liquidity risk

Liquidity risk refers to the risk of our failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay our debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out our businesses in the ordinary course. Liquidity risks of the Group include but are not limited to: mismatch of asset and liability structures, difficulty in asset realization, operating loss, deferred payment or breach of contract by counterparties, as well as liquidity risks transformed from credit risk, market risk, reputation risk and other categories of risks. As the Company's capital strength increases and the product portfolio is increasingly enriched, the products represent a diversified, complicated and international developing tendency and the risk type and the term structure faced by the asset end becomes increasingly complicated, the Company needs to rationalize the maturity structure of its assets and liabilities and take various measures to ensure the safety of liquidity, such as active management of liquidity reserve, risk control over daily liquidity and emergency response mechanism against liquidity risks.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Market risk

Market risk refers to the risk of loss in the Company's financial assets resulting from adverse changes in the market price (price of equity securities, interest rates, exchange rates or commodity price, etc.). Such risks can be classified into equity price risk, interest rate risk, exchange rate risk and commodity price risk and other risks based on different type of subject assets. The market risks faced by the Group mainly concentrate on equity price risk and interest rate risk, which are mainly reflected in the Company and subsidiaries' proprietary investment in equity securities, proprietary investment in fixed-income securities, transactions of derivatives in exchange-traded and OTC markets and market making on the NEEQ, etc. with their own fund. With further opening of the capital market of China and the progressive implementation of the Company's strategy of internalization, various market risks to be borne by the Company are increasing due to the rapid expansion of its business scope and the cross-border flow of capital. As a result, it becomes more challenging for the Company to manage its market risks.

(4) Credit risk

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(5) Compliance risk

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

(6) Operational risk

Operational risk is the risk of direct or indirect loss caused by imperfect or problematic internal procedures, personnel, systems and external events. Each department and business line of securities firms (including front business department and the back office supporting department) face operational risk, characterized by wide coverage and diversity, frequent occurrence but difficult to control, including daily business process flaws with high occurring frequency but relatively low loss, and unexpected events with low frequency of occurrence and significant loss. Meanwhile, as the Group's innovative businesses constantly increase, the business process becomes increasingly complicated. If the Company fails to timely identify the operational risks in each of its business lines and daily operations and to take effective mitigation measures, it may materialize operational risks due to unreasonable setting and ineffective design or implementation of risk control measures.

(7) Information technology risk

Information technology has significantly enhanced the Company's operational efficiency and competitiveness. The Company's investment management business, trading and institutional business, wealth management business, investment banking business, etc. as well as the middle and back end office management all rely on the support of its information system. Information technology plays an important role in promoting the Company's business, while it also brings certain risk exposure. In promoting the development of the securities industry, the information technology has also brought a considerable risk. System establishment and operation will be greatly affected by the quality of electronic equipment and system software, the operation and maintenance of corporate systems, performance of application software business operation, the level of industry service providers, virus and hacker attacks, data loss and leakage, abnormal access to operating authorization, infrastructure, natural disasters, etc.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(8) Reputation risk

Reputation risk refers to the risk of the damage of its brand value or adverse effect on its normal operation and even effect on market stability and social stability caused by the negative evaluation of the securities company by investors, issuers and regulators, self-discipline organization, social public and the media due to the operation or external events of the Company, or the relevant behaviors of its employees such as the violation of the provisions of integrity, professional ethics, business practices, industry rules and regulations. The Company's operation and management behaviors related to reputation risk mainly include: strategic planning or adjustment, change of equity structure, adjustment of internal organization or change of core personnel; design, provision or promotion of business investment activities and products and services; major defects in internal control design, implementation and system control or major operating loss events; judicial matters and supervision investigation and punishment; false reports by the news media or false comments on the Internet; customer complaints and improper remarks or behaviors related to the Company; improper remarks or behaviors of the staff, violation of honesty regulations, professional ethics, business norms, industry rules and regulations, etc.

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

(1) Establish overall risk management system of GF Securities

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

(2) *Specific management for various risks*

① Policy risk management

The Company pays close attention to the change of various policies and makes timely response and corresponding adjustments according to the latest policies to minimize the influence of policy risks on operating activities of all businesses of the Company. The Company's measures to manage policy risks include: 1) The Company regularly monitors various external regulatory policies and conducts particular assessment and analysis in respect of material regulatory policies; 2) Implementation of various businesses of the Company will always be policy-oriented, front office, middle office and back office of the Company will continuously be highly sensitive to policy changes; as for major policy changes, each department of the Company provides basis for management at all levels to make operational decisions on the basis of elaborated analysis and monographic study; 3) The Company regularly conducts perspective discussions about macroscopic and supervision policy change and formulates specific countermeasures.

② Liquidity risk management

The Company implements prudent liquidity risk preference management strategy to ensure that the Company will have adequate liquidity reserve and fundraising capability under normal situation and stress state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency response and monitoring and pre-warning about liquidity risk index and includes the liquidity risk of the subsidiaries in the Group for centralized management and control to prudently prevent liquidity risk of the Group. Specific measures for liquidity risk management of the Company include: 1) The Company formulates, implements and continues to improve its financing strategy to implement centralized management for financing and liabilities in accordance with the asset-liability structure and business development planning of the Company; 2) The Company implements daytime liquidity management and guarantee that the Company has sufficient daytime liquidity cash; 3) The Company implements multi-level liquidity reserve management, clarifies investment scope of liquidity asset reserves and sets corresponding risk limit and conducts daily monitoring; 4) The Company establishes liquidity risk limit system and conducts daily calculation and supervision for the relevant monitoring indexes based on regulatory requirements and needs of internal liquidity risk management; 5) The Company regularly or irregularly evaluates cash gap and liquidity risk index of the Company under circumstances of internal and external liquidity pressure and formulates corresponding liquidity management strategies; 6) The Company urges and guides the relevant subsidiaries to establish and strictly implement liquidity risk management mechanism including risk limit, monitoring and reporting, stress testing, emergency response, etc.; 7) The Company regularly or from time to time carries out liquidity risk emergency drill and optimizes and perfects liquidity risk emergency disposal processes and mechanism of the Company based on the emergency drill condition.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

③ Market risk management

The Company follows the principles of active management and quantitation orientation based on its own risk preference and market risk tolerance, as well as the actual needs of each business line, and adopts a top-down and bottom-up method to formulate and refine the market risk limit of the Group, the parent company and each business unit, to guarantee that the market risk exposure of the Company is within the risk tolerance range set through various measures such as risk identification, evaluation, measurement, monitoring, reporting and disposal. With the development of the FICC business, derivative products business and overseas business of the Company, the Company has enhanced effectiveness and efficiency of risk management through the following measures to cope with more complicated market risk: 1) The Company monitors daily possible short-term losses under normal fluctuations by setting VaR and sensitivity index limit for key investment business and complex derivatives business based on traditional risk index limit, and establishes stress test index limit to monitor and evaluate possible losses under extreme conditions, optimizes authorization hierarchy for risk limit based on business maturity so as to continue to improve the scientificity and effectiveness of the market risk limit management; 2) The Company actively studies the advanced and mature market risk measurement models, gradually explores the application of indicators such as ES and SVaR and establishes a multilevel risk quantification indicators system; 3) The Company continues to independently research and develop industry-leading risk management system to achieve centralized management of full-position market risk covering various investment businesses and investment types of the Company, thus realizing systematic daily monitoring and early warning of risk index limit to improve monitoring efficiency; 4) The Company continues to improve the risk management framework for pricing and risk measurement model, covering rating, development, verification, examination, utilization, monitoring and review of the model, and realizes the online management of the entire process through the model base.

④ Credit risk management

The Company implements management of credit risk for the whole process by means of effective risk identification, cautious risk evaluation and decision-making, measuring and monitoring of dynamic risk, timely risk report and settlement to effectively prevent or avoid risk event, reduce loss of the Group due to risk event and achieve income maximization after risk adjustment within the scope that credit risk can be accepted. The Company sticks to the following basic principles for credit risk management: 1) The Company shall identify and manage credit risk exposed to all products and business including new product and new business; 2) The Company controls risk at the front end by formulating risk policy about credit business (including due diligence request of clients, business access requirement); 3) The Company improves credit management of counterparties by consistently optimizing internal rating system; 4) The Company

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

establishes multi-level credit risk limit system for total business size, single customer and its identifiable related parties, single stock collateral and industry, to control credit risk exposure and concentration risk; 5) The Company reduces net exposure of risk and estimated loss undertaken by the Group 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 Compliance risk management

The Company strictly complies with external legal provisions and regulatory requirements to implement various aspects of compliance management work such as continuously strengthening system establishment, compliance review and consulting, compliance control and examination, staff practice, anti-money laundering management and segregation wall management. The Company has adopted the following measures to enhance the quality of compliance management work: 1) effectively implementing various relevant requirements, optimizing the organizational structure of compliance management, organizing the compliance management personnel in place, strengthening the first-line compliance management and establishing the compliance management system with three departments cooperating with each other to satisfy the needs for management and control of compliance risk pre-event and during the process of the event in accordance with the “Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies” (《證券公司和證券投資基金管理公司合規管理辦法》) and the “Guidelines on Implementation of Compliance Management of Securities Companies” (《證券公司合規管理實施指引》); 2) in accordance with changes in external laws and regulations and internal management requirements, initiating the streamline of “formulation, modification, repealing” of the internal rules and regulations of the Company when appropriate, and realizing comprehensive compliance management coverage and effective management and control of the Company’s business through management measures such as compliance review and consulting, examination and control, and assessment accountability, etc., to promote the standardized development of business; 3) gradually improving the establishment of the compliance implementation information system, and improving the effectiveness of compliance management through high-tech and intelligent means.

⑥ Operational risk management

The Company manages its operational risks mainly through the combination of sound authorization mechanism and segregation of duties, optimized system and process, well established IT system, strict operation discipline, strengthened control before and during the process as well as subsequent supervision and inspection etc.. The Company has improved the level and effect of operational risk control mainly through the following measures: 1) The Company has improved the operational risk management system, strengthened the joint coordination between the three lines of

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

defense of the operational risk management, and enhanced the in-depth analysis and rectification tracking of the operational risk related issues; 2) The Company has improved tool system for operational risk management, and further improved the operational risk identification, evaluation, monitoring, controlling and reporting mechanism through continuous improvement and further promotion of risk and control self-assessment, key risk indicators and loss data collection, with new business assessment and IT system establishment process embedded as a normal practice; 3) The Company has been gradually achieving the systematization and standardization of the operation risk management through continuous optimization of the operational risk management system; 4) The Company continues to enhance the management of operational risks of its subsidiaries through traditional tools for operational risk management and new business assessment and information system establishment; 5) Considering requirements for the construction of operational risk management system, the Company has been continuing to improve the assessment and management system for new products and new business, optimize the process for assessment, inspection and review, and continuously enhance the tracking management for new business.

⑦ Information technology risk management

In the first half of 2022, leveraging on three lines of defense of “assurance of on-going business, safety assurance, quality assurance” and three bases of “information platform, hybrid cloud platform and fundamental platforms of three centers in two places”, the Company realized the close-cycle before-event, event and after-event effective management of IT risks. The Company increased its IT investment, continued to regulate operation process, strengthened compliance risk control and management, which further improved the security management level for the establishment, operation and maintenance of information system and ensured the safe, reliable and stable operation of the Company’s information system, thereby effectively supporting the regulated development of the Company’s business.

⑧ Reputation risk management

According to systems requirements such as the Guidelines for Reputation Risk Management of Securities Companies (《證券公司聲譽風險管理指引》) issued by the Securities Association of China and the Administrative Measures for the Reputational Risks of GF Securities (《廣發證券聲譽風險管理辦法》), the Company continues to establish and improve the reputation risk management system, and establish a whole-process control mechanism including identification, evaluation, control, monitoring, response and report; through effective public opinion monitoring means, reputation risk is timely identified and dynamically monitored; the Company regularly assesses its overall reputation risk, and maintains and manages media relations; coordinate all units of the Company to deal with reputation risk events in a timely manner; promote the construction of the official platform, use a variety of media forms to promote the active dissemination of positive and objective information of the Company; organize and implement reputation risk training, cultivate the awareness of reputation risk prevention of all staff, require all staff to take the initiative to maintain, consolidate and enhance the Company's reputation, promote the steady development of all businesses and achieve long-term sustainable development of the company through effective management of reputation risk.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

X. REGISTER FOR RECEPTION ACTIVITIES OF SURVEY RESEARCH, COMMUNICATION AND INTERVIEW DURING THE REPORTING PERIOD

The Company highly values investor relationship management and information disclosure, pays attention to the truthfulness, accuracy, completeness and timely and fair disclosure of information, actively protects the interest of medium and small investors, carefully listens and replies to proposals and consultative opinions of medium and small investors in the ordinary course of work. The Company maintains smooth interactive communication with institutional investors and individual investors by means of telephone, mail, website of the Company or the “Easy Interaction” platform of the SZSE, regular or ad hoc referral conference or roadshow, interview and research. In the first half of 2022, in addition to the daily telephone communication with public investors, there were a total of 17 receptions of activities such as research and performance roadshow, and the Company received about 100 investors in total. The details are as follows:

Reception time	Reception venue	Reception method	Type of participants	Participants	Main contents of the discussion and information provided
From January 1, 2022 to June 30, 2022	-	Telephone communication	Individuals	Public investors	Operation and development of the Company
January 12, 2022	-	Telephone communication	Institutions	Analysts of CitiBank and its invited investors	Strategic and business development of the Company
January 12, 2022	-	Telephone communication	Institutions	Tenbagger Capital	Operation and development of the Company
January 13, 2022	-	Telephone communication	Institutions	Analysts of CLSA and its invited investors	Strategic and business development of the Company
January 13, 2022	-	Telephone communication	Institutions	M&G	Operation and development of the Company
March 31, 2022	-	Results roadshow	Institutions	Analysts and investors invited to GF Securities' 2021 Annual Results Briefing	Strategic and business development of the Company
April 1, 2022	-	Results roadshow	Institutions, Individuals	Investors participating in GF Securities' 2021 Annual Results Webcast Presentation	Strategic and business development of the Company
May 13, 2022	-	Telephone communication	Institutions	Analysts of DBS and its invited investors	Strategic and business development of the Company
May 13, 2022	-	Telephone communication	Institutions	M&G	Operation and development of the Company
May 17, 2022	-	Telephone communication	Institutions	Tengyue Fund, CICC	Operation and development of the Company
May 17, 2022	-	Telephone communication	Institutions	Guotai Junan	Operation and development of the Company

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Reception time	Reception venue	Reception method	Type of participants	Participants	Main contents of the discussion and information provided
May 19, 2022	-	Telephone communication	Institutions	Strategy Conference of Bank of America and its invited investors	Strategic and business development of the Company
June 1, 2022	-	Telephone communication	Institutions	Shenzhen Ridou Investment management Company Limited (深圳市日斗投资管理有限公司)	Operation and development of the Company
June 2, 2022	-	Telephone communication	Institutions	Analysts of Huatai Securities and its invited investors	Strategic and business development of the Company
June 10, 2022	-	Telephone communication	Institutions	Huatai Securities, Southern Asset Management	Operation and development of the Company
June 10, 2022	-	Telephone communication	Institutions	Investors invited to 2022 Interim Strategy Conference of CICC	Strategic and business development of the Company
June 17, 2022	-	Telephone communication	Institutions	Investors invited to 2022 Summer Strategy Conference of Shenwan Hongyuan	Strategic and business development of the Company
June 28, 2022	-	Telephone communication	Institutions	Investors invited to the 2022 Capital Market Forum sponsored by CITIC Securities	Strategic and business development of the Company

Note: The record table of investor relations activities regarding the reception of the above institutional investors by the Company is disclosed on the website of SZSE (www.szse.cn) and the website of CNINFO (www.cninfo.com.cn).

SECTION 4

CORPORATE GOVERNANCE

SECTION 4 CORPORATE GOVERNANCE

I. BASIC SITUATION OF 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 administrative regulations and normative documents of the domestic and foreign place where the Company is listed, therefore continuously improving the social recognition and public reputation.

Pursuant to stipulations under the relevant laws and regulations including the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Self-Regulatory Guidelines No.1 for Companies Listed on SZSE—Standardized Operation for Companies Listed on Main Board, and the Hong Kong Listing Rules, the Company continues to enhance corporate governance and 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 as set out in Appendix 14 to the Hong Kong Listing Rules (hereinafter referred to as the “Corporate Governance Code”). There is no material difference between the actual situation of corporate governance and the laws, administrative regulations and regulations on the governance of listed companies issued by the CSRC and the Hong Kong Stock Exchange.

To simultaneously satisfy the requirements of both corporate governance and specific operation for an A+H dual listed company, the Company approved at the Board meeting on March 19, 2015 the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules (the “Model Code”) as the code of conduct for listed securities transactions of the Company by all Directors and Supervisors, and the adoption of the Corporate Governance Code as the guidelines for standardizing the Company’s governance. As at the end of the Reporting Period, after special enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly complied with the standards in the Model Code during the Reporting Period. Save as the following circumstances, during the Reporting Period, the Company has strictly complied with the code provisions under the Corporate Governance Code, and met most of the recommended best practice provisions as set out in the Corporate Governance Code. According to the code provision C.2.1 in the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Lin Chuanhui has concurrently served as the Chairman and the General Manager of the Company, which has improved the implementation of the Company’s development strategy and promoted communication between the Board of Directors and senior management. Meanwhile, as all decisions of the Board of Directors of the Company are required to be reviewed and approved by the Board of Directors, there are 7 non-executive Directors among the 11 members of the Board of Directors of the Company, including 4 independent non-executive Directors who comply with the listing rules of the two places, which are sufficient to ensure a balance of power and authority in the operation of the Board of Directors.

SECTION 4 CORPORATE GOVERNANCE

II. THE ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

1. General meeting of shareholders during the Reporting Period

Session of meeting	Type of meeting	Participation ratio of investors	Convening date	Disclosure date	Resolution
The 2022 first extraordinary general meeting	Extraordinary general meeting	51.7651%	February 10, 2022	February 10, 2022	Related announcements of Resolutions on meetings are published in the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKExnews website of Hong Kong Stock Exchange (www.hkexnews.hk) by the Company
Annual general meeting 2021	Annual general meeting	52.9146%	May 20, 2022	May 20, 2022	

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

N/A

SECTION 4 CORPORATE GOVERNANCE

III. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Type	Date	Reasons
Kong Weicheng	Chief risk officer	Resigned	January 7, 2022	Work adjustment
Wu Shunhu	Chief risk officer	Appointed	January 10, 2022	Appointed by the Board of Directors
Cui Zhouhang	Chief human resources officer	Appointed	January 10, 2022	Appointed by the Board of Directors
Zhang Shaohua	Employee representative supervisor, chairman of Supervisory Committee	Resigned	January 10, 2022	Work adjustment
Zhou Xitai	Employee representative supervisor	Elected	January 10, 2022	Elected by employee representatives meeting
	Chairman of Supervisory Committee	Elected	January 28, 2022	Elected by Supervisory Committee
Ge Changwei	Executive Director	Elected	February 10, 2022	Elected at the general meeting
	vice chairman	Elected	February 10, 2022	Elected by the Board of Directors
Cheng Huaiyuan	Employee representative supervisor	Resigned	August 25, 2022	Intended to apply for internal retirement
Yi Xinyu	Employee representative supervisor	Elected	August 25, 2022	Elected by employee representatives meeting

1. On December 27, 2021, the Company received a written resignation letter from Mr. Zhang Shaohua, the former chairman of the Supervisory Committee and the employee representative supervisor. Mr. Zhang Shaohua tendered the resignation from the positions as a chairman of the tenth session of the Supervisory Committee and the employee representative supervisor of the Company due to work adjustment. The resignation of Mr. Zhang Shaohua would result in the proportion of the employee representative supervisors in the Supervisory Committee being less than one third. Therefore, according to the Company Law and the Articles of Association, Mr. Zhang Shaohua's resignation would take effect from the date of the appointment of the employee representative supervisor. Prior to this, Mr. Zhang Shaohua would continue to perform his duties in accordance with relevant laws, administrative regulations and the Articles of Association of the Company.

On January 10, 2022, a resolution was passed at the twelfth meeting of the fifth session of the employee representatives meeting of the Company, pursuant to which Mr. Zhou Xitai was elected as an employee representative supervisor of the tenth session of the Supervisory Committee of the Company until the expiration of the tenth session of the Supervisory Committee of the Company. On January 10, 2022, after consideration by the eighth meeting of the tenth session of the Supervisory Committee of the Company, all the supervisors unanimously agree to recommend Mr. Zhou Xitai as the convener of the tenth session of the Supervisory Committee of the Company, to be responsible for convening and presiding over the meetings of the Supervisory Committee during the vacancy of the chairman of the Supervisory Committee. On January 28, 2022, the Company held the ninth meeting of the tenth session of the Supervisory Committee at which Mr. Zhou Xitai was elected as the chairman of the tenth session of the Supervisory Committee of the Company.

SECTION 4 CORPORATE GOVERNANCE

2. On January 7, 2022, the Company received a written resignation letter from Mr. Kong Weicheng, the former chief risk officer. Mr. Kong Weicheng tendered the resignation from the position of the chief risk officer of the Company due to work adjustment.
3. On January 10, 2022, the Company held the 20th meeting of the tenth session of the Board of Directors at which Mr. Wu Shunhu was elected as the chief risk officer of the Company and Mr. Cui Zhouhang was elected as the chief human resources officer of the Company (senior management). Mr. Cui Zhouhang started to duly perform his duty as the chief human resources officer upon passing of the qualification test for senior management officers of securities company on January 27, 2022. The Company has conducted filing procedures with the regulatory authorities pursuant to the relevant requirements.
4. On February 10, 2022, Mr. Ge Changwei was elected as an executive director of the tenth session of the Board of Directors of the Company at the 2022 first extraordinary general meeting of the Company. On the same day, the Company held the 21st meeting of the tenth session of the Board of Directors, at which Mr. Lin Chuanhui was elected as a member of the Nomination Committee of the tenth session of the Board of Directors of the Company and Mr. Ge Changwei was elected as vice chairman and a member of the Strategy Committee of the tenth session of the Board of Directors of the Company.
5. On August 25, 2022, the Company received a written resignation letter from Mr. Cheng Huaiyuan, a former employee representative supervisor. Mr. Cheng Huaiyuan tendered the resignation from the position of the employee representative supervisor of the tenth session of the Supervisory Committee of the Company as he intended to apply for internal retirement.

On the same day, to ensure the normal operation of the Supervisory Committee, according to the relevant requirements of the Company Law and the Articles of Association, the Company held the first employee representatives meeting of the sixth session to elect Ms. Yu Xinyu as an employee representative supervisor of the tenth session of the Supervisory Committee of the Company for a term of office ending on the date of expiration of the tenth session of the Supervisory Committee. Upon her election, the resignation of Mr. Cheng Huaiyuan formally became effective.

For details, please refer to the relevant announcements of the Company disclosed on the websites of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Save as disclosed above, during the Reporting Period, the Company was not aware of any changes in the information of Directors or Supervisors which shall be disclosed in accordance with the Rule 13.51B(1) of the Hong Kong Listing Rules.

SECTION 4 CORPORATE GOVERNANCE

IV. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL DURING THE REPORTING PERIOD

The Company has no plan to distribute cash dividends and bonus shares or convert capital reserves into share capital for the first half of 2022.

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

As of the date of this report, the Company had no equity incentive, employee stock ownership plan or other employee incentive, or implementation thereof.

The 23rd meeting of the 10th session of the Board of Directors of the Company held on March 30, 2022 considered and approved the Resolution on the Company's Proposed Repurchase of A Shares by Way of Centralised Price Bidding (《關於公司擬以集中競價方式回購A股股份的議案》), pursuant to which the Company shall repurchase A Shares of the Company by way of centralised price bidding as a source of shares under the A Share Restricted Share Incentive Scheme with the repurchase price not exceeding RMB26.65 per share. The total amount of funds to be used for the repurchase shall range from approximately RMB203 million to RMB406 million, and the source of funds shall be the Company's own funds. The implementation period for the repurchase shall be within 12 months from the date of approval of the repurchase plan by the Board of Directors of the Company.

