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GF SECURITIES CO., LTD.

廣發証券股份有限公司

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

(Stock Code: 1776)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

The board of directors of GF Securities Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2020. This announcement, containing the full text of the 2020 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. The printed version of the Company's 2020 interim report will be dispatched to the holders of H shares of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.gf.com.cn by the end of September 2020.

By order of the Board of Directors
GF Securities Co., Ltd.
Sun Shuming
Chairman

Guangzhou, the PRC
August 28, 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Sun Shuming, Mr. Qin Li and Ms. Sun Xiaoyan as executive Directors; Mr. Li Xiulin, Mr. Shang Shuzhi and Ms. Liu Xuetao as non-executive Directors; Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling Olivia and Mr. Li Wenjing as independent non-executive Directors.



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Definitions

Term	Definition
Reporting Period	first half of 2020 (January 1, 2020 to June 30, 2020)
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
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)
GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司)



Definitions

Term	Definition
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
GFFL	Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司)
GF Hixin	GF Hixin Industry Investment Management Co., Ltd. (廣發合信產業投資管理有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
China, PRC, domestic	Mainland China
CSRC	China Securities Regulatory Commission
Guangdong Bureau of the CSRC	Guangdong Bureau of China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Company Law	Company Law of the PRC (中華人民共和國公司法)
Securities Law	Securities Law of the PRC (中華人民共和國證券法)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers

Definitions

Term	Definition
Stock Pledged Repo Transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as new third board (新三板)
QDII	Qualified Domestic Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
ETF	Exchange Traded Funds, an open index fund available for trading, commonly known as Exchange Traded Funds, 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
GMRA Agreements	Global Master Repurchase Agreement
A Share(s)	domestic shares of RMB1.00 per share of the Company, listed on the SZSE and traded in RMB
H Share(s)	foreign shares of RMB1.00 per share of the Company, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollar
WIND	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In this 2020 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	Sun Shuming		

II. CONTACT PERSONS AND CONTACT INFORMATION

Secretary to 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 2019 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 2019 Annual Report for details.

3. Other Relevant Information

Class Rating from Regulatory Authorities:

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

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

The Company was rated as Class B Grade BBB Securities Company in 2019;

The Company was rated as Class B Grade BBB Securities Company in 2020.



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 2020	January to June 2019	Change
Total revenue and other income	17,678	15,655	12.92%
Profit before income tax	7,854	5,648	39.07%
Net profit attributable to owners of the Company	5,752	4,140	38.93%
Net cash used in operating activities	(23,514)	(5,743)	–
Basic earnings per share (RMB/share)	0.75	0.54	38.89%
Return on weighted average net assets (%)	6.12	4.73	Increased by 1.39 percentage points

Item	June 30, 2020	December 31, 2019	Change
Total assets	421,654	394,391	6.91%
Total liabilities	324,796	300,254	8.17%
Equity attributable to owners of the Company	93,951	91,234	2.98%
Total share capital (shares in million)	7,621	7,621	–
Equity per share attributable to owners of the Company (RMB/share)	12.33	11.97	3.01%
Gearing ratio (%) (Note 1)	69.69	70.09	Decreased by 0.40 percentage point

Note 1: $\text{Gearing ratio} = (\text{Total liabilities} - \text{Accounts payable to brokerage clients}) / (\text{Total assets} - \text{Accounts payable to brokerage clients})$

II. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profits from January to June 2020 and January to June 2019 and the net assets as at June 30, 2020 and December 31, 2019 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.

Section 2 Accounting Data and Financial Indicators Summary

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

Unit: RMB

Item	June 30, 2020	December 31, 2019	Change
Core net capital	56,981,132,414.19	55,763,537,942.04	2.18%
Supplementary net capital	8,200,000,000.00	5,100,000,000.00	60.78%
Net capital	65,181,132,414.19	60,863,537,942.04	7.09%
Net assets	81,679,129,937.62	80,830,878,464.88	1.05%
Total risk capital reserves	28,592,562,988.53	26,081,558,023.48	9.63%
Total on- and off-balance sheet assets	288,208,766,178.43	287,683,392,171.01	0.18%
Risk coverage ratio	227.97%	233.36%	Decreased by 5.39 percentage points
Capital leverage ratio	20.14%	19.73%	Increased by 0.41 percentage point
Liquidity coverage ratio	261.32%	322.27%	Decreased by 60.95 percentage points
Net stable funding ratio	186.89%	159.77%	Increased by 27.12 percentage points
Net capital/net assets	79.80%	75.30%	Increased by 4.50 percentage points
Net capital/liabilities	32.67%	30.46%	Increased by 2.21 percentage points
Net assets/liabilities	40.94%	40.46%	Increased by 0.48 percentage point
Proprietary equity securities and its derivatives/net capital	26.44%	27.59%	Decreased by 1.15 percentage points
Proprietary non-equity securities and its derivatives/net capital	231.66%	250.55%	Decreased by 18.89 percentage points



Section 2 Accounting Data and Financial Indicators Summary

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, 2020 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

Summary of the Company's Business



Section 3 Summary of the Company's Business

I. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

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

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

Investment Banking	Wealth Management	Trading and Institution	Investment Management
◆ Equity finance	◆ Retail brokerage and wealth management	◆ Equity and derivatives trading	◆ Asset 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 fees and consulting fees through underwriting stocks and bonds and providing sponsoring 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 cash management of settlement funds on behalf of clients, and earning its fees through acting as agent for the sales of financial products developed by the Group and other financial institutions;

Trading and Institution: the Group earns its investment income and interest income through investment transactions, alternative investment and market making services for equities, fixed income products 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 fees through providing services for asset management, public fund management and private fund management.

