

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GF SECURITIES CO., LTD.

廣發證券股份有限公司

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

(Stock Code: 1776)

ANNOUNCEMENT IN RELATION TO MATERIAL MATTER OF A WHOLLY-OWNED SUBSIDIARY, GF HOLDINGS (HONG KONG) CORPORATION LIMITED

This announcement is made pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the “**Listing Rules**”) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

GF Holdings (Hong Kong) Corporation Limited (hereinafter referred to as “**GFHK**”) is a wholly-owned subsidiary of GF Securities Co., Ltd. (the “**Company**”). GF Investments (Hong Kong) Company Limited (hereinafter referred to as “**GF Investments (Hong Kong)**”), a wholly-owned subsidiary of GFHK, has registered and established GTEC Pandion Multi-Strategy Fund SP (hereinafter referred to as the “**Pandion Fund**”, the “**Fund**”), a multi-strategy fund that focuses primarily in derivatives hedging strategy, in Cayman. In 2018, due to reasons such as the significant fluctuation of foreign exchange and lack of liquidity in the relevant market, the Fund suffered significant investment losses. The major circumstances are as follows:

I, Basic situation of the Fund

The Pandion Fund was established in 2016. The target investment assets of the Fund include but not limited to equity, credit, fixed income, volatility, foreign exchange, commodities, cash, over-the-counter products, derivatives and funds, etc; the Fund invests in multi-assets through the application of multiple strategies to achieve the target investment return.

The Pandion Fund was promoted by GF GTEC Funds SPC, who also acted as the investment manager. GF GTEC Funds SPC is established under GF GTEC Investment

Management Limited (GF GTEC投資管理有限公司) (hereinafter referred to as “**GF GTEC Management**”), a wholly-subsiary established in Cayman by GF Investments (Hong Kong)). GF GTEC Management provides investment management service to GF GTEC Funds SPC, and provides investment consultancy services to GF GTEC Funds SPC through GF Asset Management (Hong Kong) Limited entering into an investment consultancy agreement with GF Asset Management (Hong Kong) Limited. The fund structure of the Pandion Fund structure is the Cayman umbrella structure that is commonly used in the international market.

At the beginning of the establishment of the Pandion Fund, it mainly invested in on-market equity derivatives, and has gradually expanded to invest in interest rate products, foreign exchange derivatives and foreign exchange volatility variance swap. Since its establishment and up to August 2018, the result performance of the Pandion Fund was relatively stable. Since August 2018, the Fund suffered significant investment losses as affected by the drastic fluctuation of foreign exchange and lack of liquidity in the relevant market.

II. Loss of investment by the Fund and its impact on the Company

Since the establishment of the Pandion Fund, GF Investments (Hong Kong) has made investments in the Pandion Fund using its own capital for three times, continuously increasing capital from the initial US\$50 million, as of 31 December 2018, GF Investments (Hong Kong) had an accumulated injection of US\$90.0677 million using its own capital, representing 99.90% interest in the Fund.

As the Pandion Fund is included in the scope of the consolidated financial statements of the Company, the net value of US\$-44 million as at 31 December 2018 and the loss for 2018 of US\$139 million of the Fund are reflected in the audited consolidated financial statements of the Company, reducing the consolidated net profit by RMB919 million. The reduction amount has exceeded 10% of the audited net profit of the Company for 2017.

Meanwhile, the Pandion Fund received the notice to top up margin deposits from the prime broker, which amounted to US\$129 million as at 31 December 2018 (including an initial deposit of US\$30 million). According to the legal opinion of Campbells, a Cayman law firm, the liability of investors of the Fund is limited to their investment amounts in the Fund. There is a possibility for the relevant subsidiaries of GFHK to initiate or face potential litigations subsequently and the results of such litigations are uncertain.

Currently, the Company is conducting a comprehensive review and evaluation of the condition and its impact and urges GFHK and its relevant subsidiaries to take various measures to resolve the risks properly and to protect the interest of the Company.

By order of the Board of Directors

GF Securities Co., Ltd.

Sun Shuming

Chairman

Guangzhou, the PRC

March 27, 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Sun Shuming, Mr. Lin Zhihai, Mr. Qin Li and Ms. Sun Xiaoyan as executive directors; Mr. Shang Shuzhi, Mr. Li Xiulin and Ms. Liu Xuetao as non-executive directors; and Mr. Yang Xiong, Mr. Tang Xin, Mr. Chan Kalok and Mr. Fan Lifu as independent non-executive directors.