The time period for the actual repurchase of A Shares by the Company was from May 5, 2022 to May 11, 2022. An aggregate of 15,242,153 A Shares of the Company was repurchased through the securities account designated for share repurchase by way of centralised price bidding, accounting for approximately 0.2% of the total share capital of the Company, with the highest and the lowest traded prices being RMB16.00 per share and RMB15.03 per share, respectively. The total transaction amount (excluding transaction fees) was RMB233,590,340.24. As of May 11, 2022, the plan for the repurchase of A Shares by the Company has been completed.

The total number of A Shares repurchased by the Company is 15,242,153 shares, all of which are deposited in the securities account designated for share repurchase of the Company. According to the share repurchase plan, the repurchased shares will be used for the A Share restricted share incentive scheme. If the repurchased shares fail to be used for the above purpose within three years from the date of the announcement on results of the repurchase and changes in shares, the unused repurchased shares will be canceled in accordance with the relevant laws and regulations.

During the period when the repurchased shares are deposited in the securities account designated for share repurchase of the Company, they are not entitled to rights such as voting rights at general meetings, profit distribution, capitalisation of reserve, subscription of new shares, and allotment and pledge of shares. Subsequently, the Company will utilise the repurchased shares for such purpose as disclosed and fulfill its decision-making procedures and information disclosure obligation in accordance with regulations.

SECTION 4 CORPORATE GOVERNANCE

VI. STAFF AND REMUNERATION POLICIES

As of June 30, 2022, the Group had 14,387 employees (including labor dispatch, brokers), of whom a total of 12,177 were from the parent company and 2,210 were from the subsidiaries.

The Company has stringently abided by the Labor Law, Labor Contract Law and other external laws and regulations, and established sound human resource management systems and processes, including the Administrative Measures on the Labor Contract for Employees, the Administrative Measures on the Remuneration of Employees, the Administrative Measures on the Benefits Leave for Employees and the Administrative Measures on the Welfare of Employees at Designated Levels of the Company which effectively protected the rights and interests for employees in labor protection, working conditions, salary payment, social insurance, working hours management, rest and vacation and the interests of female employees.

The Company is committed to establish robust salary motivation and constraint mechanism to fully motivate the initiative and innovation of all the employees and introduce and retain the core talents. The basic principles of the remuneration management of the Company include performance orientation, prosperity by cooperation, external competitiveness, risk matching and multiple incentives.

The remuneration of the Company's employees primarily comprises of fixed salary, performance bonus and benefits. Fixed salary is a relatively stable remuneration that employees obtain when they meet the requirements of their job responsibilities and work normally, reflecting the basic guarantee and safety. Performance bonus is a variable salary set to motivate and retain employees. It is determined comprehensively according to various factors such as the Company's performance, department's performance, personal performance, personal ability, compliance performance and external salary market competitiveness. Benefits include payment of various statutory insurance and housing provident funds for employees in accordance with external laws and regulations and internal policies, as well as employee benefits, labor protection fees and union benefits, which are inclusive.

SECTION 4 CORPORATE GOVERNANCE

The Company attaches great importance to employee training, carried out training and learning activities as common measures for the development of talents and was committed to building a team of highly qualified personnel. The Company takes the talent development center as the carrier. In terms of training content, the Company closely focuses on the strategic transformation direction of its “customer-centric” approach. The Company provides professional empowerment for key businesses and key employee groups by sharpening its edges and eliminating its deficiencies. In terms of operation mechanism, the Group integrates internal resources through learning projects, extracts and disseminates organizational wisdom and culture, promotes mutual empowerment, and creates an atmosphere conducive to guiding employees to learn and share independently. In terms of learning methods, through the operation of four learning and work synergy platforms such as Guangfa Aixue APP, we can flexibly coordinate the learning needs of employees in various scenarios, help employees effectively use personal fragmentation time, and guide employees to learn independently, actively share and precipitate in time. The employee trainings which keep abreast of the strategical development support the sustainable and stable development of the Company and achieve a “win-win” for the Company’s business development and employee career development.

Since 2022, the Company has planned and implemented various key training programs focused on four aspects, namely, strengthening comprehensive service ability, empowerment for key business development, construction of professional talent teams and extraction and precipitation of organizational wisdom, among which, in terms of strengthening comprehensive service ability, the Company has designed client-centric comprehensive service and mutual empowerment training system, sorted out comprehensive service map based on key clients, identified mutual empowerment courses development plan and clarified the continuous operation specifications of the mutual empowerment training program; in terms of empowering business transformation, the Company has respectively designed key projects for each businesses line to facilitate the development of the Company’s key businesses with learning projects closely aligned with business needs; in terms of construction of professional talent teams, the Company has conducted targeted learning programs for various staff levels such as management members, backup operation management talent and key staff to assist staff at all levels to improve their leadership according to cadre management and talent development plan; in terms of extraction and precipitation of organizational wisdom, the Company has insisted on rendering high-quality professional courses and practical business management courses with case studies continuously promoted the upgrading and optimization of online learning platform, comprehensively sorted out online program system and improved the convenience of the source of learning platform to facilitate the sharing of knowledge and provide support for the professional learning of the majority of employees and continuously promote the dissemination and replication of the internal excellent experience of the Company.

SECTION 5

**ENVIRONMENTAL AND SOCIAL
RESPONSIBILITIES**

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

I. MATERIAL ENVIRONMENTAL PROBLEMS

The Group is a financial enterprise and not a key pollutant discharge unit announced by the environmental protection authority.

The Group has strictly complied with laws and regulations, including the Environmental Protection Law of the PRC and the Energy Conservation Law of the PRC. Green operation has been applied throughout the entire course of operational management, by emphasizing on the green and environmental protection concepts in operation to realize sustainable growth and achieve the organic fusion of social, environmental and economic benefits.

1. Energy Conservation and Emissions Reduction

During the Reporting Period, the Company fully implemented energy conservation and emissions reduction. Low-energy products were our priorities while purchasing internal electrical equipment for GF Securities Tower, which, combined with relevant rectification measures, can reduce energy consumption; intelligent control was adopted for the lighting system, air conditioning system and elevator system which were regulated over time based on lighting conditions, external temperature and traffic usage to avoid prolonged operation of high energy consumption equipment; proper air-conditioning temperature was maintained at the office area, the operation of air-conditioning system and equipment was monitored with operating parameters to be adjusted timely to ensure efficient operation of such system and reduce energy consumption; the replacement of water use plan and the adjustment of air conditioning temperature in the infield wiring room were completed, and infield lighting technology was renovated. During the Reporting Period, calculated based on the energy consumption of the office building area of the Company at GF Securities Tower, the electricity consumption per unit building area was 26.89kwh/m², and the electricity consumption per unit of the building was comprehensively assessed to decrease as compared with the same period of last year.

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

2. Green Office

The Company advocated the concept of green office and low-carbon travel. During the Reporting Period, the Company organized the refined energy consumption management in GF Securities Tower, and controlled the disorder in the process of on-site energy consumption through various means such as formulating relevant operational requirements and standards, fixing positions and responsibilities, implementing on-site management signs, carrying out personnel training, and subsequently through daily inspection, to effectively reduce energy consumption rate and the waste of materials. The Company modified condensate water recovery in the office premises; adjusted water tap outlet pressure at all pantries and restrooms in the office premises; recycled waste batteries from all floors as per national standards; carried out printing outsourcing services and recycling of waste paper; in addition to ensuring the normal operation of the Company's vehicles, reasonably reduced the non-essential use of vehicles, reduced exhaust emissions, encouraged employees to travel by public transportation, such as bicycles, buses, subways, etc., and fully ensured the normal operation of employee shuttle bus routes.

II. SOCIAL RESPONSIBILITIES

During the Reporting Period, while pursuing for economic benefits, the Group also emphasized on serving customers, assisting staff to achieve success and generating return for shareholders; positive contributions were also made to society and the public to practice the values of corporate citizenship.

During the Reporting Period, the Group's social welfare expenses amounted to a total of RMB12.6610 million (including the donation to the GF Charity Foundation by the Company and the social welfare expenses of wholly-owned and holding subsidiaries). The GF Charity Foundation established by the Group had been actively participating in rural revitalization, education promoting, disaster relief, medical assistance and other activities, and incurred social welfare expenses of RMB5.9724 million during the Reporting Period.

During the Reporting Period, through the GF Charity Foundation, the Group continued to work with the Food and Agriculture Organization of the United Nations and the China Agricultural Science and Education Foundation to carry out the "United Nations Sustainable Development Demonstration Village" project, and continuously implemented various public welfare programs such as Small-scale Start-up Support for University Students of GF Securities, GF Securities Rural Children's Reading Program • STARS, "Free Breathing" Severe Pneumonia Children's Relief Fund, "Discovery of Mimosa" Thoracic Deformity Children Caring Fund, GF Encouragement Classes and Specialized Nursing Classes of GF Securities.

SECTION 5 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The wholly-owned and holding subsidiaries of the Group actively assumed their responsibilities as corporate citizenship to contribute to the development of society. During the Reporting Period, GF Qianhe donated funds to the Tsinghua University Education Foundation through the GF Charity Foundation, to support the construction of college teams and the introduction of talents. GF Futures, through the GF Charity Foundation, provided financial support to Jiangcheng County, Pu'er City, Yunnan Province, Yangchang County, Yan'an City, Shaanxi Province, Kurma Township, Makit county, Kashgar Region, Xinjiang Uygur Autonomous Region, Haifeng County, Shanwei City, Guangdong Province, Taihu County, Anqing City, Anhui Province, and Yunfu City, Guangdong Province, respectively, to support animal husbandry, crop farming and agricultural product processing projects in the above-mentioned areas; and made donations to the relevant faculties of South China University of Technology for the establishment of scholarships for poor students in colleges and universities.

III. CONSOLIDATE AND EXPAND THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

During the Reporting Period, the Company solidly promoted the unification of the village revitalization township and village support team in the provision of support and alleviation work for Zhen'an Town of Yunfu City in Guangdong Province, so as to help the local area to expand the characteristic agricultural industry, broaden the sales channels of agricultural products, enhance the public service capabilities of towns and villages, improve the public infrastructure, and ensure the achievement of "Zero Case" in the normalization of epidemic prevention and control in Zhen'an Town. During the Reporting Period, with its responsibilities and contributions in consolidating the achievements of poverty alleviation and continuing to promote rural revitalization, the Company was awarded the "Gold Cup in the Guangdong Poverty Alleviation Red Cotton Cup" by the Leading Group for Rural Work of the Guangdong Provincial Committee of the Communist Party of China in 2021.

SECTION 6
SIGNIFICANT EVENTS

SECTION 6 SIGNIFICANT EVENTS

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

Cause of Commitment	Undertaking Party	Type of Commitment	Details of Commitment	Date of Commitment	Term of Commitment	Performance
Share conversion undertakings/ undertakings made in acquisition report or equity changes report/ undertakings made in asset restructuring	The Company and its shareholders, directors, supervisors and senior management	Others	<p>1. GF Securities and its Directors, Supervisors and senior management have made undertakings that upon completion of this transaction, GF Securities, as a public company, will strictly perform its obligations in information disclosure and investor education. After listing, in addition to meeting the requirements for information disclosure by listed companies in general, GF Securities will make sufficient disclosure in regular reports on information regarding customer asset protection, risk control, compliance inspection, commencement of innovative business and risk management according to its own characteristics to enhance the unveiling of risks for investors.</p> <p>2. GF Securities and its Directors, Supervisors and senior management have made undertakings that they will strictly comply with the requirements of the Administrative Measures for Risk Control 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.</p> <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>	February 6, 2010	Nil	All undertaking parties have strictly performed the undertakings.

SECTION 6 SIGNIFICANT EVENTS

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

During the Reporting Period, there were no commitments that were fully performed by the Company's de facto controller, shareholders, related parties, acquirers and the Company and other committing parties, and there were no outstanding commitments as at the end of the Reporting Period.

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

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

III. NON-COMPLIANCE IN EXTERNAL GUARANTEES

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

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

The Group has not engaged any accounting firm to audit the interim financial information. Ernst & Young has reviewed the interim financial information in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

SECTION 6 SIGNIFICANT EVENTS

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

N/A

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

N/A

VII. RELEVANT MATTERS ABOUT BANKRUPTCY REORGANIZATION

No matter relating to bankruptcy reorganization occurred during the Reporting Period.

VIII. LITIGATIONS

During the Reporting Period, the Company was not involved in any material litigation and arbitration that involve claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company's latest audited net assets, which shall be disclosed in accordance with the requirements under the SZSE Listing Rules. The accumulative amount of the Company's litigation and arbitration in the past 12 months did not exceed 10% of the absolute value of the Company's latest audited net assets.

As of June 30, 2022, the Group was involved in 111 litigation and arbitration cases (including those initiated by and against the Group) pending final judgment or ruling and completed execution. Among which, 74 cases were initiated by the Group, involving a total amount of claims at approximately RMB9.367 billion; and 37 cases were initiated against the Group, involving a total amount of claims at approximately RMB1.923 billion.

SECTION 6 SIGNIFICANT EVENTS

IX. PENALTY AND RECTIFICATION

1. In April 2022, the Securities Business Department of the Company at Wenling Road, Quanzhou received the Decision on Taking Administrative Supervision Measures for Issuing a Warning Letter to the Securities Business Department of GF Securities Co., Ltd. at Wenling Road, Quanzhou (the Administrative Supervision Measures Decision of Fujian Bureau of the CSRC [2022] No. 9) from Fujian Bureau of the CSRC, which specified that individual employees of the business department engaged in illegal behavior of providing intermediary facilitation for financing between customers, reflecting the insufficient compliance management of the business department and the failure to strictly regulate the practice of staff.

In this regard, the branch company has deeply learned lessons, made serious rectifications, and took internal accountability measures against employees who violated regulations. At the same time, the branch company established a self-examination and self-correction mechanism in daily work, and continuously strengthened the training, supervision and inspection of employees' practice behavior and quality, in order to strictly prevent all kinds of practice violations.

2. In June 2022, GF Asset Management, a wholly-owned subsidiary of the Company, received the Decision on Taking Measures for Issuing a Warning Letter to GF Securities Asset Management (Guangdong) Co., Ltd. (the Administrative Supervision Measures Decision of Guangdong Bureau of the CSRC [2022] No. 72) from Guangdong Bureau of the CSRC, which specified that GF Asset Management did not follow the principle of diligence and prudence to perform special reminder and notification obligations for major matters such as product risk levels, valuation methods, and changes in quota settings in the process of public offerings of a collective asset management scheme, the consultation period for product changes was not reasonable, and the investors' rights were not fully protected.

In this regard, the Company and GF Asset Management attached great importance to the issue, carried out in-depth and comprehensive reflection, self-examination and rectification work, strengthened the protection of investors' rights and interests by optimizing the opening arrangements for the consultation period and other measures, and continued to promote the improvement of the internal control mechanism and strictly prevent various risks such as market risk and credit risk.

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

During the Reporting Period, the Company did not have any obligation determined in effective legal instruments by valid court judgments pending for execution or relatively large amount of outstanding debt pending for payment.

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

SECTION 6 SIGNIFICANT EVENTS

XI. MAJOR RELATED/CONNECTED TRANSACTIONS

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

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

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

In 2022, our day-to-day related transactions were executed subject to the Proposal on Estimates of Annual Day-to-day Related/Connected Transactions in Year 2022 of the Company passed by the 2021 Annual General Meeting upon deliberation.

During the Reporting Period, the investment banking, wealth management, trading, institutional and investment management services in respect of day-to-day operations provided by the Group to related/connected persons were conducted in the ordinary and usual course of business and on normal commercial terms; they were transactions that meet the minimum exemption level under the Hong Kong Listing Rules, and were exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders in respect of connected transactions under Chapter 14A of the Hong Kong Listing Rules.

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

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

During the Reporting Period, the Company did not have any major related transactions in respect of acquisition and sale of assets or equity interest.

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

SECTION 6 SIGNIFICANT EVENTS

Pursuant to the Hong Kong Listing Rules, GF Fund is an important subsidiary of the Company. Ms. Xu Dongjin, a former director of GF Fund, resigned as a director of GF Fund on October 25, 2019. Pursuant to Rule 14A.07 of the Hong Kong Listing Rules, Ms. Xu Dongjin was a connected person of the Company when the Transaction took place. Kangmei Healthcare is a wholly-owned subsidiary of Kangmei Pharmaceutical, the de facto controller of which is Mr. Ma Xingtian, the spouse of Ms. Xu Dongjin. As such, Kangmei Healthcare was an associate of Ms. Xu Dongjin and a connected person of the Company at subsidiary level. Therefore, the Transaction constituted a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

At the Board meeting where the Transaction was considered, relevant personnel present at the meeting explained the Transaction and the pricing of the transaction. Based on (1) the documents of resolutions; (2) the explanation made by the relevant personnel at the meeting; and (3) the pricing mechanism of the Transaction – it remained necessary for GF Fund to engage an intermediary to issue a relevant report. The final transaction price would be based on and adjusted with reference to the report value, and the transaction price would not exceed RMB1.13 billion. 10 out of 11 directors (including 3 out of 4 independent non-executive directors) of the Board of Directors of the Company voted in favour of the resolution in respect of the Transaction as the terms of the Transaction were negotiated between the parties on an arm's length basis and entered into on normal commercial terms, which were fair and reasonable and in the interests of the Company and its shareholders as a whole. Besides, the 3 independent non-executive directors, namely Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu, who voted in favour of the resolution of the Transaction, also expressed independent opinion according to the requirements of the relevant system, stating that:

- (1) the connected transaction was a practicable plan as compared to other options to meet the need of centralizing its office premises in the long term. GF Fund could obtain the naming right of this self-owned property, thus improving its reputation and influence in the society and enhancing the sense of belonging among its employees. The subject land parcel is located at CBD of Guangzhou that provides better opportunities of value preservation and appreciation.
- (2) the structure of the connected transaction was rational and fairly priced with no impact on the operating independence of the Company.
- (3) the review and decision-making procedures of the connected transaction were in compliance with requirements under laws, administrative regulations, departmental rules and other normative legal documents.

Accordingly, the then three independent non-executive directors, namely Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu, were of the opinion that the connected transaction was in compliance with requirements under external laws and regulations and the internal regulations and policies of the Company, and there was no prejudice to the interests of the Company and other shareholders, in particular non-connected shareholders and minority shareholders.

SECTION 6 SIGNIFICANT EVENTS

Notwithstanding the arrangements in relation to the pricing mechanism (the price for the Transaction shall not exceed RMB1.13 billion. The final price shall be adjusted with reference to the report value given by the intermediary, and such report and report value were not available as at the date of the meeting), Mr. Tang Xin, the then independent non-executive director of the Company, was of the opinion that he was unable to make a judgement and form an accurate opinion given the insufficient materials, as the basis for considering the Transaction. Accordingly, Mr. Tang Xin had refrained from voting on the Transaction.

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

GF Fund has engaged a qualified independent third-party intermediary to conduct an appraisal of the Transaction Target mentioned above and such intermediary has issued an appraisal report on March 28, 2022. Based on the valuation of the appraisal report and based on the relevant provisions of the Transaction agreement entered into by GF Fund and Kangmei Healthcare, the final price of the Transaction Target was RMB1.13 billion. As of the disclosure date of this report, the transfer price of the Transaction has been paid in full, and the transfer registration procedures of the Transaction Target have been completed.

3. Related Transactions in respect of Joint External Investment

On March 11, 2022, the Company considered and approved the Resolution on Related/Connected Transactions in Relation to Joint Investment of GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Zhongshan Public Environmental Protection Industry Investment Co., Ltd., at the 22nd meeting of the 10th session of the Board of Directors, pursuant to which, the related/connected transaction in relation to the establishment of a fund by GF Xinde, a wholly-owned subsidiary of the Company, GF Qianhe, a wholly-owned subsidiary of the Company, and Zhongshan Public Environmental Protection Industry Investment Co., Ltd. (hereinafter referred to as “Public Environmental Protection Industry Investment”) through joint investment was approved. The fund was in the form of limited partnership, with a total capital contribution amount of RMB3 billion; of which the capital contribution by GF Xinde, GF Qianhe and Public Environmental Protection Industry Investment was RMB600 million, RMB900 million and RMB1.5 billion, respectively.

According to the SZSE Listing Rules and the Hong Kong Listing Rules, as Zhongshan Public Utilities and its concert parties hold more than 10% of shares of the Company, and Mr. Guo Jingyi, a director of the Company, serves as the chairman of Zhongshan Public Utilities, both of Zhongshan Public Utilities and Public Environmental Protection Industry Investment are related/connected parties of the Company. The establishment of the fund by Public Environmental Protection Industry Investment and the wholly-owned subsidiaries of the Company (namely GF Xinde and GF Qianhe) through joint investment constituted a related/connected transaction.

SECTION 6 SIGNIFICANT EVENTS

According to the resolution of the Board of Directors of the Company, GF Xinde and GF Qianhe signed a partnership agreement with Public Environmental Protection Industry Investment on April 21, 2022. According to the partnership agreement, the fund was named as “Zhongshan Public Utilities GF Xinde New Energy Industry Investment Fund (Limited Partnership)”. Zhongshan Public Utilities GF Xinde New Energy Industry Investment Fund (Limited Partnership) was filed with Asset Management Association of China on June 2, 2022.

4. Amount due to or from Related Parties

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

Unit: RMB

Item Name	Related Party	Amount as of the end of the period	Amount as of the beginning of the period
Seats commission, trailing commission and custodian fee receivables	E Fund Management Co., Ltd.	20,518,129.18	37,017,657.24
Business deposits payable	Huitianze Investment Co., Ltd.	38,118,726.07	–

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

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

5. Transactions with Related Financial Companies

N/A

6. Transactions between Financial Companies Controlled by the Company and Related Parties

N/A

7. Other Material Related Transactions

No other material related transactions occurred during the Reporting Period.

SECTION 6 SIGNIFICANT EVENTS

XII. MAJOR CONTRACTS AND THEIR PERFORMANCE

1. Custody, Contracting and Leases

(1) Custody

There was no occurrence of any custody event in the Company during the Reporting Period.

(2) Contracting

From May 2013, the Company and Guangzhou Construction Co., Ltd. successively entered into the General Construction Contract for the GF Securities Tower Project and the relevant supplementary agreements. Guangzhou Construction Co., Ltd. is the main contractor for the construction of the GF Securities Tower project. The tentative contract price was RMB1.062 billion. In December 2018, GF Securities Tower passed the acceptance inspection. In March 2019, the principal business address of the Company's headquarters was changed to GF Securities Tower, No. 26 Machang Road, Tianhe District, Guangzhou, Guangdong Province. At present, the project settlement of the general construction contract and related subcontracts is being reviewed and confirmed in batches.