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

II. ANALYSIS ON CORE COMPETITIVENESS

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

The Company has no controlling shareholder and de facto Controller. Over the past 21 years, Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all publicly listed companies) have been ranked the top three shareholders of the Company (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non-registered shareholders of H Shares). As of June 30, 2020, the shareholding percentages of Jilin Aodong and its parties acting in concert, Liaoning Cheng Da and its parties acting in concert and Zhongshan Public Utilities and its parties acting in concert were 17.80%, 16.42% and 10.34%, respectively, forming a stable equity structure. A sustainable, balanced and diversified shareholding structure provides strong support for the Company to form a sound governance structure, and ensures that the Company maintains its market operation mechanism in the long run, which facilitates the Company to achieve sustained and healthy development.

2. Excellent corporate culture and stable management team

With the core value of “**inquisitiveness, integrity, client focus and teamwork**”, the Company has carried out the management philosophy of “**stable growth, continual innovations, performance driven culture and business strategies**” to seek sustained, healthy and stable development. Sound corporate culture will boost the Company's cohesion and momentum. The Company has a stable management team and a core business team with low turnover rate of talents. The management team members have an average of approximately 27 years of managerial experience in securities and finance related sectors and have served an average term of more than 19 years. Over the past 3 years, the voluntary turnover rates of the middle and high-level management team and the employees are not exceeding 2% and 3% respectively, thus greatly boosting client confidence, the continuity and stability of the operation of various business lines.

3. Stable operation philosophy and continuously improving compliance and risk control mechanism

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 also one of four major brokerages which have not received investment and restructuring due to operating losses among the first batch of brokers established from the end of the 80's to the early 90's. The Company upholds the philosophy of “stable operation”, firmly conforms to the compliance base line and continues to solidify the risk control life-line. The Company has set up and continued to improve the comprehensive risk management system with effective coverage of compliance and risk culture, governance structure, mechanism and practice, and infrastructure facilities to cover various risks, businesses, departments, sub-branches and controlling subsidiaries of the Company. Over the years, the Company's asset quality has been excellent, the main risk control indicators have continuously complied with the regulatory indicators, and the safety margin of leverage regulatory indicators is relatively huge, with a strong ability to resist risks.



Section 3 Summary of the Company's Business

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

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

**Rankings of the Main Operating Indicators of the Company
from 2017 to January - June 2020**

Items	January-June 2020/End of June	2019/ Year End	2018/ Year End	2017/ Year End
Total assets	6	5	4	5
Net assets	6	5	5	4
Net capital	5	6	6	4
Operating revenue	4	5	5	4
Net profit	6	5	6	5

Note 1: Source: the Securities Association of China, 2020;

Note 2: The indicative data of net capital represents the data for parent company. The indicators of January to June 2020 are based on unaudited statistical data for parent company. The indicators of 2019, 2018 and 2017 are based on audited statistical data in the consolidated statements.

While seeking economic benefits and market position, the Company has both reputation and brand being enhanced persistently. From 2015 to 2019, the Company ranked forefront among securities firms in China in "Hurun Brand List" (胡潤品牌榜) for 5 consecutive years. The Company actively fulfilled the social responsibility, focusing on the two areas of helping the poor and providing student loans to promote education through "GF Securities Social Charity Foundation in Guangdong Province". The Company took initiative to fulfill its social responsibility, the reputation and brand influence of the Company have continued to improve.

Section 3 Summary of the Company's Business

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

Our Group possesses licenses for a full range of services including investment banking, wealth management, transaction and institution and investment management. The various main businesses of the Company have achieved balanced development and top rankings in the industry for years in terms of main operating indicators. At present, the Company has built a financial group structure, enabling the Company to boost its customer service continuously.

6. Leading scientific and technological financial model in the industry

The Group attaches high importance to technological innovation in the long-term and sustainable development of the Company, and empowers each aspect of management, business and service by applying financial technology to promote its business development and enhance its core competitiveness. In 2020, the Company continued to improve the quick trading system for the brokerage business by optimizing the full chain quick passage from day trading to day-end clearing, and vigorously developed “GF Touyitong” (廣發投易通) investment and trading system and “GF Zhihui” (廣發智匯) comprehensive service application to create a service platform for enterprise institutions with a view to providing integrated and diversified comprehensive services for institutional customers. The Company also continued to explore the application of blockchain technology in the securities industry, and during the outbreak of COVID-19, the Company actively used various financial technologies to create contactless services. In addition, the Company self-developed 5G HD video interactive service platform, promoted the technology strategy of data center and intelligent center in order to continuously optimize the big data and artificial intelligence open platform (GF-SMART) and develop the technical application of intelligent warning, intelligent recommendation, intelligent calling and knowledge map. The Company also established a technological system with real-time, penetrating and continuous risk tracking and measurement to provide integrated compliance and risk control capability for the entire group and business, constantly pushed forward the cloud evolution of the Company's IT infrastructure, thereby laying a solid foundation for our business development. As of the end of the Reporting Period, the Company has in aggregate applied for 35 invention patents, 3 utility model patents and 14 software copyrights; among them, the Company has obtained 1 utility model patent, 1 invention patent and 14 software copyrights.

Section 4

Discussion and Analysis of Operations



Section 4 Discussion and Analysis of Operations

I. OVERVIEW

Since 2020, despite the great challenge posed by the outbreak of COVID-19, the capital market has remained stable as a whole. The reform of the capital market has been deepening comprehensively and progressing steadily, the new Securities Law has been fully implemented, the ChiNext Market reform and the pilot registration-based IPO system have been officially launched, and the NEEQ reform has been implemented steadily. Under the guidance of the Board of Directors, the operation management of the Company led all staff to forge ahead with the spirit of “remaining true to our original aspiration and keeping our mission firmly in mind”, gave full play to the advantages of the market-oriented mechanism, accelerated business transformation and endeavored to overcome various challenges, eventually achieving good operating performance even in the increasingly competitive market environment.