(3) Leases

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

SECTION 6 SIGNIFICANT EVENTS

2. Material Guarantees

During the Reporting Period, the Company had no material guarantees. The guarantees of the Company and its subsidiaries are as follows:

Unit: RMB' 0,000

External Guarantees Provided by the Company and Its Subsidiaries (Excluding Guarantees Provided to Subsidiaries)											
Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence	Actual Amount of Guarantee	Type of Guarantee	Collaterals (if any)	Counter-guarantee (if any)	Term of Guarantee	Performance		Guarantee Provided to Related Parties or Not
									Fulfilled or Not	Not	
Nil	-	-	-	-	-	-	-	-	-	-	-
Total amount of external guarantees approved during the Reporting Period (A1)				0	Total actual amount of external guarantees provided during the Reporting Period (A2)						0
Total amount of external guarantees approved as at the end of the Reporting Period (A3)				0	Total actual balance of external guarantees as at the end of the Reporting Period (A4)						0
Guarantees Provided to Subsidiaries by the Company											
Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence	Actual Amount of Guarantee	Type of Guarantee	Collaterals	Counter-guarantee	Term of Guarantee	Performance		Guarantee Provided to Related Parties or Not
									Fulfilled or Not	Not	
GF Financial Markets (UK) Limited (the Company undertook guarantee liabilities to the extent of the amount of the letter of guarantee ultimately and actually signed)	March 30, 2021	A cumulative balance of not more than US\$140 million	September 13, 2021	US\$70.00 million	Joint and several guarantee	-	-	Until September 1, 2025	No	No	No
Total amount of guarantees provided to subsidiaries approved during the Reporting Period (B1)				0	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)						RMB46,979.80
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (B3)				RMB93,959.60	Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)						RMB46,979.80

SECTION 6 SIGNIFICANT EVENTS

Guarantees among Subsidiaries										
Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual	Actual	Type of Guarantee	Collaterals	Counter-guarantee	Term of Guarantee	Performance to Related Parties or	
			Date of Occurrence	Amount of Guarantee					Fulfilled or Not	Not
GF Global Capital (GF Holdings (Hong Kong) Corporation Limited provided guarantee to it)	February 6, 2021	Provide performance guarantee to the guaranteed party in respect of the issue of structured notes with a total size of no more than US\$1 billion (or its equivalent in other currencies), subject to a guarantee amount of no more than US\$1 billion (or its equivalent in other currencies)	March 22, 2021	RMB956,659.35	Joint and several guarantee	-	-	According to provisions of agreement	No	No
Total amount of guarantees provided to subsidiaries approved during the Reporting Period (C1)			0		Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)				RMB956,659.35	
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (C3)			RMB671,140.00		Total actual balance of guarantee provided to subsidiaries as at the end of the Reporting Period (C4)				RMB605,202.47	
Total Amount of Guarantees Provided by the Company (i.e. the total of the first three major items)										
Total amount of guarantees approved during the Reporting Period (A1+B1+C1)			0		Total actual amount of guarantees provided during the Reporting Period (A2+B2+C2)				RMB1,003,639.15	
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)			RMB765,099.60		Total actual balance of guarantees provided as at the end of the Reporting Period (A4+B4+C4)				RMB652,182.27	
Total actual amount of guarantees (i.e. A4+B4+C4) as a percentage of the net assets of the Company Including:									5.96%	
Balance of guarantees provided to shareholders, de facto controller and their related parties (D)									0	
Balance of debt guarantees provided directly or indirectly to the guaranteed parties with a gearing ratio over 70% (E)									RMB605,202.47	
Amount of total guarantees above 50% of net assets (F)									0	
Total of the above 3 amounts of guarantees (D+E+F)									RMB605,202.47	
For outstanding guarantees, description on the guarantee liabilities occurring or possible joint and several liabilities of repayment demonstrated during the Reporting Period (if any)									Nil	
Description on the provision of external guarantee with non-compliance in required procedures (if any)									Nil	
Other descriptions									In February 2018, the board of directors of GFHK resolved that it agreed to provide guarantees to its wholly-owned subsidiary, GF Global Capital, under the agreements such as ISDA and GMRA. As of June 30, 2022, the amount of such guarantee was approximately US\$1.3946 million.	

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Note 1: Calculated by the central parity exchange rates of Hong Kong dollar to Renminbi at 1:0.85519 and US dollar to Renminbi at 1:6.7114 and New Zealand dollar to Renminbi at 1:4.1771 published by the People's Bank of China on June 30, 2022.

Note 2: "Balance of debt guarantees provided directly or indirectly to the guaranteed parties with gearing ratio over 70% (E)" in the table above is filled based on the balance of guarantee when the gearing ratio of the guaranteed party exceeds 70% at the time of consideration of related proposals by the authorized organizations of the Company and subsidiaries.

3. Entrusted Wealth Management

The Company was not engaged in entrusted wealth management during the Reporting Period.

4. Other Major Contracts

During the Reporting Period, the Company had no other major contracts.

XIII. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

Membership and qualifications of individual business that the Group obtained during the Reporting Period include:

No.	Type of License	Approval Authority	Issue Date
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Membership and business qualifications obtained by GFHK

1	SPAC Exchange Participants	Hong Kong Stock Exchange	March 2022
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Membership and business qualifications obtained by GF Futures

1	Membership	Guangzhou Futures Exchange	June 2022
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XIV. PARTICULARS OF OTHER SIGNIFICANT ISSUES

As of the end of June 2022, the Company has 25 branch companies and 305 securities brokerage branches, covering 31 provinces, municipalities directly under the Central Government and autonomous regions in Mainland China. In the first half of 2022, a total of 6 branches of the Company were renamed or relocated.

SECTION 6 SIGNIFICANT EVENTS

XV. SIGNIFICANT MATTERS FOR THE SUBSIDIARIES OF THE COMPANY

1. In August 2021, the Board of Directors of the Company resolved to increase the capital of RMB3 billion in GF Qianhe, its wholly-owned subsidiary. During the Reporting Period, the Company completed the aforesaid capital injection in multiple instalments according to the resolution. GF Qianhe has obtained a new business license, and the registered capital is RMB7.1035 billion. For details, please refer to the relevant announcements published by the Company on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) on August 28, 2021, September 10, 2021 and February 16, 2022 respectively.
2. In February 2022, GF Fund, a holding subsidiary of the Company, completed the change of its registered address and obtained the updated business license. The registered address of GF Fund is Room 2608, 3018 Huandao East Road, Hengqin New District, Zhuhai, Guangdong Province.

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

No.	Regulatory authority	Administrative license decisions or business license notices by self-regulatory organisations
1	CSRC	Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Perpetual Subordinated Bonds to Professional Investors (Zheng Jian Xu Ke [2022] No. 1196) 《關於同意廣發證券股份有限公司向專業投資者公開發行永續次級債券註冊的批覆》(證監許可[2022]1196號))
2	CSRC	Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Short-term Corporate Bonds to Professional Investors (Zheng Jian Xu Ke [2022] No. 1288) 《關於同意廣發證券股份有限公司向專業投資者公開發行短期公司債券註冊的批覆》(證監許可[2022]1288號))
3	CSRC	Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Professional Investors (Zheng Jian Xu Ke [2022] No. 1342) 《關於同意廣發證券股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2022]1342號))

SECTION 6 SIGNIFICANT EVENTS

XVII. INDEX OF INFORMATION DISCLOSURE

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

No.	Matters of Announcement	Date of Publication
1	Announcement on the Interest Payment for Redemption and Delisting of the 20 GF 13 Corporate Bonds Privately Issued	January 8, 2022
2	Announcement on the Resignation of the Chief Risk Officer of the Company	January 11, 2022
3	Announcement on the Results of Election of Employee Representative Supervisors	January 11, 2022
4	Announcement on the Resolutions of the 8th Meeting of the 10th Session of the Supervisory Committee	January 11, 2022
5	Announcement on Resolutions of the 20th Meeting of the 10th Session of the Board of Directors	January 11, 2022
6	Notice of the 2022 First Extraordinary General Meeting	January 11, 2022
7	Announcement on the Interest Payment for Redemption and Delisting of the 19 GF C1 Subordinated Bonds	January 22, 2022
8	Announcement on the Interest Payment for Redemption and Delisting of the 20 GF 14 Corporate Bonds Privately Issued	January 28, 2022
9	Announcement on the Resolutions of the 9th Meeting of the 10th Session of the Supervisory Committee	January 29, 2022
10	Announcement on Reminder Notice of the 2022 First Extraordinary General Meeting	February 8, 2022
11	Announcement on the Interest Payment for Redemption and Delisting of the 19 GF 01 Corporate Bonds Privately Issued	February 8, 2022
12	Announcement on the Resolutions of the 2022 First Extraordinary General Meeting	February 11, 2022

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No.	Matters of Announcement	Date of Publication
13	Announcement on Resolutions of the 21st Meeting of the 10th Session of the Board of Directors	February 11, 2022
14	Announcement on New Borrowings Accumulated in the Year Exceeding 20% of Net Assets at the End of the Previous Year	February 11, 2022
15	Announcement on the Interest Payment for Redemption and Delisting of the 21 GF 01 Corporate Bonds Privately Issued	February 12, 2022
16	Announcement on the Results of Issuance of Short-term Financing Bills (First Tranche) by the Company in 2022	February 15, 2022
17	Announcement on Increasing the Registered Capital of GF Qianhe to RMB7.1035 Billion	February 16, 2022
18	Announcement on the Interest Payment for Redemption and Delisting of the 19 GF 02 Corporate Bonds Privately Issued	February 22, 2022
19	Announcement on the Interest Payment for Redemption and Delisting of the 21 GF 02 Corporate Bonds Privately Issued	February 24, 2022
20	Announcement on the Interest Payment in 2022 for Redemption and Delisting of the Corporate Bonds (First Tranche) (Type I) Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019	February 25, 2022
21	Announcement on Resolutions of the 22nd Meeting of the 10th Session of the Board of Directors	March 12, 2022
22	Announcement on the Related/Connected Transaction in Relation to Joint Investment of GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd.	March 12, 2022
23	Announcement on the Results of Issuance of Short-term Financing Bills (Second Tranche) by the Company in 2022	March 16, 2022
24	Announcement on the Interest Payment for Redemption and Delisting of the 19 GF 05 Corporate Bonds Privately Issued	March 16, 2022
25	Announcement on the Resolutions of the 10th Meeting of the 10th Session of the Supervisory Committee	March 23, 2022

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No.	Matters of Announcement	Date of Publication
26	Announcement in Relation to 2021 Annual Results Presentation	March 24, 2022
27	Announcement on the Results of Issuance of Short-term Financing Bills (Third Tranche) by the Company in 2022	March 26, 2022
28	Announcement on the Resolutions of the 23rd Meeting of the 10th Session of the Board of Directors	March 31, 2022
29	Announcement on the Resolutions of the 11th Meeting of the 10th Session of the Supervisory Committee	March 31, 2022
30	Highlights of the 2021 Annual Report	March 31, 2022
31	Announcement on the Proposed Re-appointment of Accounting Firm	March 31, 2022
32	Announcement on the Estimates of Daily Related (Connected) Transactions of the Company for 2022	March 31, 2022
33	Announcement on Providing 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	March 31, 2022
34	Announcement on the Plan for the Repurchase of A Shares by Way of Centralised Price Bidding	March 31, 2022
35	Announcement on the Shareholdings of the Top Ten Shareholders and the Top Ten Shareholders Without Selling Restrictions with Respect to Share Repurchase	April 2, 2022
36	Report on the Repurchase of A Shares by Way of Centralised Price Bidding	April 2, 2022
37	Announcement on the Results of Issuance of Short-term Financing Bills (Fourth Tranche) by the Company in 2022	April 19, 2022
38	Announcement on the Progress of the Related/Connected Transaction in Relation to Joint Investment of GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd.	April 22, 2022
39	Notice of the 2021 Annual General Meeting	April 27, 2022

SECTION 6 SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
40	Announcement on the Results of Issuance of Short-term Financing Bills (Fifth and Sixth Tranches) by the Company in 2022	April 30, 2022
41	Announcement on the Resolutions of the 24th Meeting of the 10th Session of the Board of Directors	April 30, 2022
42	2022 First Quarterly Report	April 30, 2022
43	Announcement on the Resolutions of the 12th Meeting of the 10th Session of the Supervisory Committee	April 30, 2022
44	Announcement on the First Repurchase of the Company's A Shares and the Progress of the Repurchase	May 6, 2022
45	Announcement on the Implementation Results of A Share Repurchase and Share Changes	May 13, 2022
46	Announcement on Reminder Notice of the 2021 Annual General Meeting	May 18, 2022
47	Announcement on the Results of Issuance of Short-term Financing Bills (Seventh Tranche) by the Company in 2022	May 20, 2022
48	Announcement on the Resolutions of the 2021 Annual General Meeting	May 21, 2022
49	Announcement on the Interest Payment for Redemption and Delisting of the 19 GF 06 Corporate Bonds Privately Issued	May 25, 2022
50	Announcement on the Interest Payment in 2022 for the Corporate Bonds (First Tranche) Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021	June 6, 2022
51	Announcement on the Interest Payment by GF Securities Co., Ltd. for the "13 GF 03" Corporate Bonds in 2022	June 15, 2022
52	Announcement on the Registration Approval of Public Issuance of Perpetual Subordinated Bonds to Professional Investors by China Securities Regulatory Commission	June 21, 2022
53	Announcement on the Public Issuance of Perpetual Subordinated Bonds (First Tranche) by GF Securities Co., Ltd. to Professional Investors in 2022	June 24, 2022

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No.	Matters of Announcement	Date of Publication
54	Announcement on the Registration Approval of Public Issuance of Short-term Corporate Bonds to Professional Investors by China Securities Regulatory Commission	June 28, 2022
55	Announcement on Extension of Book-building Period for the Public Issuance of Perpetual Subordinated Bonds (First Tranche) by GF Securities Co., Ltd. to Professional Investors in 2022	June 28, 2022
56	Announcement on the Coupon Rate for the Public Issuance of Perpetual Subordinated Bonds (First Tranche) by GF Securities Co., Ltd. to Professional Investors in 2022	June 29, 2022

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

No.	Matters of Announcement	Date of Publication
1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2021	January 4, 2022
2	Notification Letter and Request Form to Non-Registered Shareholders	January 10, 2022
3	Notification Letter and Request Form to Registered Shareholders	January 10, 2022
4	Proxy Form For the 2022 First Extraordinary General Meeting	January 10, 2022
5	Notice of the 2022 First Extraordinary General Meeting	January 10, 2022
6	(1) Election of Mr. Ge Changwei as an Executive Director of the Company and (2) Notice of the 2022 First Extraordinary General Meeting	January 10, 2022
7	Announcement—Proposed Appointment of Executive Director and Appointment of Employee Representative Supervisor	January 10, 2022
8	Election of the Chairman of the Supervisory Committee	January 28, 2022
9	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2022	February 7, 2022
10	List of Directors and Their Roles and Functions	February 10, 2022

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No.	Matters of Announcement	Date of Publication
11	Announcement on Poll Results of the 2022 First Extraordinary General Meeting and Appointment of Director and Vice Chairman	February 10, 2022
12	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2022	March 1, 2022
13	Connected Transaction—Formation of Partnership Fund	March 11, 2022
14	Date of Board Meeting	March 15, 2022
15	Announcement in Relation to 2021 Annual Results Presentation	March 23, 2022
16	2021 Annual Results Announcement	March 30, 2022
17	2021 Corporate Social Responsibility Report	March 30, 2022
18	Final Dividend for the Year Ended 31 December 2021	March 31, 2022
19	Announcement on the Plan for the Repurchase of A Shares by Way of Centralised Price Bidding	March 31, 2022
20	Proposed Amendments to the Articles of Association	March 31, 2022
21	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2022	April 1, 2022
22	Date of Board Meeting	April 13, 2022
23	Connected Transaction—Update on Formation of Partnership Fund	April 21, 2022
24	Notification Letter and Request Form to Non-Registered Shareholders	April 26, 2022
25	Notification Letter and Request Form to Registered Shareholders	April 26, 2022
26	Proxy Form for the 2021 Annual General Meeting	April 26, 2022
27	Notice of AGM	April 26, 2022
28	2021 Annual Report	April 26, 2022

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No.	Matters of Announcement	Date of Publication
29	2021 AGM Circular	April 26, 2022
30	Final Dividend for the Year Ended 31 December 2021 (Updated)	April 26, 2022
31	2022 First Quarterly Report	April 29, 2022
32	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2022	May 5, 2022
33	Next Day Disclosure Return	May 6, 2022
34	Next Day Disclosure Return	May 6, 2022
35	Next Day Disclosure Return	May 9, 2022
36	Next Day Disclosure Return	May 10, 2022
37	Next Day Disclosure Return	May 11, 2022
38	Results of the Repurchase of A Shares	May 12, 2022
39	Articles of Association	May 20, 2022
40	Final Dividend for the Year Ended 31 December 2021 (Updated)	May 20, 2022
41	Poll Results of the 2021 Annual General Meeting, Final Dividend for the Year Ended 31 December 2021 and Amendments to the Articles of Association	May 20, 2022
42	Final Dividend for the Year Ended 31 December 2021 (Updated)	May 23, 2022
43	Change of Book Closure Period of H Shares	May 23, 2022
44	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2022	June 1, 2022

SECTION 7

CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

SECTION 7 CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

I. CHANGES IN SHAREHOLDINGS

(I) Changes in shareholdings

1. Table of changes in shareholdings

During the Reporting Period, there were no changes in the total number of ordinary shares and the shareholding structure of the Company. Set out below is the share capital of the Company:

Unit: Share

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

2. Implementation progress of the share repurchase:

The 23rd meeting of the 10th session of the Board of Directors of the Company held on March 30, 2022 considered and approved the Resolution on the Company's Proposed Repurchase of A Shares by Way of Centralised Price Bidding (《關於公司擬以集中競價方式回購A股股份的議案》), pursuant to which the Company shall repurchase A Shares of the Company by way of centralised price bidding as a source of shares under the A Share Restricted Share Incentive Scheme with the repurchase price not exceeding RMB26.65 per share. The total amount of funds to be used for the repurchase shall range from approximately RMB203 million to RMB406 million, and the source of funds shall be the Company's own funds. The implementation period for the repurchase shall be within 12 months from the date of approval of the repurchase plan by the Board of Directors of the Company.

The time period for the actual repurchase of A Shares by the Company was from May 5, 2022 to May 11, 2022. An aggregate of 15,242,153 A Shares of the Company was repurchased through the securities account designated for share repurchase by way of centralised price bidding, accounting for approximately 0.2% of the total share capital of the Company, with the highest and the lowest traded prices being RMB16.00 per share and RMB15.03 per share, respectively. The total transaction amount (excluding transaction fees) was RMB233,590,340.24. As of May 11, 2022, the plan for the repurchase of A Shares by the Company has been completed.

SECTION 7 CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

The total number of A Shares repurchased by the Company is 15,242,153 shares, all of which are deposited in the securities account designated for share repurchase of the Company. According to the share repurchase plan, the repurchased shares will be used for the A Share restricted share incentive scheme. If the repurchased shares cannot be used for the above purpose within three years from the date of the announcement on results of the repurchase and changes in shares, the unused repurchased shares will be canceled in accordance with the relevant laws and regulations.

During the period when the repurchased shares are deposited in the securities account designated for share repurchase of the Company, they are not entitled to rights such as voting rights at general meetings, profit distribution, capitalisation of reserve, subscription of new shares, and allotment and pledge of shares. Subsequently, the Company will utilise the repurchased shares for such purpose as disclosed and fulfill its decision-making procedures and information disclosure obligation in accordance with regulations.

3. *Effects of the change in shareholdings on financial indicators such as basic earnings per share, diluted earnings per share and net assets attributable to ordinary shareholders of the Company per share for the most recent year and period*

Not applicable

4. *Other information disclosure which the Company deems necessary or is required by the securities regulatory authorities*

Not applicable

(2) Changes in restricted shares

Not applicable

II. SECURITIES ISSUANCE AND THE LISTING

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

SECTION 7 CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS IN THE COMPANY

Unit: Share

Name of shareholder	Capacity of shareholder	Percentage of shareholding	Number of shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of shares with selling restrictions held	Number of shares without selling restrictions held	Pledge, marker or freeze	
							Status of shares	Number of shares
Total number of ordinary shareholders at the end of the Reporting Period			211,248 (of which, 209,745 were A shareholders, 1,503 were registered H shareholders)		Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period			Nil
Shareholdings of shareholders who hold more than 5% of the shares or shareholdings of the top ten shareholders								
HKSCC Nominees Limited	Overseas legal entity	22.31%	1,700,150,450	-3,210	0	1,700,150,450	-	-
Jilin Aodong Pharmaceutical Group Co., Ltd.	Domestic general legal entity	16.43%	1,252,297,867	0	0	1,252,297,867	-	-
Liaoning Cheng Da Co., Ltd.	State-owned legal entity	16.40%	1,250,154,088	0	0	1,250,154,088	-	-
Zhongshan Public Utilities Group Co., Ltd.	State-owned legal entity	9.01%	686,754,216	0	0	686,754,216	-	-
China Securities Finance Corporation Limited	Domestic general legal entity	2.99%	227,870,638	0	0	227,870,638	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	0.98%	74,357,564	-8,018,765	0	74,357,564	-	-
China Construction Bank Corporation – Guotai CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	Fund, wealth management products, etc.	0.78%	59,199,513	7,432,100	0	59,199,513	-	-
China Construction Bank Corporation – Huabao CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	Fund, wealth management products, etc.	0.55%	42,179,434	9,031,774	0	42,179,434	-	-
National Social Security Fund No. 118 Portfolio	Fund, wealth management products, etc.	0.45%	34,306,666	-	0	34,306,666	-	-
National Social Security Fund No. 111 Portfolio	Fund, wealth management products, etc.	0.36%	27,204,737	-3,773,381	0	27,204,737	-	-

SECTION 7 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		Type of shares	
	Reporting Period		Type of shares	Number of shares
HKSCC Nominees Limited	1,700,150,450		Overseas listed foreign shares	1,700,150,450
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867		RMB-denominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,250,154,088		RMB-denominated ordinary shares	1,250,154,088
Zhongshan Public Utilities Group Co., Ltd.	686,754,216		RMB-denominated ordinary shares	686,754,216
China Securities Finance Corporation Limited	227,870,638		RMB-denominated ordinary shares	227,870,638
Hong Kong Securities Clearing Company Limited	74,357,564		RMB-denominated ordinary shares	74,357,564
China Construction Bank Corporation – Guotai CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	59,199,513		RMB-denominated ordinary shares	59,199,513
China Construction Bank Corporation – Huabao CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	42,179,434		RMB-denominated ordinary shares	42,179,434
National Social Security Fund No. 118 Portfolio	34,306,666		RMB-denominated ordinary shares	34,306,666
National Social Security Fund No. 111 Portfolio	27,204,737		RMB-denominated ordinary shares	27,204,737

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 overseas listed foreign shares (H Shares) and shares held by other shareholders are RMB-denominated ordinary shares (A Shares);

Note 3: According to the information provided by Jilin Aodong Pharmaceutical Group Co., Ltd. (“Jilin Aodong”), Liaoning Cheng Da Co., Ltd. (“Liaoning Cheng Da”) and Zhongshan Public Utilities Group Co., Ltd. (“Zhongshan Public Utilities”), as at June 30, 2022, Jilin Aodong held 89,702,000 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), amounting to a total of 126,570,800 H Shares, representing 1.66% of the total share capital of the Company. Liaoning Cheng Da held 115,300,000 H Shares of the Company and held 1,473,600 H Shares of the Company through Chengda Steel Hong Kong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Liaoning Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司) (a wholly-owned Subsidiary of Liaoning Cheng Da), amounting to a total of 116,773,600 H Shares, representing 1.53% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. As at June 30, 2022, the shareholding percentages of A Shares and H Shares in the Company of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 18.09%, 17.94% and 10.34%, respectively;

SECTION 7 CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

Note 4: According to the public information disclosed on the HKExnews website of the Hong Kong Stock Exchange, as at June 30, 2022, other than those as set out in Note 3, shareholders holding 5% or more of the H Shares of the Company are as follows: on January 31, 2020, the labor union committee of GF Securities Co., Ltd. held a total of 272,500,600 long-position H Shares of the Company, representing 16.01% of the H Share capital of the Company. The above shares are held by HKSCC Nominees Limited on their behalf;

Note 5: At the end of the Reporting Period, no shares of the Company were held by A shareholders mentioned above through credit-based securities accounts;

Note 6: At the end of the Reporting Period, no A shareholders mentioned above conducted agreed repurchase type securities trading.

IV. 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.

V. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

The Company has no controlling shareholder or de facto Controller.

SECTION 7 CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

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

As of June 30, 2022, as far as the Directors of the Company are aware after having made all reasonable enquiries, the following persons (other than the Directors, Supervisors and chief executive of the Company) held interests or short positions in the shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under section 336 of the SFO:

No.	Name of substantial shareholders	Class of Shares	Nature of interests	Number of shares held (share)	Long position (Note 1)/ short position (Note 2)	Percentage of	Percentage of
						total issued shares of the Company (%) (Note 8)	total issued A Shares/ H Shares of the Company (%) (Note 8)
1	Jilin Aodong	A Shares	Beneficial owner	1,252,297,867	Long position	16.43	21.16
		H Shares	Beneficial owner and interest in a controlled corporation	126,570,800 (Note 3)	Long position	1.66	7.44
2	Liaoning Cheng Da	A Shares	Beneficial owner	1,250,154,088	Long position	16.40	21.12
		H Shares	Beneficial owner and interest in a controlled corporation	116,773,600 (Note 4)	Long position	1.53	6.86
3	Zhongshan Zhonghui Investment Group Company Limited	A Shares	Interest in a controlled corporation	686,754,216	Long position	9.01	11.60
		H Shares	Interest in a controlled corporation	100,904,000 (Note 5)	Long position	1.32	5.93
4	Zhongshan Public Utilities	A Shares	Beneficial owner	686,754,216	Long position	9.01	11.60
		H Shares	Interest in a controlled corporation	100,904,000 (Note 5)	Long position	1.32	5.93
5	Public Utilities International (Hong Kong) Investment Company Ltd.	H Shares	Beneficial owner	100,904,000 (Note 5)	Long position	1.32	5.93
6	The labor union committee of GF Securities Co., Ltd.	H Shares	Trustee of a trust	272,500,600 (Note 6)	Long position	3.58	16.01

SECTION 7 CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

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

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

Note 3: Jilin Aodong held 89,702,000 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), amounting to a total of 126,570,800 H Shares, representing 1.66% of the total share capital of the Company.