II. ANALYSIS ON PRINCIPAL BUSINESS

(I) Overview

In the first half of 2020, facing the tough challenge brought about by the outbreak of COVID-19 and the complicated and changeable international and domestic situations, the whole country has coordinated efforts to promote pandemic prevention and control as well as the economic and social development. As a result, there saw sustained improvement in pandemic prevention and control and the gradual resumption of work, production, business and market, and the basic livelihood was safeguarded. In the first half of 2020, the national economy first plummeted and then rebounded. Thanks to a steady recovery in economic growth, the GDP decreased slightly by 1.6% as compared to the same period of the last year (source: National Bureau of Statistics, 2020).

Based on the statistics published by the Securities Association of China (the unaudited financial statements), the total assets, net assets, net capital, customers' transaction settlement fund amount (including margin trading fund) and the total principal sum of funds under management of 134 securities firms in the whole industry were RMB8.03 trillion, RMB2.09 trillion, RMB1.67 trillion, RMB1.64 trillion and RMB11.83 trillion as of June 30, 2020, representing an increase of 10.61%, 3.47%, 3.09% and 26.15% and a decrease of 3.74% as compared to the end of 2019, respectively. In the first half of 2020, 124 of 134 securities firms in the whole industry were profitable with total operating revenue of RMB213.404 billion, representing a year-on-year increase of 19.26%. Specifically, net income from the securities trading agency service business (including seat leasing) was RMB52.310 billion, representing a year-on-year increase of 17.82 %; net income from the securities underwriting and sponsorship business was RMB22.110 billion, representing a year-on-year increase of 49.37%; net income from the financial advisory services business was RMB3.207 billion, representing a year-on-year decrease of 35.37%; net income from the investment advisory service business was RMB1.990 billion, representing a year-on-year increase of 17.47%; net income from the asset management business was RMB14.291 billion, representing a year-on-year increase of 12.24%; income from the securities investment (including changes in fair value) business was RMB70.274 billion, representing a year-on-year increase of 13.24%; net interest income was RMB27.566 billion, representing a year-on-year increase of 20.21%; net profit for the period was RMB83.147 billion, representing a year-on-year increase of 24.73% (Source: the Securities Association of China, 2020).



Section 4 Discussion and Analysis of Operations

As of June 30, 2020, total assets of the Group amounted to RMB421,654 million, representing an increase of 6.91% as compared to the end of 2019 and equity attributable to owners of the Company was RMB93,951 million, representing an increase of 2.98% as compared to the end of 2019. During the Reporting Period, total revenue and other income of the Group was RMB17,678 million, representing a year-on-year increase of 12.92%; the total expenses were RMB10,040 million, representing a year-on-year decrease of 2.13%; the net profit attributable to owners of the Company was RMB5,752 million, representing a year-on-year increase of 38.93%.

(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 services.

(1) Equity financing business

In the first half of 2020, the reform of the registration-based IPO system of the ChiNext Market was launched comprehensively and implemented rapidly, and the new refinancing policy was adopted to fully release market vitality, ushering in a new round of the golden development period for the equity financing business. In the first half of 2020, the total number of equity financing projects (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance included assets acquired by issuing shares)) in the A-share market and the total amount were 351 and RMB391.487 billion, respectively, representing a year-on-year increase of 43.85% and 3.13% respectively. Specifically, the number and financing size of IPOs in the first half of 2020 were 142 and RMB143.628 billion, respectively, representing an increase of 102.86% and 134.49%, respectively; while the number and financing size of refinancing in the first half of 2020 were 209 and RMB247.859 billion, respectively, representing an increase of 20.11 % in number and a decrease of 22.14% in financing size (Source: WIND, 2020).

Section 4 Discussion and Analysis of Operations

In the first half of 2020, the Company continuously improved the internal control system of investment banks by enhancing project management and strictly controlling project risks, focused on retaining key customers and endeavored to develop and cultivate projects by adhering to the customer-centric concept and the IPO-based main business line, and fully optimized the operation mechanism of investment banks to promote the transformation and upgrading of investment banking business. During the Reporting Period, the Company acted as a lead underwriter for 8 IPOs, ranking 4th in the industry and the lead underwritten amount was RMB4.394 billion, ranking 8th in the industry. Details of the Company's equity underwriting and sponsorship business in the first half of 2020 are shown in the table below:

Items	January to June 2020		January to June 2019	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial Public Offerings (IPOs)	43.94	8	10.43	3
Refinancing offerings	—	—	111.91	11
Total	43.94	8	122.34	14

Source: Statistics of the Company, 2020.



Section 4 Discussion and Analysis of Operations

(2) Debt financing business

In the first half of 2020, with the stable currency policy being more flexible and moderate and the continuous decrease in finance cost, the offering size of credit bonds increased significantly. In January to June 2020, the offering size of corporate bonds throughout the market was RMB1,629.745 billion, representing a year-on-year increase of 55.41%; the offering size of enterprise bonds was RMB190.070 billion, representing a year-on-year increase of 19.94% (Source: WIND, 2020).

During the Reporting Period, the Company strengthened internal management to improve quality control and subsequent supervision and management by putting the risk prevention in a more important place. In January to June 2020, the Company acted as the lead underwriter for 84 tranches of bond offerings, with a total lead underwritten amount of RMB46.103 billion, representing a year-on-year decrease of 38.27%. Details of bond deals underwritten by the Company as the lead underwriter in the first half of 2020 are shown in the table below:

Items	January to June 2020		January to June 2019	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	77.50	14	118.29	13
Corporate bonds	165.47	46	193.90	35
Debt financing instruments of non-financial enterprises	58.36	10	80.60	16
Financial bonds	159.70	14	391.50	14
Exchangeable bonds	—	—	—	—
Total	461.03	84	784.29	78

Source: Statistics of the Company, 2020.

Section 4 Discussion and Analysis of Operations

(3) Financial advisory business

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

In the first half of 2020, the M&A activities decreased in the market in line with a slowdown in economic growth. The number and size of trading in the M&A market experienced a year-on-year decrease. The number and size of trading as reported in the M&A market in the first half of 2020 were 4,122 and RMB832.360 billion, representing a year-on-year decrease of 22.34% and 39.70%, respectively (Source: WIND, 2020). During the Reporting Period, guided by the industrial policies, finance policies and regional development policies of the PRC, the Company actively participated in the M&A and restructuring activities of high-quality enterprises.

In the first half of 2020, as the CSRC fully deepened the NEEQ reform and introduced a series of innovative measures such as establishing the selective layer (精選層) and the public issuance system, the market activity of the NEEQ rose significantly. As of the end of June 2020, the number of enterprises listed on the NEEQ was 8,547, representing a decrease of 406 compared to the beginning of the year. 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 2020, the Company sponsored a total of 56 companies listed on the NEEQ as the lead brokerage (Source: NEEQ, Statistics of the Company, 2020).

In addition, in respect of the overseas investment banking business, the Company carried out such business primarily through GF Capital (Hong Kong), its indirectly wholly-owned subsidiary. During the Reporting Period, GFHK completed 15 deals in lead underwriting (including IPO, refinancing and bond offering) and financial advisory.



Section 4 Discussion and Analysis of Operations

2. *Wealth management business segment*

The Group's wealth management business segment mainly comprises of retail brokerage and wealth management business, margin financing and securities lending business, repurchase transaction business and financial leasing business.

(1) Retail brokerage and wealth management business

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

At the end of June 2020, the SSE Composite Index, the SZSE Component Index and the ChiNext Index decreased by 2.15%, increased by 14.97% and 35.60%, respectively as compared to the end of last year, while the trading volume of market stocks and funds was RMB94.70 trillion, representing a year-on-year increase of 28.36% (Source: WIND, 2020).

During the Reporting Period, taking wealth management, institutional brokerage, technological finance and integration as the four driving forces, the Company firmly promoted the change and transformation of retail business, comprehensively deepened compliance risk control, and strived to create new competitive advantages in retail business. In 2020, the Company made good progress in promoting the transformation of its business model to digitalization and intelligence and the transformation of its business lines from brokerage to wealth management, expanding institutional brokerage business and comprehensive business and other aspects.

In the first half of 2020, the Company achieved good results by continuing to go deep in its scientific and technological financial model and consistently enhancing its scientific and technological financial capability. As of the end of the Reporting Period, the number of the Company's mobile-phone securities users exceeded 29.50 million, representing an increase of approximately 8% as compared to the end of last year; the number of subscribers of the Company's WeChat account was over 3.05 million; during the Reporting Period, the sales and transfer amount of financial products of the Yitaojin (易淘金) E-commerce platform amounted to RMB181.0 billion.

From January to June 2020, the trading volume of stocks and funds of the Company was RMB7.57 trillion (bilateral statistics), representing a year-on-year increase of 22.81%.

Section 4 Discussion and Analysis of Operations

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

Item	January to June 2020		January to June 2019	
	Trading volume as agent (RMB100 million)	Market share (%)	Trading volume as agent (RMB100 million)	Market share (%)
Stocks	71,696.35	4.03	59,062.13	4.25
Funds	4,003.96	3.48	2,577.56	3.04
Bonds	114,415.85	4.20	102,403.47	4.31
Total	<u>190,116.17</u>	<u>4.12</u>	<u>164,043.16</u>	<u>4.26</u>

Note 1: The data is from the statistics of SSE, SZSE and WIND, 2020;

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 2020 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	275.38	190.06
Trust products	55.77	45.88
Other financial products	<u>2,873.47</u>	<u>2,856.13</u>
Total	<u>3,204.62</u>	<u>3,092.07</u>

Note: The total sales and redeemed amount in this table include 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.



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

In regions outside of the PRC, the Group provides brokerage services for high-net-worth individuals and retail customers primarily through GF Brokerage (Hong Kong), its indirectly wholly-owned subsidiary, covering financial products such as stocks and bonds listed on the Hong Kong Stock Exchange and other overseas exchanges, and used the self-developed Yitaojin international trading system to develop overseas wealth management business.

(2) Margin financing and securities lending business

In the first half of 2020, there saw wide-ranged fluctuations in the secondary market, the market risk appetite remained high, and the scale of margin financing and securities lending business increased steadily. As of the end of June 2020, the balance of margin financing and securities lending in SSE and SZSE was RMB1,163.768 billion, representing an increase of 14.17% as compared to the end of 2019 (Source: WIND, 2020).

In 2020, the Company continuously strengthened refined management of margin financing, securities lending and other businesses and, relying on the tiered service system, took multiple measures to promote the steady development of the business. As of the end of June 2020, the closing balance of the Company's margin financing and securities lending business was RMB56.965 billion, representing a year-on-year increase of 13.92% as compared to the end of 2019; and the market share was 4.89%.

(3) Repurchase transaction business

In the first half of 2020, the market stock pledged business showed a contraction as a whole. The scale of the stock pledged business of the Company remained stable as a result of the constant strengthening of risk control access of stock pledged business and the optimizing of project structure. As of the end of June 2020, the balance of the exchange traded Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB11.997 billion, representing a decrease of 1.62% as compared to the end of 2019.