Note 4: Liaoning Cheng Da held 115,300,000 H Shares of the Company and held 1,473,600 H Shares of the Company through Chengda Steel Hong Kong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Liaoning Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司) (a wholly-owned subsidiary of Liaoning Cheng Da), amounting to a total of 116,773,600 H Shares, representing 1.53% of the total share capital of the Company. Therefore, Liaoning Cheng Da and Liaoning Chengda Steel Co., Ltd. were deemed to have interests in the shares held by Chengda Steel Hong Kong Co., Limited.

Note 5: Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. Zhongshan Zhonghui Investment Group Company Limited held 47.98% of the issued shares of Zhongshan Public Utilities. Therefore, Zhongshan Zhonghui Investment Group Company Limited and Zhongshan Public Utilities were deemed to have interests in the shares held by Public Utilities International (Hong Kong) Investment Company Ltd..

Note 6: The labor union committee of GF Securities Co., Ltd. held a total of 272,500,600 H Shares of the Company, representing 16.01% of the H Share capital of the Company.

Note 7: Under Part XV of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of Shareholders’ shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be differences between substantial Shareholders’ latest shareholdings in the Company and the shareholding information as reported to the Hong Kong Stock Exchange.

Note 8: The relevant percentages are calculated based on 1,701,796,200 H Shares and/or 5,919,291,464 A Shares of the Company in issue as at June 30, 2022.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company as at June 30, 2022 required to be recorded in the register pursuant to section 336 of the SFO.

SECTION 7 CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

VII. 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 of June 30, 2022, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or which would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As of June 30, 2022, none of the Company, its holding company, any of subsidiaries or fellow subsidiaries was a party to any arrangements during the year to enable the Directors of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

For details of the Company's repurchase of its A Shares during the Reporting Period, please refer to "I. Changes in shareholdings" in this section, and for details of the public issuance of perpetual subordinated bonds, please refer to "7. Public Issuance of Perpetual Subordinated Bonds in 2022" in section 9 "Bonds".

Except for the above, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the listed securities of the Company and its subsidiaries.

SECTION 8

PREFERENCE SHARES

SECTION 8 PREFERENCE SHARES

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

SECTION 9

BONDS

SECTION 9 BONDS

1. ENTERPRISE BONDS

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

II. CORPORATE BONDS

(I) BASIC INFORMATION OF CORPORATE BONDS

1. Public issuance of corporate bonds in 2013

Name of Bond	Abbreviation of Bond		Issue Date	Value date	Maturity Date	Balance of Bond (RMB)	Coupon Rate	Debt Service	Trading Places
	Code of Bond								
Corporate Bonds of GF Securities Co., Ltd. in 2013 (Type III)	13 GF 03	112183	2013-06-17	2013-06-17	2023-06-17	9,000,000,000	5.10%	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.	SZSE
Suitability arrangement of investors (if any)	Target investors are social public investors who hold security accounts with the initial letters of A, B, D, 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).								
Applicable trading system	Listed and traded on Call Auction Mechanism and the integrated agreement trading platform of SZSE.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

SECTION 9 BONDS

2. Non-public issuance of corporate bonds in 2020

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Value date	Maturity Date	Balance of Bond (RMB)	Coupon Rate	Debt Service	Trading Places
Non-publicly Issued Corporate Bonds of GF Securities Co., Ltd. in 2020 (First Tranche)	20 GF 01	114655	2020-01-17	2020-01-20	2023-01-20	5,000,000,000	3.65%		
Non-publicly Issued Corporate Bonds of GF Securities Co., Ltd. in 2020 (Second Tranche) (For Epidemic Prevention and Control) (Type I)	20 GF 02	114687	2020-03-13	2020-03-16	2023-03-16	5,800,000,000	3.20%	Bonds use simple interest to accrue interest on an annual basis without compound interest. Interests 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.	SZSE
Non-publicly Issued Corporate Bonds of GF Securities Co., Ltd. in 2020 (Third Tranche)	20 GF 04	114819	2020-09-04	2020-09-07	2023-09-07	3,700,000,000	4.00%		
Non-publicly Issued Corporate Bonds of GF Securities Co., Ltd. in 2020 (Sixth Tranche) (Type II)	20 GF 08	114848	2020-11-06	2020-11-09	2022-11-09	1,400,000,000	3.83%		
Non-publicly Issued Corporate Bonds of GF Securities Co., Ltd. in 2020 (Eighth Tranche)	20 GF 11	114870	2020-11-30	2020-12-01	2022-12-01	1,300,000,000	4.00%		
Suitability arrangement of investors (if any)	Target investors are professional institutional investors who hold an A-share securities account of China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed and transferred on the integrated agreement trading platform of SZSE, and offered to professional institutional investors.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

3. Non-public issuance of subordinated bonds in 2020

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Value date	Maturity Date	Balance of Bond (RMB)	Coupon Rate	Debt Service	Trading Places
Subordinated Bonds of Securities Firms of GF Securities Co., Ltd. in 2020 (First Tranche) (Type I)	20 GF C1	115105	2020-03-02	2020-03-03	2023-03-03	2,000,000,000	3.35%	Bonds use simple interest to accrue interest on an annual basis without compound interest.	
Subordinated Bonds of Securities Firms of GF Securities Co., Ltd. in 2020 (First Tranche) (Type II)	20 GF C2	115106	2020-03-02	2020-03-03	2025-03-03	2,500,000,000	3.80%	Interests 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.	SZSE
Suitability arrangement of investors (if any)	Target investors are eligible institutional investors who hold an eligible A-share securities account of China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed and transferred on the integrated agreement trading platform of SZSE, and offered to professional institutional investors.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

SECTION 9 BONDS

4. Public Issuance of Corporate Bonds in 2021

Name of bonds	Abbreviation of bonds	Code of bonds	Issue date	Value date	Maturity date	Balance of bonds (RMB)	Coupon rate	Debt service	Trading place
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (First Tranche) (Type I)	21 GF 03	149499	2021-06-07	2021-06-08	2024-06-08	4,500,000,000	3.40%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (First Tranche) (Type II)	21 GF 04	149500	2021-06-07	2021-06-08	2026-06-08	1,000,000,000	3.68%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Second Tranche) (Type I)	21 GF 05	149562	2021-07-22	2021-07-23	2024-07-23	3,000,000,000	3.13%	Bonds use simple interest to accrue interest on an annual basis without compound interest. Interests shall be paid annually while the principal shall be fully repaid upon maturity.	SZSE
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Second Tranche) (Type II)	21 GF 06	149563	2021-07-22	2021-07-23	2026-07-23	4,500,000,000	3.45%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Second Tranche) (Type III)	21 GF 07	149564	2021-07-22	2021-07-23	2031-07-23	1,500,000,000	3.77%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Third Tranche) (Type I)	21 GF 08	149583	2021-08-12	2021-08-13	2022-09-07	4,600,000,000	2.69%	Principle shall be fully repaid upon maturity.	

SECTION 9 BONDS

Name of bonds	Abbreviation of bonds	Code of bonds	Issue date	Value date	Maturity date	Balance of bonds (RMB)	Coupon rate	Debt service	Trading place
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Third Tranche) (Type II)	21 GF 09	149594	2021-08-12	2021-08-13	2023-08-13	3,400,000,000	2.90%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Fourth Tranche) (Type I)	21 GF 10	149633	2021-09-15	2021-09-16	2024-09-16	3,000,000,000	3.10%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Fourth Tranche) (Type II)	21 GF 11	149634	2021-09-15	2021-09-16	2026-09-16	2,000,000,000	3.50%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Fourth Tranche) (Type III)	21 GF 12	149635	2021-09-15	2021-09-16	2031-09-16	2,000,000,000	3.90%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Fifth Tranche) (Type I)	21 GF 13	149658	2021-10-14	2021-10-15	2024-10-15	3,000,000,000	3.30%	Bonds use simple interest to accrue interest on an annual basis without compound interest. Interests shall be paid annually while the principal shall be fully repaid upon maturity.	
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Sixth Tranche) (Type I)	21 GF 16	149650	2021-10-28	2021-10-29	2023-10-29	4,200,000,000	3.10%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Sixth Tranche) (Type II)	21 GF 17	149687	2021-10-28	2021-10-29	2024-10-29	4,800,000,000	3.30%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Seventh Tranche) (Type I)	21 GF 19	149702	2021-11-16	2021-11-17	2024-11-17	4,000,000,000	3.15%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Seventh Tranche) (Type II)	21 GF 20	149703	2021-11-16	2021-11-17	2026-11-17	3,500,000,000	3.50%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Seventh Tranche) (Type III)	21 GF 21	149704	2021-11-16	2021-11-17	2031-11-17	1,000,000,000	3.85%		
Suitability arrangement of Investors (if any)	Target investors are qualified investors who comply with the Management Measures on Corporate Bond Issuance and Trading and open a legal securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed and traded on Call Auction Mechanism and the integrated agreement trading platform of SZSE simultaneously.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

SECTION 9 BONDS

5. *Non-public Issuance of Perpetual Subordinated Bonds in 2021*

Name of bonds	Abbreviation		Issue date	Value date	Maturity date	Balance of bonds		Debt service	Trading place
	of bonds	Code of bonds				(RMB)	Coupon rate		
Non-public Issuance of Perpetual Subordinated Bonds by GF Securities Co., Ltd. in 2021 (First Tranche)	21 GF Y1	115125	2021-09-03	2021-09-06	The issuer has an option to redeem the bonds at principal amounts plus any accrued interest (including all deferred interest and its yield) on the fifth interest payment date or any interest payment date afterwards.	1,000,000,000	3.95%	The simple interest is used to accrue interest on an annual basis. Interest will be paid annually if the issuer does not exercise the right to defer interest payment.	SZSE
Suitability arrangement of Investors (if any)	Target investors are professional institutional investors who hold an A-share security account in China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed and transferred on the integrated agreement trading platform of SZSE and traded for professional institutional investors.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

6. Non-public Issuance of Corporate Bonds in 2021

Name of bonds	Abbreviation		Issue date	Value date	Maturity date	Balance of bonds		Debt service	Trading place
	of bonds	Code of bonds				(RMB)	Coupon rate		
Non-public Issuance of Corporate Bonds by GF Securities Co., Ltd. in 2021 (Third Tranche) (Type I)	21 GF 22	133127	2021-11-22	2021-11-23	2022-12-16	3,700,000,000	2.85%		
Non-public Issuance of Corporate Bonds by GF Securities Co., Ltd. in 2021 (Fourth Tranche) (Type I)	21 GF 24	133142	2021-11-30	2021-12-01	2022-12-24	4,200,000,000	2.84%	Principal will be repaid together with its interest upon maturity.	SZSE
Non-public Issuance of Corporate Bonds by GF Securities Co., Ltd. in 2021 (Fourth Tranche) (Type II)	21 GF 25	133143	2021-11-30	2021-12-01	2023-05-25	800,000,000	3.05%		
Suitability arrangement of Investors (if any)	Target investors are professional institutional investors who hold an A-share security account in China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed and transferred on the integrated agreement trading platform of THE SZSE and traded for professional institutional investors.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

SECTION 9 BONDS

7. Public Issuance of Perpetual Subordinated Bonds in 2022

Name of bonds	Abbreviation of bonds	Code of bonds	Issue date	Value date	Maturity date	Balance of bonds (RMB)	Coupon rate	Debt service	Trading place
Perpetual Subordinated Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (First Tranche)	22 GF Y1	149967	2022-06-29	2022-06-30	The issuer has an option to redeem the bonds at principal amounts plus any accrued interest (including all deferred interest and its yield)	2,700,000,000	3.75%	The simple interest is used to accrue interest on an annual basis. Interest will be paid annually if the issuer does not exercise the right to defer interest payment.	SZSE
Perpetual Subordinated Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Second Tranche)	22 GF Y2	148004	2022-07-26	2022-07-27	on the fifth interest payment date or any interest payment date afterwards.	5,000,000,000	3.53%		
Perpetual Subordinated Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Third Tranche)	22 GF Y3	148016	2022-08-10	2022-08-11		2,300,000,000	3.48%		
Suitability arrangement of Investors (if any)	Target investors are professional institutional investors who hold an A-share security account in China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed on the SZSE, and the transaction methods include matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

SECTION 9 BONDS

8. Public Issuance of Corporate Bonds in 2022

Name of bonds	Abbreviation		Issue date	Value date	Maturity date	Balance of bonds		Debt service	Trading place
	of bonds	Code of bonds				(RMB)	Coupon rate		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (First Tranche) (Type I)	22 GF 01	149889	2022-07-14	2022-07-15	2025-07-15	3,400,000,000	2.85%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (First Tranche) (Type II)	22 GF 02	149890	2022-07-14	2022-07-15	2027-07-15	2,000,000,000	3.24%	Interest shall be paid annually, while the principal shall be fully repaid upon maturity.	SZSE
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (First Tranche) (Type III)	22 GF 03	149891	2022-07-14	2022-07-15	2032-07-15	600,000,000	3.70%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Second Tranche) (Type I)	22 GF 04	148009	2022-08-03	2022-08-04	2025-08-04	2,500,000,000	2.59%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Second Tranche) (Type II)	22 GF 05	148010	2022-08-03	2022-08-04	2027-08-04	3,000,000,000	3.03%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Second Tranche) (Type III)	22 GF 06	148011	2022-08-03	2022-08-04	2032-08-04	1,500,000,000	3.59%		

SECTION 9 BONDS

Name of bonds	Abbreviation		Issue date	Value date	Maturity date	Balance of bonds		Debt service	Trading place
	of bonds	Code of bonds				(RMB)	Coupon rate		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Third Tranche) (Type I)	22 GF 07	148026	2022-08-15	2022-08-16	2025-08-16	800,000,000	2.68%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Third Tranche) (Type II)	22 GF 08	148027	2022-08-15	2022-08-16	2027-08-16	2,500,000,000	3.12%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Third Tranche) (Type III)	22 GF 09	148028	2022-08-15	2022-08-16	2032-08-16	1,200,000,000	3.60%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2022 (Fourth Tranche)	22 GF 10	148041	2022-08-26	2022-08-29	2025-08-29	1,000,000,000	2.60%		
Suitability arrangement of Investors (if any)	Target investors are professional institutional investors who hold an A-share security account in China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed on the SZSE, and the transaction methods include matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

Outstanding Overdue Bonds

N/A

SECTION 9 BONDS

(II) Trigger and Performance of the Issuer or Investor Option Terms and Investor Protection Terms

N/A

(III) Adjustments to Credit Rating during the Reporting Period

In accordance with the “Tracking and Rating Report on Non-public Issuance of Corporate Bonds by Guangfa Securities Co., Ltd. (2022)” (Xin Ping Wei Han Zi [2022] Gen Zong No. 0195) issued by China Chengxin International Credit Rating Co., Ltd., the credit rating of “20 GF C1” and “20 GF C2” was raised from AA+ to AAA. The rating adjustment will not have any negative impact on the Company’s solvency, nor will it adversely affect the appropriateness management of bond investors, bond-pledged repurchase and listing method.

Except for “20 GF C1” and “20 GF C2”, during the Reporting Period, there was no adjustment in the credit rating of the bonds of the Company and its other subsidiaries.

(IV) Performance of and Changes in Guarantees, Debt Repayment Plans and Other Debt Repayment Safeguard Measures During the Reporting Period and the Effects on the Interests of Bond Investors

The above corporate bonds bear no warranties.

The debt repayment plans of the above corporate bonds: The Company will fulfil the obligation of interest payment on a timely basis as agreed in the bond prospectus. Such interest payment date shall be postponed to the next business day if the interest payment date or the repayment date falls on a statutory holiday or rest day, and no interest shall be accrued during such period. The principal and interest of corporate bonds shall be paid through registration authorities and relevant institutions. The detailed matters about principal and interest payment shall be explained by the Company in the relevant announcement published through the media designated by the CSRC according to the relevant national provisions. During the Reporting Period, there was no delayed payment of principal and interests for these corporate bonds and there was no default in debt settlement thereof.

SECTION 9 BONDS

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

During the Reporting Period, the above corporate bonds' credit enhancement mechanism, debt repayment plan and the other debt repayment supporting measures were not changed.

III. OTHER OUTSTANDING DEBT FINANCING INSTRUMENTS OF THE COMPANY

As of the approval date of this interim report, the details of other outstanding debt financing instruments of the Company are as follows:

Name of debt financing instruments	Type	Code of debt financing instruments			Balance (RMB' 0,000)	Coupon rate
		Value date	Maturity date			
21 GF Securities CP006	Short-term financing bills	072110035	2021/10/21	2022/10/21	300,000	2.90%
21 GF Securities CP009	Short-term financing bills	072110056	2021/11/8	2022/11/8	300,000	2.84%
22 GF Securities CP001	Short-term financing bills	072210017	2022/2/11	2023/2/10	300,000	2.47%
22 GF Securities CP002	Short-term financing bills	072210040	2022/3/14	2023/2/28	300,000	2.62%
22 GF Securities CP003	Short-term financing bills	072210051	2022/3/25	2022/8/31	300,000	2.51%
22 GF Securities CP004	Short-term financing bills	072210061	2022/4/15	2022/10/14	400,000	2.39%
22 GF Securities CP005	Short-term financing bills	072210066	2022/4/28	2022/10/28	250,000	2.25%
22 GF Securities CP006	Short-term financing bills	072210067	2022/4/28	2023/4/28	150,000	2.42%
22 GF Securities CP007	Short-term financing bills	072210072	2022/5/18	2022/9/16	200,000	1.88%

SECTION 9 BONDS

IV. DEBT FINANCING INSTRUMENTS FOR NON-FINANCIAL BUSINESSES

During the Reporting Period, the Company had no debt financing instruments for non-financial businesses.

V. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company had no convertible corporate bonds.

VI. LOSSES DURING THE REPORTING PERIOD REPRESENTING MORE THAN 10% OF NET ASSETS AS AT THE END OF LAST YEAR ON A CONSOLIDATED BASIS

N/A

SECTION 10
FINANCIAL STATEMENTS

SECTION 10 FINANCIAL STATEMENTS

I. REVIEW REPORT

The 2022 interim financial report of the Group prepared in accordance with the International Accounting Standards has not been audited but has been reviewed by Ernst & Young and the review report is enclosed hereinafter.

II. FINANCIAL STATEMENTS AND NOTES (ENCLOSED HEREINAFTER)

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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

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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 122 to 216, which comprises the condensed consolidated statement of financial position of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Revenue			
Commission and fee income	4	8,316,208	9,016,437
Interest income	5	6,315,995	6,651,609
Net investment gains	6	193,816	4,305,291
Total revenue		14,826,019	19,973,337
Other income and gains or losses	7	1,986,740	1,754,079
Total revenue and other income		16,812,759	21,727,416
Depreciation and amortisation	8	(404,801)	(369,258)
Staff costs	9	(4,163,509)	(5,670,828)
Commission and fee expenses	10	(152,761)	(169,991)
Interest expenses	11	(4,293,134)	(4,238,701)
Other operating expenses	12	(2,759,439)	(3,389,185)
Credit loss expense	13	209,240	(363,580)
Impairment losses		(11,451)	(1,371)
Total expenses		(11,575,855)	(14,202,914)
Share of results of associates and joint ventures		337,705	694,017
Profit before income tax		5,574,609	8,218,519
Income tax expense	14	(921,604)	(1,741,626)
Profit for the period		4,653,005	6,476,893
Attributable to:			
Owners of the Company		4,198,083	5,888,485
Non-controlling interests		454,922	588,408
		4,653,005	6,476,893
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	15	0.55	0.77

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Profit for the period	4,653,005	6,476,893
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Revaluation losses on equity instruments at fair value through other comprehensive income	(159,995)	(544,993)
Income tax related to the above	41,343	136,468
Total items that will not be reclassified to profit or loss in subsequent periods	(118,652)	(408,525)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	254,465	(60,891)
Debt instruments at fair value through other comprehensive income:		
– Net fair value changes during the period	14,763	156,239
– Reclassification to profit or loss on disposal	(209,755)	(92,062)
– Reclassification to profit or loss on impairment	15,669	(12,595)
– Income tax related to the above	44,469	(10,315)
Net (losses)/gains on debt instruments at fair value through other comprehensive income	(134,854)	41,267
Share of other comprehensive income of associates and joint ventures:		
– Share of fair value (losses)/gains on financial assets of associates and joint ventures	(215)	4,429
– Share of exchange differences arising on translation of associates	3,285	(902)
Net gains on other comprehensive income of associates and joint ventures	3,070	3,527
Total items that may be reclassified to profit or loss in subsequent periods	122,681	(16,097)

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2022*

	Six months ended 30 June	
	2022	2021
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Other comprehensive income for the period, net of tax	4,029	(424,622)
Total comprehensive income for the period	<u>4,657,034</u>	<u>6,052,271</u>
Attributable to:		
Owners of the Company	4,194,942	5,465,457
Non-controlling interests	<u>462,092</u>	<u>586,814</u>
	<u>4,657,034</u>	<u>6,052,271</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Non-current assets			
Property and equipment	16	3,138,667	3,080,732
Right-of-use assets	17	1,936,248	1,977,816
Investment properties		192,203	60,742
Goodwill		2,219	2,122
Other intangible assets		334,332	329,956
Investments in associates	18	5,688,951	5,946,763
Investments in joint ventures	19	2,370,054	2,309,857
Debt instruments at amortised cost	20	95,562	58,779
Equity instruments at fair value through other comprehensive income	21	712,797	872,792
Other accounts receivable, other receivables and prepayments	25	1,561	266,155
Financial leasing receivables	26	17,387	88,782
Financial assets held under resale agreements	27	1,399,881	1,411,423
Financial assets at fair value through profit or loss	28	8,898,897	8,036,844
Deferred tax assets	34	2,266,979	2,118,832
		<u>27,055,738</u>	<u>26,561,595</u>
Total non-current assets			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2022*

	Notes	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Current assets			
Debt instruments at amortised cost	20	58,915	45,909
Debt instruments at fair value through other comprehensive income	22	109,135,727	110,475,096
Advances to customers	23	85,612,001	97,230,768
Accounts receivable	24	5,499,298	4,795,249
Contract assets		15,000	–
Other accounts receivable, other receivables and prepayments	25	4,142,957	918,699
Financial leasing receivables	26	460,785	645,530
Amounts due from joint ventures		11,183	10,508
Amounts due from associates		123,921	96,786
Financial assets held under resale agreements	27	15,912,032	18,580,809
Financial assets at fair value through profit or loss	28	155,238,350	116,427,568
Derivative financial assets	29	1,955,575	564,493
Deposits with exchanges and non-bank financial institutions	30	16,518,955	12,495,113
Clearing settlement funds	31	25,289,524	27,694,381
Bank balances	32	133,993,366	119,312,820
Total current assets		553,967,589	509,293,729
Total assets		581,023,327	535,855,324

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Current liabilities			
Borrowings	35	1,573,062	916,545
Short-term financing payables	36	39,914,332	27,876,760
Financial liabilities at fair value through profit or loss	37	9,856,783	8,577,682
Due to banks and other financial institutions		10,991,137	11,617,488
Accounts payable to brokerage clients	38	144,970,626	126,731,097
Accrued staff costs	39	4,279,536	5,812,580
Other accounts payable, other payables and accruals	40	22,521,560	12,592,000
Contract liabilities		53,933	111,173
Amounts due to associates		19,133	14,758
Provisions	41	426,230	405,872
Current tax liabilities		355,928	1,009,499
Other liabilities	42	865,666	1,130,498
Derivative financial liabilities	29	2,086,730	981,099
Financial assets sold under repurchase agreements	43	114,971,452	81,230,200
Bonds payable	44	45,406,207	62,302,836
Long-term loans	45	104,091	274,848
Lease liabilities	17	291,234	278,111
Total current liabilities		<u>398,687,640</u>	<u>341,863,046</u>
Net current assets		<u>155,279,949</u>	<u>167,430,683</u>
Total assets less current liabilities		<u>182,335,687</u>	<u>193,992,278</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2022*

	Notes	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current liabilities			
Accrued staff costs	39	4,305,262	4,305,899
Other accounts payable, other payables and accruals	40	6,002	20,879
Deferred tax liabilities	34	666,421	741,364
Bonds payable	44	62,024,752	76,380,096
Long-term loans	45	31,099	63,827
Lease liabilities	17	545,528	563,647
Other liabilities	42	1,213,826	1,115,223
Total non-current liabilities		68,792,890	83,190,935
Net assets		113,542,797	110,801,343
Capital and reserves			
Share capital		7,621,088	7,621,088
Other equity instruments	46	3,697,300	1,000,000
Capital reserve		31,259,706	31,283,732
Treasury shares	47	(233,609)	–
Investment revaluation reserve		899,790	1,153,511
Translation reserve		156,581	(93,999)
General reserves		27,752,866	27,520,090
Retained profits		38,262,972	38,140,088
Equity attributable to owners of the Company		109,416,694	106,624,510
Non-controlling interests		4,126,103	4,176,833
Total equity		113,542,797	110,801,343

Approved and authorised for issue by the Board of Directors on 30 August 2022.

Lin Chuanhui

Chairman, Executive Director and President

Sun Xiaoyan

Executive Director

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Equity attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Treasury shares	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January 2022	7,621,088	1,000,000	31,283,732	-	1,153,511	(93,999)	27,520,090	38,140,088	106,624,510	4,176,833	110,801,343
Profit for the period	-	-	-	-	-	-	-	4,198,083	4,198,083	454,922	4,653,005
Other comprehensive income for the period	-	-	-	-	(253,721)	250,580	-	-	(3,141)	7,170	4,029
Total comprehensive income for the period	-	-	-	-	(253,721)	250,580	-	4,198,083	4,194,942	462,092	4,657,034
Issue of perpetual bonds	-	2,697,300	-	-	-	-	-	-	2,697,300	-	2,697,300
Acquisition of treasury shares	-	-	-	(233,609)	-	-	-	-	(233,609)	-	(233,609)
Appropriation to general reserves	-	-	-	-	-	-	232,776	(232,776)	-	-	-
Ordinary shares' dividends recognised as distribution (Note 48)	-	-	-	-	-	-	-	(3,802,923)	(3,802,923)	(512,822)	(4,315,745)
Distribution to other equity instrument holders (Note 48)	-	-	-	-	-	-	-	(39,500)	(39,500)	-	(39,500)
Others	-	-	(24,026)	-	-	-	-	-	(24,026)	-	(24,026)
At 30 June 2022 (unaudited)	<u>7,621,088</u>	<u>3,697,300</u>	<u>31,259,706</u>	<u>(233,609)</u>	<u>899,790</u>	<u>156,581</u>	<u>27,752,866</u>	<u>38,262,972</u>	<u>109,416,694</u>	<u>4,126,103</u>	<u>113,542,797</u>

	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	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
At 1 January 2021	7,621,088	31,199,360	1,048,326	57,872	24,282,969	33,952,582	98,162,197	4,111,389	102,273,586		
Profit for the period	-	-	-	-	-	5,888,485	5,888,485	588,408	6,476,893		
Other comprehensive income for the period	-	-	(362,830)	(60,198)	-	-	(423,028)	(1,594)	(424,622)		
Total comprehensive income for the period	-	-	(362,830)	(60,198)	-	5,888,485	5,465,457	586,814	6,052,271		
Appropriation to general reserves	-	-	-	-	239,478	(239,478)	-	-	-		
Ordinary shares' dividends recognised as distribution (Note 48)	-	-	-	-	-	(3,429,489)	(3,429,489)	(618,383)	(4,047,872)		
Others	-	44,673	-	-	-	-	44,673	(34,756)	9,917		
At 30 June 2021 (unaudited)	<u>7,621,088</u>	<u>31,244,033</u>	<u>685,496</u>	<u>(2,326)</u>	<u>24,522,447</u>	<u>36,172,100</u>	<u>100,242,838</u>	<u>4,045,064</u>	<u>104,287,902</u>		

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	5,574,609	8,218,519
Adjustments for:		
Interest expenses	4,293,134	4,238,701
Share of results of associates and joint ventures	(337,705)	(694,017)
Depreciation and amortisation	404,801	369,258
Credit loss expense	(209,240)	363,580
Impairment losses	11,451	1,371
Gain on disposal of property and equipment and other intangible assets	(1,898)	(826)
Gains on disposal of subsidiaries, associates and joint ventures	(2,710)	(13,472)
Foreign exchange losses/(gains), net	20,340	(8,113)
Net realised gains from disposal of financial instruments		
at fair value through other comprehensive income	(209,755)	(92,062)
Dividend income and interest income from financial instruments		
at fair value through other comprehensive income	(1,516,266)	(2,384,626)
Interest income from debt instruments at amortised cost	(504)	(11,890)
Unrealised fair value changes in financial assets		
at fair value through profit or loss	1,639,468	(945,495)
Unrealised fair value changes in financial liabilities		
at fair value through profit or loss	(215,845)	(399,698)
Unrealised fair value changes in derivatives	(443,498)	444,780

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Operating cash flows before movements in working capital	9,006,382	9,086,010
Decrease/(Increase) in advances to customers	11,876,031	(7,626,784)
Decrease/(Increase) in financial assets held under resale agreements	2,825,484	(1,305,375)
Increase in financial assets at fair value through profit or loss	(40,157,044)	(29,685,123)
Increase in deposits with exchanges and non-bank financial institutions	(4,020,980)	(756,728)
Increase in restricted bank deposits	(289,562)	(456,505)
Increase in other current assets	(4,125,457)	(3,578,721)
Decrease in clearing settlement funds – clients	2,600,034	3,184,198
Increase in cash held on behalf of customers	(18,158,181)	(16,962,374)
Increase in financial liabilities at fair value through profit or loss	1,343,465	2,923,445
Increase in accounts payable to brokerage clients	18,056,117	15,620,264
(Decrease)/Increase in accrued staff costs	(1,531,358)	184,615
Increase in other accounts payable, other payables and accruals and other liabilities	5,771,199	4,323,193
Increase in financial assets sold under repurchase agreements	33,598,109	4,621,397
(Decrease)/Increase in amounts due to banks and other financial institutions	(725,354)	4,429,583
Increase in provision	3,204	3,567
Cash from/(used in) operations	16,072,089	(15,995,338)
Income taxes paid	(1,713,368)	(1,792,248)
Interest paid	(1,704,888)	(1,729,472)
Net cash from/(used in) operating activities	12,653,833	(19,517,058)

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2022*

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
INVESTING ACTIVITIES		
Dividends and interest received from investments	2,407,281	3,166,693
Purchases of property and equipment and other intangible assets	(263,873)	(275,959)
Proceeds from disposal of property and equipment and other intangible assets	3,099	3,294
Capital injection to associates and joint ventures	(426,645)	(454,600)
Proceeds from disposals of interests in associates and joint ventures	236,846	139,355
Proceeds from disposal of a subsidiary	–	523,899
Purchase or proceeds from disposal of financial instruments at fair value through other comprehensive income, net	967,930	11,417,264
Purchase or proceeds from disposal of debt instruments at amortised cost, net	(41,753)	241,232
Net cash from investing activities	2,882,885	14,761,178

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
FINANCING ACTIVITIES		
Proceeds from perpetual subordinated bonds issued	2,700,000	–
Dividends paid to shareholders and non-controlling interests	(489,745)	(729,564)
Repayment of interest of borrowings	(10,282)	(50,236)
Repayment of short-term financing payables and bonds interest	(3,054,678)	(2,555,005)
Repayment of interest of long-term loans	(11,061)	(41,019)
Capital reduction by non-controlling shareholders	–	(4,000)
Proceeds from short-term financing payables and bonds issued	44,536,331	34,722,938
Repayment of short-term financing payables and bonds	(63,306,685)	(26,270,001)
Proceeds from borrowings	1,016,022	3,508,199
Repayment of borrowings	(425,370)	(709,444)
Repayment of long-term loans	(200,328)	(974,894)
Payment of principal and interest on lease liabilities	(167,107)	(139,786)
Proceeds from other financing activities	459,844	150,802
Payment of acquisition of treasury shares	(233,609)	–
Repayment of other financing activities	(6,302)	(5,307)
Net cash (used in)/from financing activities	(19,192,970)	6,902,683
Net (decrease)/increase in cash and cash equivalents	(3,656,252)	2,146,803
Cash and cash equivalents at the beginning of the period	21,281,276	19,907,205
Effect of foreign exchange rate changes, net	108,957	(18,177)
Cash and cash equivalents at the end of the period	17,733,981	22,035,831

The accompanying notes form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL

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

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

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

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

The unaudited condensed consolidated financial statements were approved by the Board of Directors (the "Board") on 30 August 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

Except as described below, the principal accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2021.

Changes on accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised standards for the first time for the current period’s financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The adoption of the revised IFRSs does not have a significant impact on the Group’s consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT REPORTING

The operating and reportable segment information provided to the chief operating decision maker for the six months ended 30 June 2022 and 2021 is as follows:

	Investment banking RMB' 000	Wealth management RMB' 000	Trading and institution RMB' 000	Investment management RMB' 000	Others RMB' 000	Segment total RMB' 000	Elimination RMB' 000	Consolidated total RMB' 000
Unaudited								
For the six months ended								
30 June 2022								
Segment revenue and results								
Segment revenue	282,119	6,646,826	4,260,699	3,588,066	48,309	14,826,019	–	14,826,019
Segment other income and gains or losses	(129)	883,216	5,293	502,030	596,330	1,986,740	–	1,986,740
Segment revenue and other income	281,990	7,530,042	4,265,992	4,090,096	644,639	16,812,759	–	16,812,759
Segment expenses	(239,602)	(4,163,275)	(3,405,950)	(2,808,736)	(958,292)	(11,575,855)	–	(11,575,855)
Segment results	42,388	3,366,767	860,042	1,281,360	(313,653)	5,236,904	–	5,236,904
Share of results of associates and joint ventures	–	(39)	(11,466)	345,823	3,387	337,705	–	337,705
Profit/(loss) before income tax	42,388	3,366,728	848,576	1,627,183	(310,266)	5,574,609	–	5,574,609
Unaudited								
As at 30 June 2022								
Segment assets and liabilities								
Segment assets	122,397	146,668,465	255,449,721	33,880,392	144,167,373	580,288,348	(1,532,000)	578,756,348
Deferred tax assets								2,266,979
Group's total assets								581,023,327
Segment liabilities	69,436	129,236,097	135,591,447	13,869,421	188,047,708	466,814,109	–	466,814,109
Deferred tax liabilities								666,421
Group's total liabilities								467,480,530

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT REPORTING – continued

	Investment banking RMB' 000	Wealth management RMB' 000	Trading and institution RMB' 000	Investment management RMB' 000	Others RMB' 000	Segment total RMB' 000	Elimination RMB' 000	Consolidated total RMB' 000
Unaudited								
For the six months ended								
30 June 2021								
Segment revenue and results								
Segment revenue	263,054	7,227,110	6,157,302	6,294,658	31,213	19,973,337	-	19,973,337
Segment other income and gains or losses	1,148	1,449,258	(1,602)	(254,221)	559,496	1,754,079	-	1,754,079
Segment revenue and other income	264,202	8,676,368	6,155,700	6,040,437	590,709	21,727,416	-	21,727,416
Segment expenses	(181,516)	(5,587,369)	(3,061,617)	(3,076,352)	(2,296,060)	(14,202,914)	-	(14,202,914)
Segment results	82,686	3,088,999	3,094,083	2,964,085	(1,705,351)	7,524,502	-	7,524,502
Share of results of associates and joint ventures	-	48	4,060	625,502	64,407	694,017	-	694,017
Profit/(loss) before income tax	82,686	3,089,047	3,098,143	3,589,587	(1,640,944)	8,218,519	-	8,218,519
Audited								
As at 31 December 2021								
Segment assets and liabilities								
Segment assets	132,347	133,713,664	201,177,279	35,695,419	164,501,783	535,220,492	(1,484,000)	533,736,492
Deferred tax assets								2,118,832
Group's total assets								<u>535,855,324</u>
Segment liabilities	99,455	112,350,692	104,188,583	14,791,642	192,882,245	424,312,617	-	424,312,617
Deferred tax liabilities								741,364
Group's total liabilities								<u>425,053,981</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***4. COMMISSION AND FEE INCOME**

	Six months ended 30 June	
	2022	2021
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Asset management and fund management fee income	4,418,684	4,829,302
Securities brokerage business commission and fee income	3,098,055	3,439,227
Futures brokerage business commission and fee income	282,633	261,896
Underwriting and sponsorship fee income	251,281	245,751
Consultancy and financial advisory fee income	109,565	133,895
Others	155,990	106,366
	<u>8,316,208</u>	<u>9,016,437</u>

5. INTEREST INCOME

	Six months ended 30 June	
	2022	2021
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Margin financing and securities lending	2,885,000	3,029,833
Deposits with exchanges and financial institutions	1,520,019	1,407,328
Debt instruments at fair value through other comprehensive income	1,503,272	1,746,552
Financial assets held under resale agreements	371,864	406,014
Leasing business	26,332	49,190
Debt instruments at amortised cost	504	11,890
Others	9,004	802
	<u>6,315,995</u>	<u>6,651,609</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	209,755	92,062
Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss	(1,717,846)	1,581,325
Dividend income and interest income from financial instruments at fair value through profit or loss	1,748,705	1,000,352
Dividend income from financial instruments at fair value through other comprehensive income	12,994	638,074
Net realised gains from derivatives	1,050,007	56,185
Unrealised fair value changes of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(1,639,468)	945,495
– Financial liabilities at fair value through profit or loss	215,845	399,698
– Derivatives	313,824	(407,900)
	<u>193,816</u>	<u>4,305,291</u>

7. OTHER INCOME AND GAINS OR LOSSES

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Commodity trading income	777,912	1,376,834
Government grants	697,901	633,230
Third-party interests in consolidated structured entities	448,377	(343,049)
Commission from tax withholding and remitting	67,744	48,462
Gains on disposal of subsidiaries, associates and joint ventures	2,710	13,472
Others	(7,904)	25,130
	<u>1,986,740</u>	<u>1,754,079</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Depreciation of property and equipment	176,522	162,412
Depreciation of right-of-use assets	167,214	154,910
Amortisation of other intangible assets	58,590	50,386
Depreciation of investment properties	2,475	1,550
	<u>404,801</u>	<u>369,258</u>

9. STAFF COSTS

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Salaries, bonuses and allowances and other long-term benefits	3,499,736	5,015,023
Defined contribution plans	285,099	279,230
Short-term social welfares	201,351	174,910
Others	177,323	201,665
	<u>4,163,509</u>	<u>5,670,828</u>

10. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Securities and futures brokerage business expenses	139,100	162,875
Underwriting and sponsorship fee expenses	2,737	579
Other service expenses	10,924	6,537
	<u>152,761</u>	<u>169,991</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***11. INTEREST EXPENSES**

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Bonds payable	1,941,043	1,831,753
Financial assets sold under repurchase agreements	1,104,885	1,100,433
Short-term financing payables	569,344	686,216
Due to banks and other financial institutions	313,255	239,238
Accounts payable to brokerage clients	254,036	221,660
Lease liabilities	17,205	16,410
Borrowings	13,117	48,563
Long-term loans	6,116	36,202
Others	74,133	58,226
	<u>4,293,134</u>	<u>4,238,701</u>

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Distribution expenses for fund and asset management business	995,373	1,064,181
Commodity trading costs	776,069	1,374,824
General and administrative expenses	388,034	338,988
Post and telecommunications expenses	122,458	105,757
Taxes and surcharges	88,498	113,184
Advertisement and business development expenses	88,114	80,349
Rents and utilities	69,560	68,981
Securities and futures investor protection funds	64,557	59,148
Sundry expenses	166,776	183,773
	<u>2,759,439</u>	<u>3,389,185</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***13. CREDIT LOSS EXPENSE**

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Debt instruments at amortised cost	(5,912)	2,033
Debt instruments at fair value through other comprehensive income	15,669	(12,595)
Advances to customers	(146,960)	69,404
Accounts receivable	10,756	5,503
Lease receivables	12,669	12,884
Financial assets held under resale agreements	(101,201)	268,002
Others	5,739	18,349
	<u>(209,240)</u>	<u>363,580</u>

14. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	1,057,103	1,721,227
Hong Kong Profits Tax and other jurisdictions	1,589	62,939
	<u>1,058,692</u>	<u>1,784,166</u>
Subtotal	1,058,692	1,784,166
Deferred income tax (Note 34)	(137,088)	(42,540)
	<u>921,604</u>	<u>1,741,626</u>

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Company and its main subsidiaries in the PRC is 25% (2021: 25%).

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for both periods. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company (in thousand)	4,198,083	5,888,485
Less: Profit for the period attributable to other equity instrument holders of the Company (in thousand)	19,865	–
	<u>4,178,218</u>	<u>5,888,485</u>
Profit for the period attributable to ordinary shareholders of the Company (in thousand)		
	<u>4,178,218</u>	<u>5,888,485</u>
Weighted average number of ordinary shares in issue (in thousands of shares) ⁽ⁱ⁾	<u>7,618,547</u>	<u>7,621,088</u>
Earnings per share (RMB)		
– Basic	<u>0.55</u>	<u>0.77</u>
– Diluted	<u>0.55</u>	<u>0.77</u>
(i) Weighted average number of ordinary shares in issue (in thousands of shares)		
Number of ordinary shares as at the beginning of the period	7,621,088	7,621,088
Less: Weighted average number of ordinary shares repurchased	2,541	–
	<u>7,618,547</u>	<u>7,621,088</u>
Weighted average number of ordinary shares		
	<u>7,618,547</u>	<u>7,621,088</u>

There were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2022 and 30 June 2021.

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. PROPERTY AND EQUIPMENT

	Properties and buildings RMB' 000	Electronic and communication equipment RMB' 000	Motor vehicles RMB' 000	Office equipment RMB' 000	Improvements RMB' 000	Construction in progress RMB' 000	Total RMB' 000
Unaudited							
Cost							
As at 1 January 2022	2,819,136	1,056,698	124,709	252,151	938,376	–	5,191,070
Additions	–	86,896	11,289	5,799	14,805	246,301	365,090
Transfers during the period	(122,284)	–	–	–	–	–	(122,284)
Disposals/write-off	(16,072)	(28,382)	(5,250)	(1,738)	(7,266)	–	(58,708)
Effect of foreign currency exchange differences	–	1,792	63	204	1,114	–	3,173
As at 30 June 2022	<u>2,680,780</u>	<u>1,117,004</u>	<u>130,811</u>	<u>256,416</u>	<u>947,029</u>	<u>246,301</u>	<u>5,378,341</u>
Accumulated depreciation and impairment							
As at 1 January 2022	567,152	715,828	83,276	172,077	572,005	–	2,110,338
Charge for the period	38,926	68,436	7,085	15,908	48,170	–	178,525
Transfers during the period	(9,491)	–	–	–	–	–	(9,491)
Disposals/write-off	–	(28,221)	(5,241)	(1,705)	(7,256)	–	(42,423)
Effect of foreign currency exchange differences	–	1,506	54	150	1,015	–	2,725
As at 30 June 2022	<u>596,587</u>	<u>757,549</u>	<u>85,174</u>	<u>186,430</u>	<u>613,934</u>	<u>–</u>	<u>2,239,674</u>
Net carrying amount							
As at 30 June 2022	<u>2,084,193</u>	<u>359,455</u>	<u>45,637</u>	<u>69,986</u>	<u>333,095</u>	<u>246,301</u>	<u>3,138,667</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. PROPERTY AND EQUIPMENT – continued

	Properties and buildings RMB' 000	Electronic and communication equipment RMB' 000	Motor vehicles RMB' 000	Office equipment RMB' 000	Improvements RMB' 000	Total RMB' 000
Audited						
Cost						
As at 1 January 2021	2,860,832	960,058	119,862	246,525	926,668	5,113,945
Additions	-	187,462	21,397	16,685	72,422	297,966
Transfers during the year	(19,420)	-	-	-	-	(19,420)
Disposals/write-off	(22,276)	(89,625)	(16,509)	(10,935)	(59,955)	(199,300)
Effect of foreign currency exchange differences	-	(1,197)	(41)	(124)	(759)	(2,121)
As at 31 December 2021	<u>2,819,136</u>	<u>1,056,698</u>	<u>124,709</u>	<u>252,151</u>	<u>938,376</u>	<u>5,191,070</u>
Accumulated depreciation and impairment						
As at 1 January 2021	487,688	688,158	85,682	149,658	538,562	1,949,748
Charge for the year	80,647	117,921	14,021	33,199	92,545	338,333
Transfers during the year	(1,183)	-	-	-	-	(1,183)
Disposals/write-off	-	(89,252)	(16,396)	(10,672)	(58,453)	(174,773)
Effect of foreign currency exchange differences	-	(999)	(31)	(108)	(649)	(1,787)
As at 31 December 2021	<u>567,152</u>	<u>715,828</u>	<u>83,276</u>	<u>172,077</u>	<u>572,005</u>	<u>2,110,338</u>
Net carrying amount						
As at 31 December 2021	<u>2,251,984</u>	<u>340,870</u>	<u>41,433</u>	<u>80,074</u>	<u>366,371</u>	<u>3,080,732</u>

As at 30 June 2022, the Group's properties and buildings amounting to RMB335.82 million (31 December 2021: RMB349.39 million) included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, and therefore the entire lease is accounted for as properties and buildings.

The Group is still in the process of applying for the title certificates for its properties and buildings with a carrying amount of RMB26.75 million as at 30 June 2022 (31 December 2021: RMB27.82 million) and GF Securities Tower with a carrying amount of RMB1,878.57 million, of which RMB1,748.38 million were classified as property and equipment and RMB130.19 million were classified as investment properties. The Group expects that the aforesaid matter would not affect its rights over the assets or have no significant impact on its operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. LEASES**The Group as a lessee**

The Group has lease contracts for various items of properties and buildings used in its operations. The Group is restricted from assigning and subleasing the leased assets outside the Group.

(1) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

	Properties and buildings RMB' 000	Land use rights RMB' 000	Total RMB' 000
Unaudited			
Cost			
As at 1 January 2022	1,356,248	1,324,150	2,680,398
Additions	157,971	–	157,971
Transfers during the period	–	(30,494)	(30,494)
Disposals/write-off	(106,341)	–	(106,341)
Effect of foreign currency exchange differences	5,740	–	5,740
As at 30 June 2022	<u>1,413,618</u>	<u>1,293,656</u>	<u>2,707,274</u>
Accumulated depreciation and impairment			
As at 1 January 2022	538,457	164,125	702,582
Charge for the period	151,828	15,386	167,214
Transfers during the period	–	(9,353)	(9,353)
Disposals/write-off	(92,375)	–	(92,375)
Effect of foreign currency exchange differences	2,958	–	2,958
As at 30 June 2022	<u>600,868</u>	<u>170,158</u>	<u>771,026</u>
Net carrying amount			
As at 30 June 2022	<u>812,750</u>	<u>1,123,498</u>	<u>1,936,248</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. LEASES – continued

The Group as a lessee – continued

(1) Right-of-use assets – continued

	Properties and buildings RMB' 000	Land use rights RMB' 000	Total RMB' 000
Audited			
Cost			
As at 1 January 2021	1,052,794	1,325,949	2,378,743
Additions	495,376	3,000	498,376
Disposals/write-off	(189,174)	–	(189,174)
Transfers during the year	–	(4,799)	(4,799)
Effect of foreign currency exchange differences	(2,748)	–	(2,748)
As at 31 December 2021	<u>1,356,248</u>	<u>1,324,150</u>	<u>2,680,398</u>
Accumulated depreciation and impairment			
As at 1 January 2021	408,225	134,901	543,126
Charge for the year	284,984	30,616	315,600
Disposals/write-off	(152,150)	–	(152,150)
Transfers during the year	–	(1,392)	(1,392)
Effect of foreign currency exchange differences	(2,602)	–	(2,602)
As at 31 December 2021	<u>538,457</u>	<u>164,125</u>	<u>702,582</u>
Net carrying amount			
As at 31 December 2021	<u>817,791</u>	<u>1,160,025</u>	<u>1,977,816</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***17. LEASES – continued****The Group as a lessee – continued***(2) Lease liabilities*

The carrying amounts of the Group's lease liabilities are as follows:

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Properties and buildings		
Current	291,234	278,111
Non-current	545,528	563,647
Total	836,762	841,758

As at 30 June 2022 and 31 December 2021, the future cash outflows relating to leases that have not yet commenced are insignificant.