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(4) Financial leasing business

To increase the stickiness of the Group's customers and enhance its comprehensive financial service capability, the Company conducted financial leasing business through GFFL, its subsidiary.

In the first half of 2020, the financial leasing industry was put under great pressure. During the Reporting Period, GFFL continued to strengthen the construction and optimization of its comprehensive risk management system. As of the end of June 2020, the net financial leasing and sale and leaseback receivables amounted to RMB2.792 billion.

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 2020, the A shares market fluctuated significantly with obvious structural differentiation. As of the end of June 2020, the SSE Composite Index dropped slightly by 2.15%, while SZSE Component Index, SSESME Composite Index and the ChiNext Index rose by 14.97%, 20.85% and 35.60%, respectively, as compared to the end of 2019. In the derivatives market, the liquidity and volatility of derivatives increased gradually in line with increased market volatility.

During the Reporting Period, in adherence to the idea of value investment, the Company's equity investment focused on investments in blue chip stocks, technology stocks and other stocks and better controlled its positions based on market fluctuations, coupled with derivatives investment better seized the trading opportunities arising from the market fluctuations, which together contributes to higher yields. Meanwhile, the average daily scale of the Company's market-making business increased substantially as compared to the previous year. A variety of option market making products received a monthly rating of AA (the highest one) in 2020, and obtained the "2019 Outstanding Option Market Maker" award from the SSE.



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(2) Fixed income sales and trading business

The fixed income sales and trading of the Company consists mainly of the sales of underwritten bonds to institutional clients, and the 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 have been 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 risk arising from transactions and market-making business. In addition, the Company carries out the overseas FICC business mainly through GF Global Capital, its indirect wholly-owned subsidiary. In the first half of 2020, the Company ranked No. 6 among securities firms in terms of the trading volume of bonds in China (Source: www.chinabond.com.cn, 2020).

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 better investment return.

(3) OTC sales and trading business

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

As of the end of June 2020, the Company has issued 16,665 OTC products in aggregate with an aggregate amount of approximately RMB761.192 billion. The market value of the products as at the end of the Reporting Period was approximately RMB49.390 billion. Specifically, the Company issued 1,585 new OTC products with an aggregate amount of RMB33.244 billion in the first half of 2020. As of the end of June 2020, the Company provided market-making services for 96 NEEQ enterprises.

Section 4 Discussion and Analysis of Operations

(4) Alternative investment business

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

In the first half of 2020, GF Qianhe focused on such industries as consumer, artificial intelligence, technology and pharmaceuticals. During the Reporting Period, GF Qianhe completed 8 new equity investment projects with a total investment of RMB180 million. As of the end of June 2020, GF Qianhe completed 125 equity investment projects.

(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. The Company earned commission fee for sub-position transactions from institutional clients. Specifically, our investment research services cover the provision of research reports and customized investment research services for the National Social Security Fund, insurance companies, fund companies, private equity funds, financial companies, securities companies and other institutional investors in Hong Kong and the PRC. The Group's equity research covers 28 industries and nearly 700 A-share listed companies in China, and nearly 170 companies listed on the Hong Kong Stock Exchange.

The outstanding research capacity of the Company enjoys a high reputation in the industry. The Company received numerous honors in 2019: the first place in the "New Fortune's Domestic Best Research Teams (新財富本土最佳研究團隊)" in 2019, "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 the sixth consecutive year, and the second place in the "Best Analyst Team (最佳分析師團隊)" by "Institutional Investors • Caixin Capital Market Analyst Achievement Award (機構投資者 • 財新資本市場分析師成就獎)" in 2019. Currently, the Company is continuously promoting the internationalization of its research brands so far as permitted by and in compliance with laws and regulations.

(6) Asset custody business

The Company provides high-quality asset custody and fund services for various asset management products. The targets of 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 equity fund managers and various other asset management institutions.



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In 2020, the private equity fund industry continued to develop in a standardized manner with market resources gradually aggregated in medium and large high-quality private equity fund managers. The brokerage settlement model was adopted for new publicly-offered funds which provided service opportunities for the asset custody business of brokerages. The custody outsourcing services in respect of bank wealth management products was gradually deregulated for brokerages.

During the Reporting Period, the Company actively expanded the market, strengthened infrastructural construction, improved comprehensive service capabilities and enhanced risk control system to consistently improve customer satisfaction. As of the end June 2020, the total asset scale of the asset custody and fund services provided by the Company was RMB227.690 billion, representing a year-on-year increase of 8.7%, of which the scale of trust products was RMB98.744 billion, and the scale of fund service products provided was RMB128.947 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

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

In the first half of 2020, the asset management institutions of various brokerages relied on their own resources to actively promote the issuance of various products. Net income from the overall asset management for customers in the industry showed a year-on-year growth trend. However, with the increase in market participants such as the wealth management subsidiaries of banks, the industry competition intensified further, and the market structure was further differentiated.

Section 4 Discussion and Analysis of Operations

GF Asset Management manages the investments of client assets under various asset categories and 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 consistently improved its operating mechanism, strengthened infrastructural construction and raised the internal control level, achieving overall good operating results. It has continuously enhanced its core capabilities in active management, assets allocation, products design and innovation and channel marketing. To comply with the requirements of the new asset management regulations, the Company's asset management scale decreased year-on-year; the Company conducted an orderly rectification of the large collective products and successfully completed the public offerings of four large collective products as of the end of June 2020. GF Asset Management continued to develop new businesses and new products, further improving the layout of its product lines.