18. INVESTMENTS IN ASSOCIATES

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Cost of unlisted investments in associates	2,435,313	2,624,483
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,239,928	3,314,078
	5,675,241	5,938,561
Unlisted investment in an associate at fair value through profit or loss (Note)	13,710	8,202
	5,688,951	5,946,763

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB13.71 million (31 December 2021: RMB8.20 million) held through GF Beacon Capital Management Limited, a venture capital organisation and an indirectly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this associate on a fair value basis as at 30 June 2022. The valuation determination, including valuation techniques, key inputs and fair value information for the associate measured at fair value through profit or loss are set out in note 52.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. INVESTMENTS IN ASSOCIATES – continued

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

Name of associate	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 30 June 2022	As at 31 December 2021	
易方達基金管理有限公司 E Fund Management Co., Limited ("E Fund")	PRC 17 April 2001	22.65%	22.65%	Publicly offered securities investment fund management, fund sale, asset management for specific customers

19. INVESTMENTS IN JOINT VENTURES

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Cost of unlisted investments in joint ventures	2,618,749	2,380,720
Share of post-acquisition profits and other comprehensive income, net of dividends received	(248,695)	(70,863)
	<u>2,370,054</u>	<u>2,309,857</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***20. DEBT INSTRUMENTS AT AMORTISED COST**

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current		
Debt securities	37,921	–
Secured loan receivables	320,047	319,810
Less: Allowance for ECLs	262,406	261,031
	<u>95,562</u>	<u>58,779</u>
Analysed as:		
Unlisted	<u>95,562</u>	<u>58,779</u>
Current		
Debt securities	6,789	–
Entrusted loans	14,448	15,515
Secured loan receivables	44,057	42,120
Asset management schemes launched by securities companies	234,477	234,477
Less: Allowance for ECLs	240,856	246,203
	<u>58,915</u>	<u>45,909</u>
Analysed as:		
Unlisted	<u>58,915</u>	<u>45,909</u>
Total	<u>154,477</u>	<u>104,688</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

20. DEBT INSTRUMENTS AT AMORTISED COST – continued

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	507,234	517,227
Charge for the period/year ⁽ⁱ⁾	18,793	131,152
Reversal	(24,705)	(28,551)
Amounts written off as uncollectible	–	(91,364)
Effect of foreign currency exchange differences and others	1,940	(21,230)
At 30 June 2022/31 December 2021	<u>503,262</u>	<u>507,234</u>

- (i) Charge for the period/year comprises the impairment losses from new and remaining debt instruments at amortised cost, model/risk parameters adjustment, etc.

During the period, the debt instruments at amortised cost were not transferred between stages.

As at 30 June 2022, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB0.11 million, nil and RMB503.15 million, respectively (31 December 2021: nil, nil and RMB507.23 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current		
Jilin Aodong Pharmaceutical Group Co., Ltd.	639,292	799,982
Others	73,505	72,810
	<u>712,797</u>	<u>872,792</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	639,292	799,982
Unlisted	73,505	72,810
	<u>712,797</u>	<u>872,792</u>

- (i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

The above equity instruments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Fair values of the Group's equity instruments at FVTOCI are determined in the manner described in note 52.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

22. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Current		
Debt securities	<u>109,135,727</u>	<u>110,475,096</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	<u>36,873,756</u>	46,398,597
Unlisted	<u>72,261,971</u>	<u>64,076,499</u>
	<u>109,135,727</u>	<u>110,475,096</u>

- (i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	295,924	608,233
Charge for the period/year ⁽ⁱⁱ⁾	110,180	231,087
Reversal	(94,511)	(273,269)
Amounts written off as uncollectible	–	(268,683)
Effect of foreign currency exchange differences	<u>1,586</u>	<u>(1,444)</u>
At 30 June 2022/31 December 2021	<u>313,179</u>	<u>295,924</u>

- (ii) Charge for the period/year comprises the impairment losses from new and remaining debt instruments at fair value through other comprehensive income, model/risk parameters adjustment, etc.

During the period, the debt instruments at fair value through other comprehensive income were not transferred between stages.

As at 30 June 2022, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB174.97 million, nil and RMB138.21 million, respectively (31 December 2021: RMB165.90 million, nil and RMB130.03 million).

Fair values of the Group's debt instruments at FVTOCI are determined in the manner described in note 52.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***23. ADVANCES TO CUSTOMERS**

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Current		
Loans to margin clients	86,066,043	97,825,668
Restricted equity incentive financing	16,266	14,758
Less: Allowance for ECLs	470,308	609,658
	85,612,001	97,230,768

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	609,658	340,788
Charge for the period/year ⁽ⁱ⁾	27,714	317,019
Reversal	(174,674)	(31,630)
Amounts written off as uncollectible	(4,113)	(8,762)
Effect of foreign currency exchange differences	11,723	(7,757)
At 30 June 2022/31 December 2021	470,308	609,658

- (i) Charge for the period/year comprises the impairment losses from new and remaining advances to customers, model/risk parameters adjustment, etc.

During the period, the transfers of advances to customers between stages were not significant.

As at 30 June 2022, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB158.76 million, RMB17.96 million and RMB293.59 million, respectively (31 December 2021: RMB179.35 million, nil and RMB430.31 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

24. ACCOUNTS RECEIVABLE

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Accounts receivable from/related to:		
Current		
Commission and fee	1,716,984	1,872,719
Brokers	678,584	972,903
Cash clients	214,392	191,898
Clearing house	236,465	106,883
Deposits for OTC business	1,838,299	1,210,281
Others	1,012,032	626,097
Less: Allowance for ECLs	197,458	185,532
	<u>5,499,298</u>	<u>4,795,249</u>

The following is an ageing analysis of accounts receivable net of allowance for ECLs:

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Current		
Within 1 year	4,882,465	4,399,343
Between 1 and 2 years	418,735	297,918
Between 2 and 3 years	149,976	54,997
More than 3 years	48,122	42,991
	<u>5,499,298</u>	<u>4,795,249</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***24. ACCOUNTS RECEIVABLE – continued**

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	185,532	200,573
Charge for the period/year ⁽ⁱ⁾	12,426	8,005
Reversal	(1,670)	(17,778)
Amounts written off as uncollectible	(119)	(4,695)
Effect of foreign currency exchange differences	1,289	(573)
	<hr/> 197,458 <hr/>	<hr/> 185,532 <hr/>
At 30 June 2022/31 December 2021		

- (i) Charge for the period/year comprises the impairment losses from new and remaining accounts receivable, model/risk parameters adjustment, etc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

25. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current		
Receivables arising from sale and leaseback arrangements ⁽ⁱⁱ⁾	1,581	3,523
Other receivables	–	262,779
Less: Allowance for impairment	20	147
	<u>1,561</u>	<u>266,155</u>
Current		
Investment prepayments	3,476,382	205,000
Receivables arising from sale and leaseback arrangements ⁽ⁱⁱ⁾	48,813	75,969
Other receivables	486,035	558,764
Others	242,231	184,658
Less: Allowance for impairment	110,504	105,692
	<u>4,142,957</u>	<u>918,699</u>
Total	<u>4,144,518</u>	<u>1,184,854</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	105,839	121,983
Charge for the period/year ⁽ⁱ⁾	6,571	6,467
Reversal	(1,925)	(21,478)
Amounts written off as uncollectible	–	(1,081)
Effect of foreign currency exchange differences and others	39	(52)
At 30 June 2022/31 December 2021	110,524	105,839

- (i) Charge for the period/year comprises the impairment losses from new and remaining other accounts receivable, other receivables and prepayments, model/risk parameters adjustment, etc.
- (ii) Minimum lease payments to be received and the corresponding present value are as follows:

	As at 30 June 2022		As at 31 December 2021	
	Minimum lease payments RMB' 000	Present value RMB' 000	Minimum lease payments RMB' 000	Present value RMB' 000
Within 1 year (including 1 year)	48,614	48,813	77,019	75,969
Between 1 and 2 years (including 2 years)	2,100	1,581	2,362	1,587
Between 2 and 3 years (including 3 years)	–	–	2,100	1,936
Total	50,714	50,394	81,481	79,492
Less: Unrealised finance income	320	N/A	1,989	N/A
Balance of receivables arising from sale and leaseback arrangements	50,394	50,394	79,492	79,492
Less: Allowance for ECLs	38,624	38,624	38,977	38,977
Receivables arising from sale and leaseback arrangements, net	11,770	11,770	40,515	40,515

As at 30 June 2022, the effective interest rates ranged from 6% to 13% (31 December 2021: 6% to 13%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	38,977	42,593
Charge for the period/year ⁽ⁱⁱⁱ⁾	1,532	6,315
Reversal	(1,885)	(9,931)
	<hr/>	<hr/>
At 30 June 2022/31 December 2021	38,624	38,977
	<hr/> <hr/>	<hr/> <hr/>

- (iii) Charge for the period/year comprises the impairment losses from remaining receivables arising from sale and leaseback arrangements, model/risk parameters adjustment, etc.

26. FINANCIAL LEASING RECEIVABLES

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Analysed as:		
Current assets	460,785	645,530
Non-current assets	17,387	88,782
	<hr/>	<hr/>
	478,172	734,312
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

26. FINANCIAL LEASING RECEIVABLES – continued

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

	As at 30 June 2022		As at 31 December 2021	
	Minimum lease payments RMB' 000 (unaudited)	Present value RMB' 000 (unaudited)	Minimum lease payments RMB' 000 (audited)	Present value RMB' 000 (audited)
Within 1 year (including 1 year)	1,041,163	1,032,683	1,231,426	1,203,565
Between 1 and 2 years (including 2 years)	17,806	17,593	92,691	89,829
Total	1,058,969	1,050,276	1,324,117	1,293,394
Less: Unrealised finance income	8,693	N/A	30,723	N/A
Balance of financial leasing receivables	1,050,276	1,050,276	1,293,394	1,293,394
Less: Allowance for ECLs	572,104	572,104	559,082	559,082
Financial leasing receivables, net	478,172	478,172	734,312	734,312

As at 30 June 2022, the effective interest rates ranged from 5% to 17% (31 December 2021: 5% to 17%) per annum.

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	559,082	483,952
Charge for the period/year ⁽ⁱ⁾	18,980	86,207
Reversal	(5,958)	(11,077)
At 30 June 2022/31 December 2021	572,104	559,082

(i) Charge for the period/year comprises the impairment losses from remaining financial leasing receivables, model/risk parameters adjustment, etc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

26. FINANCIAL LEASING RECEIVABLES – continued

During the period, the financial leasing receivables were not transferred between stages.

As at 30 June 2022, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB1.43 million, RMB0.01 million and RMB570.66 million, respectively (31 December 2021: RMB2.98 million, RMB0.06 million and RMB556.04 million).

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current		
Analysed by collateral type:		
Stocks ⁽ⁱ⁾	1,449,563	1,457,150
Less: Allowance for ECLs	49,682	45,727
	<u>1,399,881</u>	<u>1,411,423</u>
Analysed by market:		
Stock exchanges	<u>1,399,881</u>	<u>1,411,423</u>
Current		
Analysed by collateral type:		
Stocks ⁽ⁱ⁾	10,091,142	11,482,678
Bonds ⁽ⁱⁱ⁾	6,481,107	7,863,504
Less: Allowance for ECLs	660,217	765,373
	<u>15,912,032</u>	<u>18,580,809</u>
Analysed by market:		
Stock exchanges	9,465,938	10,727,309
Interbank bond market	5,021,096	7,296,819
Over the counter	1,424,998	556,681
	<u>15,912,032</u>	<u>18,580,809</u>
Total	<u>17,311,913</u>	<u>19,992,232</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – continued**

- (i) The financial assets (pledged by stocks) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The fair value of the stock collateral amounted to RMB40,234.44 million as at 30 June 2022 (31 December 2021: RMB46,719.34 million).
- (ii) The financial assets (pledged by bonds) held under resale agreements are mainly for inter-bank pledged resale agreements and inter-bank outright resale agreements, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB8,682.18 million as at 30 June 2022 (31 December 2021: RMB9,041.74 million).

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	811,100	225,911
Charge for the period/year ⁽ⁱⁱⁱ⁾	56,848	646,361
Reversal	(158,049)	(61,172)
At 30 June 2022/31 December 2021	<u>709,899</u>	<u>811,100</u>

- (iii) Charge for the period/year comprises the impairment losses from new and remaining financial assets held under resale agreements, model/risk parameters adjustment, etc.

During the period, the financial assets held under resale agreements were not transferred between stages.

As at 30 June 2022, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB254.12 million, nil and RMB455.78 million, respectively (31 December 2021: RMB279.99 million, nil and RMB531.11 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current		
At fair value through profit or loss ⁽ⁱ⁾ :		
Listed equity securities	21,965	35,470
Unlisted equity instruments	8,236,538	7,180,796
Mutual funds	106,537	132,147
Convertible preference shares	160,485	138,843
Asset management schemes launched by securities companies ^{(ii),(iii)}	217,397	406,231
Other investments ⁽ⁱⁱⁱ⁾	155,975	143,357
	<u>8,898,897</u>	<u>8,036,844</u>
Analysed as:		
Listed outside Hong Kong ^(iv)	21,965	35,470
Unlisted ^(v)	8,876,932	8,001,374
	<u>8,898,897</u>	<u>8,036,844</u>
Current		
At fair value through profit or loss ⁽ⁱ⁾ :		
Debt securities	45,983,002	35,288,216
Listed equity securities	19,303,953	21,088,727
Unlisted equity instruments	74,661	702
Mutual funds	64,743,898	50,232,685
Asset management schemes launched by securities companies ^{(ii),(iii)}	1,188,268	1,731,752
Collective trusts	287,427	288,964
Wealth management products launched by banks ⁽ⁱⁱⁱ⁾	749,164	799,521
Commercial papers	12,418,710	53,609
Other investments ⁽ⁱⁱⁱ⁾	10,489,267	6,943,392
	<u>155,238,350</u>	<u>116,427,568</u>
Analysed as:		
Listed in Hong Kong	2,118,905	1,250,662
Listed outside Hong Kong ^(iv)	35,026,287	40,872,230
Unlisted ^(v)	118,093,158	74,304,676
	<u>155,238,350</u>	<u>116,427,568</u>
Total	<u>164,137,247</u>	<u>124,464,412</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

- (i) During the period, the Group classified the following financial assets at fair value through profit or loss: debt instruments that do not qualify for measurement at either amortised cost or FVTOCI; equity instruments that are held for trading, and equity instruments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.
- (ii) The Group has committed to hold some of its investments in asset management schemes managed by the Group for specified periods due to contractual or regulatory requirements, the amount of which was RMB0.10 million as at 30 June 2022 (31 December 2021: RMB400.64 million).
- (iii) The investments in asset management schemes and other wealth management products, categorised as other investments, represent products launched and managed by the Group and other financial institutions. The Group's interests in these asset management schemes managed by the Group are not individually significant.
- (iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.
- (v) Unlisted securities mainly comprise unlisted funds, debt securities traded on the Interbank Bond Market, unlisted equity instruments, convertible debt instruments, convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.

As at 30 June 2022, the listed equity securities of the Group included restricted shares of approximately RMB4,056.97 million (31 December 2021: RMB3,977.00 million). The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group from disposing of them within the specified period.

As at 30 June 2022, the Group entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss ("FVTPL") (including equity securities and exchange traded funds) with a total fair value of RMB553.65 million (31 December 2021: RMB664.15 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair value of the Group's financial assets at fair value through profit or loss is determined in the manner described in note 52.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

29. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2022			As at 31 December 2021		
	Notional principal amount RMB' 000	Assets RMB' 000 (unaudited)	Liabilities RMB' 000 (unaudited)	Notional principal amount RMB' 000	Assets RMB' 000 (audited)	Liabilities RMB' 000 (audited)
Interest rate derivatives						
– Interest rate swaps ⁽ⁱ⁾	527,329,044	470	1,962	386,685,000	674	1,574
– Standard bond forward ⁽ⁱ⁾	119,921	–	–	645,010	–	–
– Interest rate options	3,000,000	504	40	3,000,000	1,002	174
– Treasury bond futures ⁽ⁱ⁾	5,333,387	1,504	5,842	5,213,609	–	4,728
Currency derivatives						
– Currency swaps	780,381	176	9,846	232,844	272	892
– Currency forward	1,433,148	1,909	5,154	313,487	4,347	402
– Currency futures	964,388	–	7,401	782,288	9,018	–
Equity derivatives						
– Stock index futures ⁽ⁱ⁾	14,477,295	8,260	23,174	17,423,444	16,506	33
– Exchange-traded options	5,150,961	71,667	82,385	6,103,153	53,082	88,816
– Over-the-counter equity derivatives transactions	38,488,977	1,767,725	1,863,209	29,575,522	469,687	643,548
Credit derivatives						
– Credit risk mitigation warrants	–	–	–	20,000	–	–
Others						
– Commodity futures ⁽ⁱ⁾	5,612,440	–	–	5,173,976	–	–
– Others	7,677,756	103,360	87,717	8,346,950	9,905	240,932
Total	610,367,698	1,955,575	2,086,730	463,515,283	564,493	981,099

- (i) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts and interest rate swaps contracts and bond forward contracts traded in the Shanghai Clearing House were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2022 and 31 December 2021. Accordingly, the net position of the above contracts was nil at the period/year-end date. Balances as at 30 June 2022 were the unrealised profits and losses from contracts in Hong Kong or other overseas areas.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***30. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS**

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Deposits with stock exchanges:		
Shanghai Stock Exchange	724,513	768,645
Shenzhen Stock Exchange	316,464	335,048
Hong Kong Stock Exchange	43,496	83,217
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	642,565	211,363
Shanghai Futures Exchange	1,835,448	1,665,831
Zhengzhou Commodity Exchange	843,837	624,475
Dalian Commodity Exchange	2,206,128	1,583,867
China Financial Futures Exchange	4,633,071	4,858,568
Intercontinental Exchange, Inc.	367,832	270,453
China Securities Finance Corporation Limited	2,595,840	619,667
Shanghai Clearing House	201,824	147,433
Guarantee fund paid to China Financial Futures Exchange	56,067	67,011
LME Clear Limited	390,766	344,111
Brokers	1,494,980	831,185
Shanghai International Energy Exchange Co., Ltd.	127,219	76,632
Others	38,905	7,607
	<u>16,518,955</u>	<u>12,495,113</u>
Total		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

31. CLEARING SETTLEMENT FUNDS

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Clearing settlement funds held with clearing houses for:		
House accounts	4,742,532	4,547,355
Clients	<u>20,546,992</u>	<u>23,147,026</u>
	<u>25,289,524</u>	<u>27,694,381</u>

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

32. BANK BALANCES

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Bank balances:		
House accounts	18,338,313	21,815,947
Cash held on behalf of customers ⁽ⁱ⁾	<u>115,655,053</u>	<u>97,496,873</u>
	<u>133,993,366</u>	<u>119,312,820</u>

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

As at 30 June 2022, the Group's bank balances of RMB4,703.69 million were restricted.

- (i) The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 38).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***33. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Bank balances – house accounts	12,994,143	16,737,019
Clearing settlement funds – house accounts	<u>4,739,838</u>	<u>4,544,257</u>
	<u>17,733,981</u>	<u>21,281,276</u>

34. DEFERRED TAX

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

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Deferred tax assets	2,266,979	2,118,832
Deferred tax liabilities	<u>(666,421)</u>	<u>(741,364)</u>
	<u>1,600,558</u>	<u>1,377,468</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

34. DEFERRED TAX – continued

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

	Financial instruments at fair value through profit or loss/ derivatives RMB' 000	Financial instruments at fair value through other comprehensive income RMB' 000	Accrued staff cost RMB' 000	Allowance for impairment losses RMB' 000	Property and equipment RMB' 000	Others RMB' 000	Total RMB' 000
At 1 January 2021 (audited)	(283,390)	(217,551)	1,013,554	375,457	(16,182)	33,629	905,517
Charge/(credit) to profit or loss	(38,125)	(70,250)	461,669	231,455	984	(102,677)	483,056
Charge/(credit) to other comprehensive income	378	(36,787)	–	(3)	–	(314)	(36,726)
Transferred out	25,545	–	–	–	–	76	25,621
At 31 December 2021 (audited)	<u>(295,592)</u>	<u>(324,588)</u>	<u>1,475,223</u>	<u>606,909</u>	<u>(15,198)</u>	<u>(69,286)</u>	<u>1,377,468</u>
Charge/(credit) to profit or loss (Note 14)	15,653	3,770	183,870	(58,230)	492	(8,467)	137,088
Charge/(credit) to other comprehensive income	(59)	85,812	–	2	–	247	86,002
At 30 June 2022 (unaudited)	<u>(279,998)</u>	<u>(235,006)</u>	<u>1,659,093</u>	<u>548,681</u>	<u>(14,706)</u>	<u>(77,506)</u>	<u>1,600,558</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***35. BORROWINGS**

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Secured short-term bank loans ⁽ⁱ⁾	386,319	622,814
Unsecured short-term bank loans ⁽ⁱⁱ⁾	1,186,743	293,731
	<u>1,573,062</u>	<u>916,545</u>

- (i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 30 June 2022, the total market value of securities pledged amounted to RMB2,369.13 million (31 December 2021: RMB3,048.33 million) and secured short-term bank loans bear interest rates of FDTRMID+0.9% or cost of fund rate+1.10% (31 December 2021: HIBOR+0.8% to HIBOR+0.95% or FDTRMID+0.9% or cost of fund rate+1.10%) per annum.
- (ii) As at 30 June 2022, the Group's unsecured short-term bank loans bear interest at fixed interest rates 5.20% (31 December 2021: 5.20%), or interest rates ranging from HIBOR+1.60% to HIBOR+1.70% or LIBOR+1.20% to LIBOR+1.65% (31 December 2021: LIBOR+0.75%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

36. SHORT-TERM FINANCING PAYABLES

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Unsecured and unguaranteed:		
Short-term financing bills (Note 1)	25,228,199	18,104,558
Structured notes (Note 2)	14,686,133	9,772,202
Total	<u>39,914,332</u>	<u>27,876,760</u>

Note 1: Short-term financing bills

The details of short-term financing bills as at 30 June 2022 are as follows:

Name	Issue amount RMB' 000	Value date	Maturity date	Coupon rate
21GFCP006	3,000,000	2021/10/21	2022/10/21	2.90%
21GFCP009	3,000,000	2021/11/08	2022/11/08	2.84%
22GFCP001	3,000,000	2022/02/11	2023/02/10	2.47%
22GFCP002	3,000,000	2022/03/14	2023/02/28	2.62%
22GFCP003	3,000,000	2022/03/25	2022/08/31	2.51%
22GFCP004	4,000,000	2022/04/15	2022/10/14	2.39%
22GFCP005	2,500,000	2022/04/28	2022/10/28	2.25%
22GFCP006	1,500,000	2022/04/28	2023/04/28	2.42%
22GFCP007	2,000,000	2022/05/18	2022/09/16	1.88%

Note 2: Structured notes

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***37. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Current		
At fair value through profit or loss:		
Bonds	86,045	207,121
Designated at fair value through profit or loss:		
Structured notes	9,770,738	8,370,561
	<u>9,856,783</u>	<u>8,577,682</u>
Analysed as:		
Unlisted	<u>9,856,783</u>	<u>8,577,682</u>
Total	<u>9,856,783</u>	<u>8,577,682</u>

As at 30 June 2022, the fair value of the Group's financial liabilities designated at fair value through profit or loss had no significant change related to the changes in the credit risk of the Group.

The fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 52.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

38. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group respectively, and bear interest at the prevailing market interest rate.

As at 30 June 2022, accounts payable to brokerage clients of approximately RMB12,336.61 million (31 December 2021: RMB9,141.42 million) were related to margin deposits and cash collateral received from clients for margin financing and securities lending arrangements.

39. ACCRUED STAFF COSTS

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current		
Other long-term benefits	<u>4,305,262</u>	<u>4,305,899</u>
Current		
Salaries, bonuses and allowances	4,130,214	5,529,592
Short-term social welfares	2,906	967
Defined contribution plans	78,687	194,935
Others	<u>67,729</u>	<u>87,086</u>
	<u>4,279,536</u>	<u>5,812,580</u>
Total	<u>8,584,798</u>	<u>10,118,479</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

40. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current		
Deposits for financial leasing business	<u>6,002</u>	<u>20,879</u>
Current		
Business margin payable to clients	12,269,432	5,754,641
Dividends payable	3,922,423	56,923
Notes payable	2,239,369	1,680,394
Commission payable and related accrued expenses for sale of funds	756,713	1,271,458
Payables for open-ended fund clearing and other clearing	678,500	970,500
Accrued expenses	362,594	246,391
Other taxes	278,373	635,643
Payable for property and equipment purchases and construction expenditure	260,968	323,986
Futures risk reserve	187,010	176,575
Funds risk reserve	127,273	80,816
Block trade deposits	100,000	100,000
Payables for securities investor protection fund and futures investor protection fund	64,448	72,312
Interest payable	42,998	59,874
Others ⁽ⁱ⁾	<u>1,231,459</u>	<u>1,162,487</u>
	<u>22,521,560</u>	<u>12,592,000</u>
Total	<u>22,527,562</u>	<u>12,612,879</u>

- (i) Others represent primarily other accounts payable and accrued operating expenses which are non-interest-bearing and are repayable within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***41. PROVISIONS**

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
At the beginning of the period/year	405,872	415,058
Addition	20,358	2,896
Reduction	—	12,082
	<u>426,230</u>	<u>405,872</u>
At 30 June 2022/31 December 2021 (Note)	<u>426,230</u>	<u>405,872</u>

Note: As at 30 June 2022, the Group recognised a provision of USD58.27 million (31 December 2021: USD58.27 million), approximately RMB391.03 million, in connection with a potential litigation that may arise relating to the matters of GTEC Pandion Multi-Strategy Fund SP as mentioned in the 2019 annual report.

42. OTHER LIABILITIES

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Non-current		
Third-party interests in consolidated structured entities	<u>1,213,826</u>	<u>1,115,223</u>
Current		
Third-party interests in consolidated structured entities	<u>865,666</u>	<u>1,130,498</u>
Total	<u>2,079,492</u>	<u>2,245,721</u>

Third-party interests in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are reflected as liabilities since there is a contractual obligation for the Group to repurchase or redeem the unit for cash.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Current		
Analysed by collateral type:		
Bonds ⁽ⁱ⁾	100,611,303	73,317,348
Gold ⁽ⁱⁱ⁾	6,801,927	7,383,843
Others	7,558,222	529,009
	<u>114,971,452</u>	<u>81,230,200</u>
Analysed by market:		
Stock exchanges	27,042,791	35,203,126
Interbank bond market	71,494,225	37,091,365
Shanghai Gold Exchange	6,852,490	7,430,376
Others	9,581,946	1,505,333
	<u>114,971,452</u>	<u>81,230,200</u>
Total	<u>114,971,452</u>	<u>81,230,200</u>

- (i) As at 30 June 2022, included in the balance was an amount of RMB12,120.40 million (31 December 2021: RMB11,724.10 million), which was secured by bonds borrowed from the interbank bond market, which are not recognised in the condensed consolidated financial statements as it is the banks rather than the Group that are subject to all the risks and returns of the bonds, and the fair value of such bonds was RMB13,164.66 million (31 December 2021: RMB12,550.04 million).
- (ii) As at 30 June 2022, the fair value of gold transferred, which is from leasing and is not recognised in the condensed consolidated financial statements, was RMB7,011.43 million (31 December 2021: RMB7,346.15 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

44. BONDS PAYABLE

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Non-current		
Corporate bonds (Note 1)	51,070,825	71,561,984
Subordinated bonds (Note 1)	2,500,000	4,500,000
Structured notes (Note 2)	8,453,927	318,112
	<u>62,024,752</u>	<u>76,380,096</u>
Current		
Corporate bonds (Note 1)	37,416,345	51,681,873
Financial bond (Note 1)	5,170,455	5,079,626
Subordinated bonds (Note 1)	2,053,260	4,291,830
Structured notes (Note 2)	766,147	1,249,507
	<u>45,406,207</u>	<u>62,302,836</u>
Total	<u>107,430,959</u>	<u>138,682,932</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

44. BONDS PAYABLE – continued

Note 1: Details of bonds as of 30 June 2022 are as follows:

Name	Issue amount RMB' 000	Value date	Maturity date	Coupon rate
Corporate bonds				
13GF03	8,983,700	2013/06/17	2023/06/17	5.10%
20GF01	5,000,000	2020/01/20	2023/01/20	3.65%
20GF02	5,800,000	2020/03/16	2023/03/16	3.20%
20GF04	3,699,908	2020/09/07	2023/09/07	4.00%
20GF08	1,399,965	2020/11/09	2022/11/09	3.83%
20GF11	1,299,968	2020/12/01	2022/12/01	4.00%
21GF03	4,495,500	2021/06/08	2024/06/08	3.40%
21GF04	999,000	2021/06/08	2026/06/08	3.68%
21GF05	2,997,000	2021/07/23	2024/07/23	3.13%
21GF06	4,495,500	2021/07/23	2026/07/23	3.45%
21GF07	1,498,500	2021/07/23	2031/07/23	3.77%
21GF08	4,595,400	2021/08/13	2022/09/07	2.69%
21GF09	3,396,600	2021/08/13	2023/08/13	2.90%
21GF10	2,997,000	2021/09/16	2024/09/16	3.10%
21GF11	1,998,000	2021/09/16	2026/09/16	3.50%
21GF12	1,998,000	2021/09/16	2031/09/16	3.90%
21GF13	2,997,000	2021/10/15	2024/10/15	3.30%
21GF16	4,195,800	2021/10/29	2023/10/29	3.10%
21GF17	4,795,200	2021/10/29	2024/10/29	3.30%
21GF19	3,996,000	2021/11/17	2024/11/17	3.15%
21GF20	3,496,500	2021/11/17	2026/11/17	3.50%
21GF21	999,000	2021/11/17	2031/11/17	3.85%
21GF22	3,699,908	2021/11/23	2022/12/16	2.85%
21GF24	4,199,895	2021/12/01	2022/12/24	2.84%
21GF25	799,980	2021/12/01	2023/05/25	3.05%
GF HOLD B2409	USD298,441	2021/09/15	2024/09/15	1.125%
Subordinated bonds				
20GFC1	2,000,000	2020/03/03	2023/03/03	3.35%
20GFC2	2,500,000	2020/03/03	2025/03/03	3.80%
Financial bond				
19GFF01	4,995,000	2019/07/23	2022/07/23	3.63%

Note 2: Structured notes

The amounts represent principal received from investors for subscription of structured notes issued by the Company and accrued interest. As at 30 June 2022, the undue structured notes bear interest at fixed rates ranging from 2.60% to 3.95% per annum (31 December 2021: 2.70% to 3.95%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

45. LONG-TERM LOANS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Non-current		
Unsecured long-term loans ⁽ⁱ⁾	11,639	22,879
Secured long-term loans ⁽ⁱⁱ⁾	19,460	40,948
	<u>31,099</u>	<u>63,827</u>
Current		
Unsecured long-term loans ⁽ⁱ⁾	23,219	22,813
Secured long-term loans ⁽ⁱⁱ⁾	80,872	252,035
	<u>104,091</u>	<u>274,848</u>
Total	<u>135,190</u>	<u>338,675</u>

- (i) As at 30 June 2022, the unsecured loans amounted to RMB34.86 million (31 December 2021: RMB45.69 million). The loans bear interest at fixed interest rates 7.09% (31 December 2021: 7.09%) per annum, with principal amounting to RMB22.10 million (31 December 2021: RMB21.34 million) due within one year, principal amounting to RMB11.64 million (31 December 2021: RMB22.88 million) due within two years.
- (ii) As at 30 June 2022, the long-term loans amounting to RMB100.33 million (31 December 2021: RMB292.98 million) are secured by rights and interests in lease receivables. The loans bear interest at fixed interest rates ranging from 4.80% to 6.65% (31 December 2021: 4.80% to 7.13%) per annum, with principal amounting to RMB79.89 million (31 December 2021: RMB248.25 million) due within one year, and principal amounting to RMB19.46 million (31 December 2021: RMB40.95 million) due within two years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***46. OTHER EQUITY INSTRUMENTS**

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Perpetual subordinated bonds	<u>3,697,300</u>	<u>1,000,000</u>

As approved by the CSRC, the Company issued two batches of perpetual subordinated bonds (“21 GF Y1” and “22 GF Y1”) amounting to RMB1 billion and RMB2.7 billion with an initial interest rate of 3.95% and 3.75% in September 2021 and June 2022, respectively. The Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The coupon rates for the perpetual subordinated bonds are fixed in the first 5 years. If the Company does not use the right of redemption, the coupon rates will be repriced every 5 years from the 6th year. The coupon rates will be repriced as the sum of the current basis rate, the initial spread, and an additional 300 basis points. The current basis rate is defined as the average yields of 5 years treasury bonds from the interbank fixed rate bond yield curve published on the China Bond website 5 working days before the interest repricing date.

The issuer has the right to defer interest payments, unless “Mandatory interest payments events” have been triggered, so that at each interest payment date, the issuer may choose to defer the current interest payment, as well as any previously deferred interest payments and accreted interests thereon, to the next payment date, without being subject to any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital 12 months before the interest payment date. When the mandatory interest payment events occur, the Company cannot defer the current interest as well as any previously.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the statement of financial position of the Group.

As at 30 June 2022, the Company recognised dividends payable to holders of the perpetual subordinated bonds amounting to RMB39.50 million (note 48).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

47. TREASURY SHARES

	As at 31 December 2021 RMB' 000 (audited)	Increase RMB' 000	Decrease RMB' 000	As at 30 June 2022 RMB' 000 (unaudited)
Treasury shares	—	233,609	—	233,609

On 30 March 2022, the 23rd meeting of the 10th session of the Board of Directors of the Company approved the Resolution on the Company's Proposed Repurchase of A Shares by Way of Centralised Price Bidding. Up to 30 June 2022, 15,242,153 A shares had been repurchased from the Shenzhen Stock Exchange by centralised price bidding for the restricted share incentive scheme. The total repurchasing cost was RMB233.61 million (transaction expenses included).

48. DIVIDENDS

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Ordinary shares' dividends recognised as distribution ⁽ⁱ⁾	3,802,923	3,429,489
Distribution to other equity instrument holders ⁽ⁱⁱ⁾	39,500	—
Total	<u>3,842,423</u>	<u>3,429,489</u>

- (i) Pursuant to the resolution the shareholders' meeting held on 20 May 2022, the Company distributed cash dividends of RMB5.0 for every 10 shares (tax included) based on 76.06 billion shares held amounting to RMB38.03 billion in total for the year ended 31 December 2021.
- (ii) The dividend distributions by the Company triggered the mandatory interest payments event for perpetual subordinated bonds. The Company recognised dividend payable to other equity instrument holders of RMB39.50 million during the period ended 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***49. RELATED PARTY TRANSACTIONS****(1) Shareholders holding more than 5% of the Company's shares and their subsidiaries***Holding interest in shareholders and their subsidiaries*

	As at 30 June 2022		As at 31 December 2021	
	Number of shares /bonds '000 (unaudited)	Carrying amount RMB'000 (unaudited)	Number of shares /bonds '000 (audited)	Carrying amount RMB'000 (audited)
Financial assets at FVTPL – stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	156	2,310	166	3,064
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	54	786	65	1,271
遼寧成大生物股份有限公司 – Liaoning Chengda Biotechnology Co., Ltd.* (Note)	3,996	187,292	3,996	290,724
中山公用事業集團股份有限公司 – Zhongshan Public Utilities Group Co., Ltd.*	44	336	86	764
	<u>44</u>	<u>336</u>	<u>86</u>	<u>764</u>

* The English names are translated for identification purposes only.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

49. RELATED PARTY TRANSACTIONS – continued

(1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – continued

Holding interest in shareholders and their subsidiaries – continued

	As at 30 June 2022		As at 31 December 2021	
	Number of shares /bonds '000 (unaudited)	Carrying amount RMB'000 (unaudited)	Number of shares /bonds '000 (audited)	Carrying amount RMB'000 (audited)
Financial assets at FVTPL – bonds				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	<u>899</u>	<u>100,198</u>	<u>899</u>	<u>109,409</u>
Financial assets at FVTOCI – stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	<u>43,312</u>	<u>639,292</u>	<u>43,312</u>	<u>799,982</u>

Cash dividends arising from equity interests in shareholders and their subsidiaries

The Group received cash dividends of RMB13.03 million from Jilin Aodong Pharmaceutical Group Co., Ltd. and cash dividends of RMB4.00 million from Liaoning Chengda Biotechnology Co., Ltd. during the period ended 30 June 2022.

Bond interests from shareholders

The Group received bond interests of RMB0.68 million from Jilin Aodong Pharmaceutical Group Co., Ltd. during the period ended 30 June 2022.

Transactions with shareholders and their subsidiaries

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Commission and fee income	<u>311</u>	<u>596</u>
Other operating expenses	<u>–</u>	<u>1,442</u>

* The English names are translated for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***49. RELATED PARTY TRANSACTIONS – continued****(2) Other related parties***Transactions with associates/joint ventures*

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Commission and fee income		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	43,203	69,234
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 Industrial Investment Fund Partnership L.P.*	8,129	24,149
廣發信德中恆匯金(龍岩)股權投資合夥企業(有限合夥)		
– GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.*	12,718	8,187
廣州信德厚峽股權投資合夥企業(有限合夥)		
– Guangzhou Xinde Houxia Equity Investment Partnership L.P.*	6,087	4,608
廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥)		
– Guangfa Xinde (Suzhou) Health Industry Venture Capital Partnership L.P.*	3,761	3,761
廣州信德創業營股權投資合夥企業(有限合夥)		
– Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.*	3,743	3,743
廣州廣發信德二期創業投資合夥企業(有限合夥)		
– Guangzhou GF Xinde Phase II Venture Capital Partnership L.P.*	2,807	2,807
珠海格金廣發信德智能製造產業投資基金(有限合夥)		
– Zhuhai Gejin Guangfa Xinde Intelligent Manufacturing Industry Investment Fund L.P.*	4,733	4,678
珠海廣發信德高成長現代服務業股權投資企業(有限合夥)		
– Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Enterprise L.P.*	1,783	1,813
珠海廣發信德智能創新升級股權投資基金(有限合夥)		
– Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.*	1,579	1,579

* The English names are translated for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

49. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Transactions with associates/joint ventures – continued

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Commission and fee income – continued		
廣州南鑫珠海港股權投資合夥企業(有限合夥) – Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.*	1,380	1,380
杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥) – Hangzhou GF Xinde Pingpang Honghu Equity Investment Fund Partnership L.P.*	775	775
珠海廣發信德科技文化產業股權投資基金(有限合夥) – Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.*	3,776	5,048
宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund L.P.*	676	569
廣州廣發信德健康創業投資基金合夥企業(有限合夥) – Guangzhou GF Xinde Health Venture Capital Fund Partnership L.P.*	4,678	4,135
珠海廣發信德中鼎創業投資基金(有限合夥) – Zhuhai GF Xinde Zhongding Venture Capital Fund L.P.*	1,133	416
珠海廣發信德新州一號創業投資基金(有限合夥) – Zhuhai GF Xinde Xinzhou No.1 Venture Capital Fund L.P.*	928	441
珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai GF Xinde Houhe Equity Shares Investment Partnership Enterprise L.P.*	356	165
珠海廣發信德厚疆創業投資基金(有限合夥) – Zhuhai GF Xinde Houjiang Venture Capital Fund L.P.*	610	8,613
高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde (Guangdong) Innovation Venture Capital Fund Partnership L.P.*	374	2,264
珠海廣發信德瑞騰創業投資基金合夥企業(有限合夥) – Zhuhai GF Xinde Ruiteng Venture Capital Fund Partnership L.P.*	2,807	667

* The English names are translated for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***49. RELATED PARTY TRANSACTIONS – continued****(2) Other related parties – continued***Transactions with associates/joint ventures – continued*

	Six months ended 30 June	
	2022	2021
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Commission and fee income – continued		
珠海盈米基金銷售有限公司		
– Zhuhai Yingmi Fund Selling Co., Ltd.*	437	189
中山中匯廣發信德股權投資基金(有限合夥)		
– Zhongshan Zhonghui GF Xinde Equity Investment Fund L.P.*	3,509	1,709
中山廣發信德致遠科技創業投資合夥企業(有限合夥)		
– Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership L.P.*	4,210	4,210
中山公用廣發信德新能源產業投資基金(有限合夥)		
– Zhongshan Public GF Xinde New Energy Resources Industrial Investment Fund Partnership L.P.*	454	–
廣州南沙區信德厚湃創業投資基金合夥企業(有限合夥)		
– Guangzhou Nansha District Xinde Houpai Entrepreneurship Investment Fund Partnership L.P.*	13	–
廣州南沙區信德厚威創業投資基金合夥企業(有限合夥)		
– Guangzhou Nansha District Xinde Houwei Entrepreneurship Investment Fund Partnership L.P.*	3,992	–
潮州市廣發信德創業投資基金合夥企業(有限合夥)		
– Chaozhou GF Xinde Entrepreneurship Investment Fund Partnership L.P.*	1,123	–
廣州廣發信德厚倫創業投資基金合夥企業(有限合夥)		
– Guangzhou GF Xinde Houlun Entrepreneurship Investment Fund Partnership L.P.*	409	–
珠海格金廣發信德三期科技創業投資基金(有限合夥)		
– Zhuhai Gejin GF Xinde Phase III Technology Entrepreneurship Investment Fund Partnership L.P.*	3,897	–
– Other associates	56	32

* The English names are translated for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

49. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Transactions with associates/joint ventures – continued

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Interest income		
– GHS Investment Management (Cayman) Company Limited	<u>33</u>	<u>65</u>
Other income and gains or losses		
– Horizon Partners Fund, L.P.	<u>–</u>	<u>408</u>
Interest expenses		
– Global Health Science Fund II, L.P.	<u>–</u>	<u>2,417</u>
Other operating expenses		
珠海盈米基金銷售有限公司		
– Zhuhai Yingmi Fund Selling Co., Ltd.*	7,821	6,551
廣發鈞策海外投資基金管理(上海)有限公司		
– GF-Persistent Overseas Investment Fund Management (Shanghai) Co., Ltd. *	<u>N/A</u>	<u>55</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***49. RELATED PARTY TRANSACTIONS – continued****(2) Other related parties – continued***Balances with associates/joint ventures*

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Commission receivable for exchange trading units and distributing financial products 易方達基金管理有限公司 – E Fund Management Co., Ltd.	20,421	36,590
Receivables for custodian fee 易方達基金管理有限公司 – E Fund Management Co., Ltd.	97	428
Receivables for asset and fund management fee income 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* 廣州信德創業營股權投資合夥企業(有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.* 珠海廣發信德高成長現代服務業股權投資企業(有限合夥) – Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Enterprise L.P.*	1,669 19,967 9,640	1,668 16,000 7,750

* The English names are translated for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

49. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures – continued

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Receivables for fund management fee income – continued		
珠海廣發信德科技文化產業股權投資基金(有限合夥)		
– Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.*	19,061	15,059
廣州信德厚峽股權投資合夥企業(有限合夥)		
– Guangzhou Xinde Houxia Equity Investment Partnership L.P.*	–	1,424
廣州廣發信德一期健康產業投資企業(有限合夥)		
– Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	3,806	3,806
宿遷智能製造產業投資基金(有限合夥)		
– Suqian Intelligent Manufacturing Industry Investment Fund L.P.*	359	727
珠海廣發信德智能創新升級股權投資基金(有限合夥)		
– Zhuhai Guangfa Xinde Intelligent Innovation and Upgrading Equity Investment Fund (L.P.)*	10,049	8,375
珠海格金廣發信德智能製造產業投資基金(有限合夥)		
– Zhuhai Gejin Guangfa Xinde Intelligent Manufacturing Industry Investment Fund L.P.*	10,000	5,041
廣州廣發信德厚倫創業投資基金合夥企業(有限合夥)		
– Guangzhou Guangfa Xinde Houlun Venture Capital Fund Partnership (L.P.)*	520	86
廣州南沙區信德厚湃創業投資基金合夥企業(有限合夥)		
– Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership (L.P.)*	16	2
廣發信德中恆匯金(龍岩)股權投資合夥企業(有限合夥)		
– GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.*	13,481	–

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***49. RELATED PARTY TRANSACTIONS – continued****(2) Other related parties – continued***Balances with associates/joint ventures – continued*

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Receivables for fund management fee income – continued		
珠海廣發信德中鼎創業投資基金(有限合夥)		
– Zhuhai GF Xinde Zhongding Venture Capital Fund L.P.*	1,201	–
珠海廣發信德新州一號創業投資基金(有限合夥)		
– Zhuhai GF Xinde Xinzhou No.1 Venture Capital Fund L.P.*	983	–
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 Fund L.P.*	8,616	–
廣州南鑫珠海港股權投資合夥企業(有限合夥)		
– Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.*	1,463	–
杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥)		
– Hangzhou GF Xinde Pingpang Honghu Equity Investment Fund Partnership L.P.*	822	–
潮州市廣發信德創業投資基金合夥企業(有限合夥)		
– Chaozhou GF Xinde Entrepreneurship Investment Fund Partnership L.P.*	1,190	–
中山公用廣發信德新能源產業投資基金(有限合夥)		
– Zhongshan Public GF Xinde New Energy Resources Industrial Investment Fund Partnership L.P.*	481	–
珠海廣發信德厚合股權投資合夥企業(有限合夥)		
– Zhuhai GF Xinde Houhe Equity Investment Partnership L.P.*	935	558
	10,327	9,780
Amounts due from a joint venture – other receivables		
– GHS Investment Management (Cayman) Company Limited	10,327	9,780

* The English names are translated for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

49. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures – continued

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
Amounts due to associates – advance from customers and other payables		
珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.*	4,298	3,966
廣州廣發信德二期創業投資合夥企業(有限合夥) – Guangzhou GF Xinde Phase II Venture Capital Partnership L.P. *	3,025	–
– Horizon Partners Fund, L.P.	2,216	706
珠海廣發信德厚疆創業投資基金(有限合夥) – Zhuhai GF Xinde Houjiang Venture Capital Fund L.P.*	7,548	8,194
廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥) – Guangfa Xinde (Suzhou) Health Industry Venture Capital Partnership L.P.*	551	–
高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde (Guangdong) Innovation Venture Capital Fund Partnership L.P.*	1,495	1,892
	1,495	1,892

* The English names are translated for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***49. RELATED PARTY TRANSACTIONS – continued****(3) Key management personnel**

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

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Short-term benefits		
– Salaries, allowances and bonuses	14,618	11,595
Post-employment benefits		
– Employer's contribution to pension schemes/annuity schemes	1,367	670
Total	<u>15,985</u>	<u>12,265</u>

50. CAPITAL COMMITMENTS

	As at 30 June 2022 RMB' 000 (unaudited)	As at 31 December 2021 RMB' 000 (audited)
	Capital expenditure in respect of acquisition of property and equipment:	
– Contracted but not provided for	<u>105,869</u>	<u>110,129</u>

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT

51.1 Risk management policies and organisation structure

(1) Risk management policies

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

The risks to which 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 indicators, risk limits, risk criteria and internal control process. The Group also manages risks with an information system on a continuous monitoring basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

51.1 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, various control and supporting departments, and business departments”. First-line risk management organisations or staff have been set up in all major business departments of the Company. Organisations and staff of all levels perform their authorised risk management duties with clear segregation of duties and emphasis on mutual collaboration. The business department, risk management department, compliance and legal affairs department and internal auditing department cooperate with each other and each focuses on specific aspects, and they perform risk assessment before the projects are implemented, on-going control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business of the Company.