As of the end of June 2020, the net value of collective asset management schemes and single asset management schemes of GF Asset Management increased by 11.28% and 4.71%, respectively, and that of its specific asset management schemes decreased by 15.40% as compared with the end of 2019, and its total scale increased by 5.24% as compared with the end of 2019. The asset management scale of GF Asset Management as of the end of June 2020 is as follows:

	Net value of asset management (RMB100 million)	
	June 30, 2020	December 31, 2019
Collective asset management business	1,369.87	1,230.97
Single asset management business	1,483.56	1,416.85
Specific asset management business	274.37	324.32
Total	3,127.80	2,972.14

Source: Statistics of the Company, 2020; the sum of the sub-items may be different from the aggregated data, which is caused by rounding.



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As of the end of June 2020, the scale of regulatory entrusted fund of GF Asset Management ranked 9th (source: the Securities Association of China, 2020), and the average monthly scale of active asset management ranked 5th (source: the Asset Management Association of China, 2020) in the securities industry as of the end of June 2020.

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

(2) Public fund management service

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

In the first half of 2020, the fund industry developed rapidly, and the public fund industry continued its good growth momentum. The main players in the industry exerted their active management capabilities and achieved good returns for holders. The scale of the industry also further concentrated on high-quality products. Meanwhile, the fund industry actively served the reform of the capital market and the real economy by exploring to take various innovative methods such as Shanghai Gold ETF (上海金ETF), NEEQ funds and publicly offered REITs.

As at June 30, 2020, the Company held 60.59% interest in GF Fund. GF Fund is one of the investment managers of the National Social Security Fund and the 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 the 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 at June 30, 2020, the publicly offered funds managed by GF Fund in aggregate reached RMB639.481 billion, representing an increase of 27.24% as compared to the end of 2019, and the total fund size excluding money market funds and short-term wealth management bond funds amounted to RMB416.591 billion, ranking third in the industry (Source: Statistics of the Company, China Galaxy Securities Fund Research Center, 2020).

Section 4 Discussion and Analysis of Operations

As at June 30, 2020, the Company held 22.65% interest in E Fund, and was one of its three parallel largest shareholders. E Fund is one of the investment managers of the National Social Security Fund and the Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, enterprise annuity, other institutional investors and high-net-worth individuals. In addition, E Fund can invest the capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest the capital raised from overseas markets in China's capital market in the form of RQFII. As at June 30, 2020, the publicly offered funds managed by E Fund in aggregate reached RMB898.595 billion, representing an increase of 22.95% as compared to the end of 2019, and the total fund size excluding money market funds and short-term wealth management bond funds amounted to RMB547.834 billion, ranking first in the industry (Source: Statistics of the Company, China Galaxy Securities Fund Research Center, 2020).

(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 2020, GF Xinde focused on such industries as biomedicine, intelligent manufacturing and corporate services.

During the Reporting Period, the funds under the management of GF Xinde completed a number of equity investment deals, with the investment amount up to approximately RMB1 billion. As of the end of June 2020, GF Xinde set up and managed nearly 40 private funds, the total size of customers' assets under management was near to RMB10 billion, and GF Xinde and the funds under its management completed approximately 280 equity investment projects.

In the overseas market, the Group is engaged in overseas investments and private equity management services mainly through its indirectly wholly-owned subsidiary GF Investments (Hong Kong) and subsidiaries thereunder. Several investment projects have exited by way of mergers and acquisitions or been listed on the stock exchanges in Hong Kong, the United States and other regions.



Section 4 Discussion and Analysis of Operations

III. ANALYSIS ON FINANCIAL STATEMENTS

1. Analysis on Consolidated Statement of Profit or Loss

Revenue composition

Unit: RMB' 000

Item	January to June 2020	January to June 2019	Amount of increase/ decrease	Percentage of increase/ decrease
Commission and fee income	6,426,107	5,096,123	1,329,984	26.10%
Interest income	5,438,136	5,481,575	-43,439	-0.79%
Net investment gains	5,392,343	4,191,487	1,200,856	28.65%
Other income and gains or losses	421,486	885,925	-464,439	-52.42%
Total revenue and other income	17,678,072	15,655,110	2,022,962	12.92%

During the period from January to June 2020, due to favorable market conditions, total revenue and other income of the Group was RMB17,678 million, representing an increase of 12.92% as compared with RMB15,655 million for the corresponding period of 2019.

The increase in total revenue and other income was mainly reflected by commission and fee income of RMB6,426 million in the period from January to June 2020, an increase of RMB1,330 million or 26.10% as compared with the corresponding period of 2019, mainly attributable to the increase in commission and fee income from the securities brokerage business and fund management fee income as a result of the increase in stock and fund trading volume and the scale of fund management business. The increase in total revenue and other income was also reflected by net investment gains of RMB5,392 million in the period from January to June 2020, an increase of RMB1,201 million or 28.65% as compared with the corresponding period of 2019, mainly attributable to the increase in unrealised fair value changes of financial assets at fair value through profit or loss and the increase in net realised gains from disposal of financial instruments.

Section 4 Discussion and Analysis of Operations

Expenses composition

Unit: RMB' 000

Item	January to June 2020	January to June 2019	Amount of increase/ decrease	Percentage of increase/ decrease
Depreciation and amortization	356,291	310,572	45,719	14.72%
Staff costs	4,216,362	3,131,974	1,084,388	34.62%
Commission and fee expenses	148,215	152,185	-3,970	-2.61%
Interest expenses	3,531,544	3,801,143	-269,599	-7.09%
Other operating expenses	1,427,796	2,397,293	-969,497	-40.44%
Credit loss expense	358,306	464,435	-106,129	-22.85%
Impairment losses	1,002	178	824	462.92%
Total expenses	<u>10,039,516</u>	<u>10,257,780</u>	<u>-218,264</u>	<u>-2.13%</u>

For the period from January to June 2020, total expenses of the Group were RMB10,040 million, representing a decrease of 2.13% from RMB10,258 million for the corresponding period in 2019. The change in total expenses was mainly reflected in the increase in staff costs and the decrease in other operating expenses. The increase in staff costs was mainly attributable to the increase in the provision on salaries, bonuses and allowances. The decrease in other operating expenses was mainly attributable to the decrease in trading business costs.