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, money laundering risk, model risk and reputation risk; assessing, monitoring, reporting on and advising on the management of the Company’s venture capital; and handling daily routine of the Risk Control Committee of the Company as a standing body of the Risk Management Committee. The compliance and legal department is the Group’s function department for compliance and legal risk management, primarily responsible for formulating the Group’s management policies in respect of compliance and legal risk, conducting independent evaluation and monitoring of compliance and legal risks, organising and carrying out money laundering risk management, prevention and control in accordance with the Company’s anti-money laundering management policy, 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 checking, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedures, and operating management performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

51.2 Credit risk

Credit risk is the probability that the market value of debts may change due to the fact that the issuer or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group is exposed to mainly relates to the following assets: (i) fixed income financial assets; (ii) financing businesses such as advances to customers, financial leasing receivables and financial assets held under resale agreements (mainly referring to securities transactions with repurchase agreements and stock-pledged repos); (iii) over-the-counter derivative financial assets.

Fixed income financial assets include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions, accounts receivable and bonds. Credit risk mainly includes the risk caused by its counterparties and securities issuer's default risk. The maximum credit risk exposure equals to the carrying amounts of these instruments.

In terms of the financing business, the credit risk exposure of margin financing and securities lending, securities transactions with repurchase agreements, stock-pledged repos and financial leasing is derived from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. As at 30 June 2022, the average ratios of guarantee maintained by the Group for all the clients who have liabilities in margin financing and securities lending of the Group was 282.79% (31 December 2021: 286.66%). As at 30 June 2022, the average coverage ratios of contract performance securities for clients of the stock-pledged repos was 326.13% (31 December 2021: 330.54%). The guarantees provided are sufficient and the credit risk of the financing business is managed at an acceptable level.

The credit risk of over-the-counter derivative transactions is mainly the counterparty default risk in conducting over-the-counter derivative transactions such as forward, swaps and options. Currently, counterparties of over-the-counter derivative transactions are mainly banks, securities companies and other financial institutions, with low overall default risks.

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

The credit risk of the financing business of the Group is mainly managed through the following measures: 1) the establishment of a strict business due diligence requirements, credit facility management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conduction 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

51.2 Credit risk – *continued*

In terms of managing counterparty credit risks of over-the-counter derivative transactions, the Group applies the following measures: 1) strengthening due diligence of counterparties, improving the mechanism for regular return visits and specifying the admission criteria for various types of business counterparties through internal credit rating management; 2) controlling the counterparty credit risk exposure through credit limit, single transaction size, total business scale and identical client management; 3) mitigating counterparty risk through collateral, guarantees, netting agreements, etc., for over-the-counter derivative transactions not using Central Counterparty (CCP) settlement; and 4) timely monitoring changes in counterparty credit exposure based on market changes and stress testing results and preventing the excess or further deterioration of counterparty credit risk exposure through mark-to-market monitoring, margin calls, margin closeout and loss recovery measures.

During the period, the Group's impairment assessment was based on an expected credit loss model. The Group applies the simplified approach to measure ECLs on accounts receivable and contract assets that do not contain a significant financing component according to accounting policies and the general approach to measure ECLs on other financial assets such as bank balances, clearing settlement funds, advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost and financial leasing receivables, etc. Under the simplified approach, the Group measures the loss allowance at an amount equal to the lifetime ECL. Under the general approach, the Group measures the allowance of financial assets in the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

51.2 Credit risk – *continued*

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of the reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly includes the case where debtor's defaulting days have been over certain days by the end of the reporting period; and the case where mark-to-market ratios are unable to meet certain criteria.
- Qualitative criteria mainly includes significant adverse change in debtor's operation or financial status, or debtor being listed on the watch-list, or significant adverse change in collateral.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

51.2 Credit risk – *continued*

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether a credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors being in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – continued

51.2 Credit risk – continued

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, and repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating Model of Guangfa Securities Co., Ltd., taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment.
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. LGD is the percentage of the loss of EAD when default occurs, calculated based on the next 12 months or throughout the entire remaining lifetime.
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies experts' judgement in this process and, according to the result of experts' judgement, the Group predicts these economic indicators and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

From January to June 2022, the Group considered the impact of the novel coronavirus ("COVID-19") on the macroeconomic and industry shocks when evaluating the forward-looking information used in the ECL measurement model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

51.3 Market risk

Market risks faced by the Group refer to the risk that causes loss of the Company's each business as a result of unfavourable changes in market prices, including equity securities price risk, interest rate risk, exchange rate risk and commodity price risk.

In order to manage market risks effectively, the Group determines the policy for the maximum market exposure the Group is willing to assume, based on the risk preference, capital position and risk tolerance. Taking its business development plan, business scale and other factors into account, the Group disaggregates risk limits into different investment units through risk limit authorisation management system and each investment unit operates business within the range of risk limit authorisation. When concretely operating the business, the Group comprehensively manages market risks faced by various types of business by means of admission management, size control, concentration, Value at Risk (VaR), sensitivity analysis, stress testing, risk assessment and monitoring of profit and loss. The front desk serves as the first line management directly responsible for market risks, which dynamically manages the market risks resulting from the portion of positions held and actively takes actions to reduce risk exposure or performs risk hedging when the risk exposure is high. The Risk Management Department is independent of business departments when performing market risk management duty and it sustainably optimises the Group's market risk framework, comprehensively evaluates and dynamically monitors the market risk exposure and changes of the Group and business departments and continuously communicates risk information directly 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 reported in a timely manner to the Company's management through regular risk reporting.

The Risk Management Department uses a series of quantitative methods to estimate possible losses resulting from market risks, including VaR, sensitivity analysis, stress testing and Expected Shortfall (ES). The Group's VaR is measured using the historical simulation method with a confidence level of 95%. Meanwhile, the Group disaggregates combined VaR based on types of market risk factors in order to have a command of the contribution made by various risk factors to combined market risk. The Group is clearly aware that VaR involves certain limitations because it is a risk indicator. Possible losses in extreme cases, such as significant adverse changes on market price and severe risk events, are estimated by means of stress testing or ES, etc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – continued

51.3 Market risk – continued

Interest rate risk

Interest rate risk is the risk of fluctuation in the Group's financial position and cash flows arising from movements in interest rates. The Group's interest-bearing assets mainly include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions and fixed-income investments. Interest-bearing financial liabilities mainly include borrowings, short-term financing payables, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients and bonds payable. Fixed-income investments of the Group mainly include government bonds, financial bonds, interbank negotiable certificates of deposit, medium-term notes, high-quality short-term papers, corporate bonds, asset-backed securities, treasury bond futures, interest rate swaps and standard bond forward. In order to manage interest rate risks, the Group uses VaR, stress testing and sensitivity indicators (duration, convexity and DV01, etc.) to measure and monitor the interest rate risk on a daily basis.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. Assuming interest-bearing assets and liabilities outstanding at the end of the respective reporting period were outstanding for the whole period and other variables held constant, the analysis is to show the impact on profit before income tax and other comprehensive income before income tax due to a 100 basis points increase or decrease in the relevant interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

	Six months ended 30 June	
	2022	2021
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Profit before income tax for the period		
Increase by 100bps	(950,379)	(542,934)
Decrease by 100bps	997,251	571,579

	Six months ended 30 June	
	2022	2021
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Other comprehensive income before income tax		
Increase by 100bps	(1,867,923)	(1,477,312)
Decrease by 100bps	1,932,210	1,524,004

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

51.3 Market risk – *continued*

Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's 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. Currently, the Group's assets and liabilities denominated in foreign currencies only account for a small proportion of the Group's assets and liabilities structure, the currency risk of the Group is relatively manageable.

Price risk

Price risk is primarily about the unfavourable changes of share prices of equity investments, financial derivative instrument prices, and commodity prices that cause financial loss during the Group's on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income, mainly including equity investments, shares (with share index included), funds and commodities and related financial derivative instruments such as swaps, futures and options. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, sensitivity indicators, stress testing indicators in the daily risk monitoring of price risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – continued

51.3 Market risk – continued

Sensitivity analysis

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

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Profit before income tax for the period		
Increase by 10%	2,238,101	1,660,946
Decrease by 10%	(2,204,326)	(1,392,348)

	Six months ended 30 June	
	2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Other comprehensive income before income tax		
Increase by 10%	65,776	68,978
Decrease by 10%	(65,776)	(68,978)

51.4 Liquidity risk

Liquidity risk of a securities company refers to the risk of failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay the debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out businesses in the ordinary course. During the Group's ordinary course of business, the triggers of liquidity risk include poor operations, lack of asset liquidity, significant mismatch of asset and liability terms, limitation on financing channels, unreasonableness of financing liability term structure, insufficiency of market liquidity, adverse impacts on the Group's reputation and effects of other risk types to liquidity risk. Liquidity risk events have strong diffusion and wide spread. Once liquidity risk events occur, the Group must respond in a short time to make emergency decisions and disposal.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

51.4 Liquidity risk – *continued*

As at 30 June 2022 and 31 December 2021, cash and bank deposits and clearing settlement funds held by the Group amounted to RMB153.75 billion and RMB141.76 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounted to RMB82.53 billion and RMB56.90 billion, respectively, providing a strong capability of quick liquidation to meet the foreseeable demands on financing liabilities and businesses. Therefore, the Group considers the exposure to liquidity risk to be insignificant.

The Group implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under the 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 the liquidity risk index to prevent liquidity risk. Measures for liquidity risk management include the following: the Group established a frame for liquidity risk management with the 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 management as stated in the regulatory requirements; asset allocation and arrangement of structure of assets and liabilities based on flexible adjustments to protect 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 reserve, and performed routine monitoring and report on indicators; regularly or irregularly evaluated liquidity risk stress testing and carried out liquidity risk drill, optimised and perfected liquidity risk emergency disposal processes and mechanism of the Company.

Currently, the Group has set up two departments for liquidity risk management, namely treasury department and risk management department. The treasury department is mainly responsible for coordinating sources of funds, addressing capital needs, formulating and optimising 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 of the market liquidity of financial instruments held by Group to address the liquidity risk of financial instruments. In order to meet the regulatory requirements, the Group has set up a multi-level, omni-directional and information-based management system to monitor and control the overall liquidity risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Fair value hierarchy

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

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities 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;

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

There were no significant transfers between Level 1 and Level 2 as at 30 June 2022 and 31 December 2021.

As at 30 June 2022

(unaudited)

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
Financial assets:				
Debt instruments at fair value through other comprehensive income:				
– Debt securities	–	109,135,727	–	109,135,727
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	639,292	–	66,190	705,482
– Other investments	–	7,315	–	7,315
Financial assets at fair value through profit or loss				
– Equity instruments	14,411,083	3,797,969	9,588,550	27,797,602
– Debt instruments	2,506,265	39,203,248	4,273,489	45,983,002
– Mutual funds	64,452,289	398,146	–	64,850,435
– Other investments	–	22,253,911	3,252,297	25,506,208
Other investment				
– Unlisted investment in an associate	–	–	13,710	13,710
Derivative financial assets	81,431	1,476,460	397,684	1,955,575
Total	82,090,360	176,272,776	17,591,920	275,955,056
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	(86,045)	–	(86,045)
Financial liabilities designated at fair value through profit or loss	–	(5,336,507)	(4,434,231)	(9,770,738)
Derivative financial liabilities	(118,803)	(742,103)	(1,225,824)	(2,086,730)
Other liabilities	(135,231)	(526,530)	(1,417,731)	(2,079,492)
Total	(254,034)	(6,691,185)	(7,077,786)	(14,023,005)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***52. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued****(1) Fair value hierarchy – continued**

As at 31 December 2021

(audited)	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
Financial assets:				
Debt instruments at fair value through other comprehensive income:				
– Debt securities	–	110,475,096	–	110,475,096
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	799,982	–	66,881	866,863
– Other investments	–	5,929	–	5,929
Financial assets at fair value through profit or loss:				
– Equity instruments	16,195,573	3,264,064	8,984,901	28,444,538
– Debt instruments	2,526,940	28,348,943	4,412,333	35,288,216
– Mutual funds	49,897,152	467,680	–	50,364,832
– Other investments	–	8,124,027	2,242,799	10,366,826
Other investment				
– Unlisted investment in an associate	–	–	8,202	8,202
Derivative financial assets	78,606	380,385	105,502	564,493
Total	<u>69,498,253</u>	<u>151,066,124</u>	<u>15,820,618</u>	<u>236,384,995</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
	–	(207,121)	–	(207,121)
Financial liabilities designated at fair value through profit or loss				
	–	(4,988,742)	(3,381,819)	(8,370,561)
Derivative financial liabilities	(93,577)	(509,096)	(378,426)	(981,099)
Other liabilities	(55,043)	(612,982)	(1,577,696)	(2,245,721)
Total	<u>(148,620)</u>	<u>(6,317,941)</u>	<u>(5,337,941)</u>	<u>(11,804,502)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(2) Fair values of the financial assets and financial liabilities that are not measured on a recurring basis

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

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximated to their fair values as at 30 June 2022 and 31 December 2021.

	As at 30 June 2022 (unaudited)			Fair value hierarchy
	Carrying amount RMB' 000	Fair value RMB' 000	Difference RMB' 000	
Bonds payable – corporate bonds	88,487,170	89,265,833	778,663	Level 1
Bonds payable – subordinated bonds	4,553,260	4,607,888	54,628	Level 1
Bonds payable – financial bond	5,170,455	5,174,690	4,235	Level 2
	As at 31 December 2021 (audited)			
	Carrying amount RMB' 000	Fair value RMB' 000	Difference RMB' 000	Fair value hierarchy
Bonds payable – corporate bonds	123,243,857	123,608,515	364,658	Level 1
Bonds payable – subordinated bonds	8,791,830	8,832,055	40,225	Level 1
Bonds payable – financial bond	5,079,626	5,105,145	25,519	Level 2

(3) Basis for recurring fair value measurement categorised within Level 1

For the measurement for Level 1, the Group adopts the closing price in active markets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

(4) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised within Level 2

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is available on the bond pricing system on the valuation date, the fair value is measured using the latest valuation results published by the bond pricing system.

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is not available in active markets, equity instruments at fair value through profit or loss, asset management schemes, the fair value is determined by recent transaction prices, bid prices and valuation techniques. The inputs of those valuation techniques include the risk-free interest rate, quoted prices of underlying investment portfolio, liquidity discount by China Securities Index Company Limited, etc., which are all observable.

For derivative financial instruments, the fair value is determined by different valuation techniques. For interest rate swaps and currency forward, the fair value is measured by discounting the differences between the contract prices and market prices of the underlying financial instruments. For equity return swaps, commodity futures and forwards, the fair value is determined by the quotation of the underlying investment.

During the period ended 30 June 2022, there were no significant changes of valuation techniques for Level 2.

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

For instruments, such as restricted shares, unlisted equity investments, other investments, financial liabilities and derivatives, the Group adopts the quotation from counterparties or valuation techniques to determine the fair value. Valuation techniques include discounted cash flow analysis, discounted bid prices, market multiples, the risk pricing model and Black Scholes model, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, probability of default, loss given default, volatility and the liquidity discount. The fair values of the financial instruments in Level 3 were not significantly sensitive to a reasonable change in these unobservable inputs.

During the period ended 30 June 2022, there were no significant changes of valuation techniques for Level 3.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – continued

The quantitative information of fair value measurement for Level 3 is as follows:

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2022 RMB' 000 (unaudited)	31 December 2021 RMB' 000 (audited)			
1) Financial assets					
Debt instruments	4,273,489	4,412,333	Discounted cash flows calculated based on the probability of default (the probability of the underlying asset not achieving an agreed result), loss given default and expected loss	Probability of default; Future cash flow	The higher the probability, the lower the fair value; The higher the future cash flow, the higher the fair value
Equity instruments	4,056,965	3,976,997	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability	Discount for lack of marketability	The higher the discount, the lower the fair value
Equity instruments	2,799,278	2,999,269	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Equity instruments	2,656,449	1,954,120	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – continued

The quantitative information of fair value measurement for Level 3 is as follows: – continued

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2022 RMB' 000 (unaudited)	31 December 2021 RMB' 000 (audited)			
1) Financial assets – continued					
Equity instruments	142,048	121,396	Recent transaction price	Discount for lack of marketability	The higher the discount, the lower the fair value
Equity return swaps/ Equity options	364,626	92,962	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Commodity options	622	613	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Structured notes	32,260	11,655	Black Scholes Model. Volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Other investments	573,230	668,470	Discounted cash flows calculated based on the loss given default	Loss given default	The higher the loss given default, the lower the fair value

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – continued

The quantitative information of fair value measurement for Level 3 is as follows: – continued

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)			
1) Financial assets – continued					
Other investments	2,679,067	1,574,329	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
Currency swaps	176	272	Quotation price	Quotation price	The higher the quotation price, the higher the fair value
Unlisted investment in an associate	13,710	8,202	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
	<u>17,591,920</u>	<u>15,820,618</u>			
2) Financial liabilities					
Equity options/Equity return swaps	(1,211,412)	(354,245)	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – continued

The quantitative information of fair value measurement for Level 3 is as follows: – continued

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2022 RMB' 000 (unaudited)	31 December 2021 RMB' 000 (audited)			
2) Financial liabilities – continued					
Structured notes	(2,806,538)	(2,333,512)	Black Scholes Model. Volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Structured notes	(1,630,006)	(1,055,623)	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
Commodity options	(2,253)	(15,973)	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Currency swaps	(9,846)	(892)	Quotation price	Quotation price	The higher the quotation price, the higher the fair value
Third-party interests	(1,417,731)	(1,577,696)	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
	<u>(7,077,786)</u>	<u>(5,337,941)</u>			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(6) Reconciliation of Level 3 fair value measurements

For the six months ended 30 June 2022 (unaudited)

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at fair value through other comprehensive income RMB' 000	Financial liabilities at fair value through profit or loss RMB' 000	Derivative financial assets RMB' 000	Derivative financial liabilities RMB' 000	Other liabilities RMB' 000
As 1 January 2022	15,640,033	66,881	(3,381,819)	105,502	(378,426)	(1,577,696)
Total gains/losses	(943,826)	(691)	236,044	294,800	(655,959)	417,512
– Profit or loss	(943,826)	–	236,044	294,800	(655,959)	417,512
– Other comprehensive income	–	(691)	–	–	–	–
Additions	5,013,970	–	(1,899,223)	1,591	(207,695)	(293,083)
Settlements/disposals	(1,704,432)	–	610,767	(4,209)	16,256	35,536
Transfers into Level 3	653,295	–	–	–	–	–
Transfers out of Level 3	(1,544,704)	–	–	–	–	–
As 30 June 2022	<u>17,114,336</u>	<u>66,190</u>	<u>(4,434,231)</u>	<u>397,684</u>	<u>(1,225,824)</u>	<u>(1,417,731)</u>
Total unrealised gains/losses for the period for assets/liabilities held as at 30 June 2022						
– Included in profit or loss	<u>(603,659)</u>	<u>–</u>	<u>236,044</u>	<u>294,800</u>	<u>(655,959)</u>	<u>417,512</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

52. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued**(6) Reconciliation of Level 3 fair value measurements – continued**

For the year ended 31 December 2021 (audited)

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at fair value through other comprehensive income RMB' 000	Financial liabilities at fair value through profit or loss RMB' 000	Derivative financial assets RMB' 000	Derivative financial liabilities RMB' 000	Other liabilities RMB' 000
At 1 January 2021	9,561,368	375,953	(842,826)	48,831	(91,515)	(1,691,226)
Total gains/losses	1,681,371	(25,347)	176,132	50,975	(172,809)	(210,694)
– Profit or loss	1,681,371	–	176,132	50,975	(172,809)	(210,694)
– Other comprehensive income	–	(25,347)	–	–	–	–
Additions	9,013,328	–	(3,175,892)	14,236	(121,723)	–
Settlements/disposals	(1,998,750)	(283,725)	460,767	(8,540)	7,621	324,224
Transfers into Level 3	1,232,890	–	–	–	–	–
Transfers out of Level 3	(3,850,174)	–	–	–	–	–
As at 31 December 2021	<u>15,640,033</u>	<u>66,881</u>	<u>(3,381,819)</u>	<u>105,502</u>	<u>(378,426)</u>	<u>(1,577,696)</u>
Total unrealised gains/losses for the year for assets/liabilities held as at 31 December 2021						
– Included in profit or loss	<u>(358,590)</u>	<u>–</u>	<u>176,132</u>	<u>50,975</u>	<u>(172,809)</u>	<u>(210,694)</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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

53. CHANGE OF SCOPE OF CONSOLIDATION

53.1 Consolidated structured entities

As at 30 June 2022, the Group consolidated 36 structured entities (31 December 2021: 31). For those structured entities where the Group is involved as manager or as investor, the Group has significant variable interests in them and the Group is able to exercise control over their operations.

As at 30 June 2022, the total net assets of the consolidated structured entities were RMB17,888.44 million (31 December 2021: RMB15,735.20 million), the carrying amounts of the interests held by the Group in these consolidated structured entities were RMB15,808.95 million (31 December 2021: RMB13,489.48 million), the carrying amounts of the interests held by third parties in these consolidated structured entities were RMB2,079.49 million (31 December 2021: RMB2,245.72 million). Interests held by third parties in these consolidated structured entities were classified as other liabilities in condensed consolidated financial statements.

53.2 Deconsolidated subsidiaries

During the reporting period, the Group has liquidated Zhuhai Ruiyuan Xianghe Equity Investment Fund Partnership Enterprise L.P., which was a subsidiary of GF Fund Management Co., Ltd..

54. OUTSTANDING LITIGATIONS

As at 30 June 2022, the Group was involved as a defendant in certain lawsuits and arbitration with claim amounts of approximately RMB1,860.35 million (31 December 2021: RMB769.21 million) and certain listed company shares for distribution in-kind. Based on the court rulings, advice from legal representatives and management judgement, no provision had been made to the aforesaid claims.

55. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (1) On 15 July 2022, the Company completed the issuance of public corporate bonds (Tranche 1). Category 1 is a 3-year bond 22GF01, amounting to RMB3.40 billion, with an annual interest rate of 2.85%; Category 2 is a 5-year bond 22GF02, amounting to RMB2.00 billion, with an annual interest rate of 3.24%; Category 3 is a 10-year bond 22GF03, amounting to RMB0.60 billion, with an annual interest rate of 3.70%.
- (2) On 27 July 2022, the Company completed the public issuance to professional investors of RMB5.00 billion perpetual subordinated bonds (Tranche 2) ("22 GF Y2"), with an annual interest rate of 3.53%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the six months ended 30 June 2022***55. EVENTS AFTER THE END OF THE REPORTING PERIOD – continued**

- (3) On 4 August 2022, the Company completed the issuance of public corporate bonds (Tranche 2). Category 1 is a 3-year bond 22GF04, amounting to RMB2.50 billion, with an annual interest rate of 2.59%; Category 2 is a 5-year bond 22GF05, amounting to RMB3.00 billion, with an annual interest rate of 3.03%; Category 3 is a 10-year bond 22GF06, amounting to RMB1.50 billion, with an annual interest rate of 3.59%.
- (4) On 11 August 2022, the Company completed the public issuance to professional investors of RMB2.30 billion perpetual subordinated bonds (Tranche 3) (“22 GF Y3”), with an annual interest rate of 3.48%.
- (5) On 16 August 2022, the Company completed the issuance of public corporate bonds (Tranche 3). Category 1 is a 3-year bond 22GF07, amounting to RMB0.80 billion, with an annual interest rate of 2.68%; Category 2 is a 5-year bond 22GF08, amounting to RMB2.50 billion, with an annual interest rate of 3.12%; Category 3 is a 10-year bond 22GF09, amounting to RMB1.20 billion, with an annual interest rate of 3.60%.
- (6) On 29 August 2022, the Company completed the issuance of a 3-year public corporate bonds 22GF10, amounting to RMB1.00 billion, with an annual interest rate of 2.60%.