For the period from January to June 2020, the Group realized net profit attributable to owners of the Company of RMB5,752 million, representing a year-on-year increase of 38.93%; basic earnings per share were RMB0.75, representing a year-on-year increase of 38.89%; and return on weighted average net assets was 6.12%, representing a year-on-year increase of 1.39 percentage points.



Section 4 Discussion and Analysis of Operations

2. Analysis on Consolidated Statement of Financial Position

Unit: RMB' 000

	June 30, 2020	Composition	December 31, 2019	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Non-current assets	32,384,264	7.68%	32,766,922	8.31%	-382,658	-1.17%
Of which: Equity instruments at fair value through						
other comprehensive income	11,037,733	2.62%	11,386,054	2.89%	-348,321	-3.06%
Investments in associates	4,012,555	0.95%	4,173,537	1.06%	-160,982	-3.86%
Property and equipment	1,924,579	0.46%	2,044,528	0.52%	-119,949	-5.87%
Financial assets held under resale agreements	937,674	0.22%	382,617	0.10%	555,057	145.07%
Investments in joint ventures	2,400,016	0.57%	2,745,489	0.70%	-345,473	-12.58%
Financial assets at fair						
value through profit or loss	7,027,818	1.67%	6,821,485	1.73%	206,333	3.02%
Financial leasing receivables	988,799	0.23%	1,537,281	0.39%	-548,482	-35.68%
Debt instruments at amortized cost	175,551	0.04%	332,004	0.08%	-156,453	-47.12%
Current assets	389,269,925	92.32%	361,624,142	91.69%	27,645,783	7.64%
Of which: Bank balances	98,484,270	23.36%	80,707,188	20.46%	17,777,082	22.03%
Advances to customers	61,952,593	14.69%	54,786,938	13.89%	7,165,655	13.08%
Financial assets at fair						
value through profit or loss	83,008,815	19.69%	74,091,687	18.79%	8,917,128	12.04%
Debt instruments at fair value through other						
comprehensive income	94,882,040	22.50%	98,597,038	25.00%	-3,714,998	-3.77%
Clearing settlement funds	18,892,113	4.48%	19,548,482	4.96%	-656,369	-3.36%
Financial assets held under resale agreements	15,327,051	3.63%	20,305,993	5.15%	-4,978,942	-24.52%
Deposits with exchanges and non-bank						
financial institutions	7,829,243	1.86%	6,646,320	1.69%	1,182,923	17.80%
Debt instruments at amortized cost	1,413,408	0.34%	1,948,128	0.49%	-534,720	-27.45%
Total assets	421,654,189	100.00%	394,391,064	100.00%	27,263,125	6.91%

Section 4 Discussion and Analysis of Operations

	June 30, 2020	Composition	December 31, 2019	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
Current liabilities	257,295,514	79.22%	243,187,534	80.99%	14,107,980	5.80%
Of which: Accounts payable to brokerage clients	102,084,108	31.43%	79,680,645	26.54%	22,403,463	28.12%
Financial assets sold under repurchase agreements	72,862,847	22.43%	95,396,421	31.77%	-22,533,574	-23.62%
Short-term financing payables	20,752,573	6.39%	14,880,673	4.96%	5,871,900	39.46%
Other liabilities	5,977,058	1.84%	5,704,495	1.90%	272,563	4.78%
Due to banks and other financial institutions	5,327,317	1.64%	2,984,030	0.99%	2,343,287	78.53%
Bonds payable	30,526,114	9.40%	32,353,680	10.78%	-1,827,566	-5.65%
Net current assets	131,974,411		118,436,608		13,537,803	11.43%
Non-current liabilities	67,500,191	20.78%	57,066,934	19.01%	10,433,257	18.28%
Of which: Bonds payable	61,093,130	18.81%	50,325,973	16.76%	10,767,157	21.39%
Long-term loans	1,702,312	0.52%	2,025,776	0.67%	-323,464	-15.97%
Total liabilities	324,795,705	100.00%	300,254,468	100.00%	24,541,237	8.17%
Total equity	96,858,484		94,136,596		2,721,888	2.89%

As of June 30, 2020, total assets of the Group were RMB421,654 million, representing an increase of RMB27,263 million or 6.91% as compared with that at the end of 2019; and total liabilities were RMB324,796 million, representing an increase of RMB24,541 million or 8.17% as compared with that at the end of 2019. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 27.84%; the proportion of financial assets at fair value through profit or loss and equity instruments and debt instruments at fair value through other comprehensive income to total assets was 46.48%; the proportion of advances to customers to total assets was 14.69%; and the proportion of financial assets held under resale agreements to total assets was 3.85%.

As of June 30, 2020, non-current assets were RMB32,384 million, representing a decrease of 1.17% as compared with that at the end of 2019, substantially flat with that at the end of last year; current assets were RMB389,270 million, representing an increase of 7.64% as compared with that at the end of 2019, which was mainly attributable to the increase in bank balances, financial assets at fair value through profit or loss and advances to customers; current liabilities were RMB257,296 million, representing an increase of 5.80% as compared with that at the end of 2019, which was mainly attributable to the increase in accounts payable to brokerage clients and short-term financing payables, partly offset by the decrease in financial assets sold under repurchase agreements; and non-current liabilities were RMB67,500 million, representing an increase of 18.28% as compared with that at the end of 2019, which was mainly attributable to the newly issued bonds.



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The Group's equity attributable to owners of the Company as of June 30, 2020 was RMB93,951 million, representing an increase of RMB2,717 million or 2.98% as compared with that as of the end of 2019. Excluding the effect of accounts payable to brokerage clients, the Group's gearing ratio as of June 30, 2020 was 69.69%, representing a decrease of 0.40 percentage point as compared with that of 70.09% as of the end of 2019, while the Group's assets and liabilities structure remained relatively stable.

Borrowings and debt financing

As of June 30, 2020, total borrowings and bonds financing of the Group amounted to RMB119,438 million. The following table sets forth details of the Group's borrowings and bonds financing:

	Unit: RMB' 000	
	June 30, 2020	December 31, 2019
Short-term borrowings	4,035,163	1,038,013
Short-term financing payables	20,752,573	14,880,673
Bonds payable	91,619,244	82,679,653
Long-term loans	3,031,306	3,533,362
Total	<u>119,438,286</u>	<u>102,131,701</u>

For details of the interest rates and maturities of short-term borrowings, short-term financing payables, bonds payable and long-term loans, please refer to Notes 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 RMB5,327 million and the balance of financial assets sold under repurchase agreements amounted to RMB72,863 million.

The aforesaid debts totaled RMB197,628 million.

Save as disclosed in this report, as of June 30, 2020, 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 4 Discussion and Analysis of Operations

3. Analysis on the Consolidated Statement of Cash Flows

As of June 30, 2020, cash and cash equivalents of the Group amounted to RMB18,044 million, representing a decrease of 28.66% as compared with that of RMB25,293 million for the corresponding period of 2019, of which, net cash used in operating activities from January to June 2020 was RMB23,514 million, representing an increase of 309.45% as compared with that of RMB5,743 million for the same period of 2019, which was mainly attributable to the increase in net cash outflow from financial assets sold under repurchase agreements and financial assets at fair value through profit or loss, which was partially offset by the increase in net cash inflow from the amounts due to banks and other financial institutions; net cash from investing activities from January to June 2020 was RMB5,456 million, as compared with net cash used in investing activities of RMB4,106 million for the same period in 2019, which was mainly attributable to the increase in net cash inflow from the disposal of financial instruments at fair value through other comprehensive income; and net cash from financing activities from January to June 2020 was RMB14,774 million, representing an increase of 6.65% as compared with RMB13,853 million for the same period of 2019, which was mainly attributable to the increase in net cash inflow from borrowings and long-term loans, which was partially offset by the increase in net cash outflow from short-term financing payables and bonds payable.

4. 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 "51. Change of scope of consolidation".

5. 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 occurred in the Group.



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

	June 30, 2020 RMB	December 31, 2019 RMB
Financial assets at fair value through profit or loss (FVTPL) pledged for pledge-style repo business	5,506,847,046.49	9,441,607,346.03
Of which: Financial assets at FVTPL pledged for bond pledged quoted-repo business	444,456,042.49	203,810,430.29
Financial assets at fair value through other comprehensive income (FVTOCI) pledged for pledge-style repo business	57,399,301,404.36	71,814,113,880.04
Of which: Financial assets at FVTOCI pledged for bond pledged quoted-repo business	24,062,689.00	28,714,804.80
Debt instruments at amortized cost pledged for pledge-style repo business	729,906,851.93	800,521,966.12
Financial assets held under resale agreements pledged for pledge-style repo business	–	102,938,300.00
Financial assets at FVTPL transferred for buyout repo business	1,735,847,940.56	497,913,207.00
Financial assets at FVTOCI transferred for buyout repo business	2,703,409,914.66	3,594,147,939.75
Financial assets held under resale agreements transferred for buyout repo business	–	1,392,511,046.41
Financial assets at FVTPL transferred for margin financing and securities lending business	342,993,511.02	276,959,909.74
Financial assets at FVTOCI transferred for margin financing and securities lending business	39,325.00	42,978.00
Financial assets at FVTOCI pledged for refinancing business	666,578,192.28	700,479,181.08
Financial assets at FVTPL pledged for bond lending business	1,436,004,244.24	4,181,260,040.26
Financial assets at FVTOCI pledged for bond lending business	2,083,052,071.21	4,060,664,522.40
Debt instruments at amortized cost pledged for bond lending business	111,106,915.63	112,309,479.71
Financial assets held under resale agreements pledged for bond lending business	–	237,252,334.45
Rights and interests in financial leasing and sale and leaseback receivables restricted for bank borrowings	2,441,508,445.98	2,963,606,315.17
Financial assets held under resale agreements pledged for due to banks and other financial institutions business	–	129,594,468.81
Financial assets at FVTPL pledged for due to banks and other financial institutions business	1,656,314,766.05	383,056,709.85
Financial assets at FVTOCI pledged for due to banks and other financial institutions business	158,710,176.53	293,306,397.26
Total	76,971,620,805.94	100,982,286,022.08

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IV. ANALYSIS ON INVESTMENT CONDITIONS

1. General

Investment in the Reporting Period (RMB)	Investment of the same period of last year (RMB)	Change
—	500,000,000.00	-100.00%

2. Material equity investments made during the Reporting Period

N/A

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

N/A



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4. Financial asset investment

(1) Securities investment

Unit: RMB'0,000

Type of securities	Stock code	Short name	Investment cost	Accounting measurement mode	Book value at the beginning of the period	Profit or loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase amount of the period	Sales amount of the period	Profit or loss in the Reporting Period	Book value at the end of the period	Accounting subject	Source of capital
Fund	003281	Guangfa Huoqibao B	544,276.92	Measured at fair value	351,267.48	-	-	459,896.25	267,900.00	2,727.76	544,285.23	Financial assets held for trading	Self-owned
Fund	002183	GF Tiantianhong B	291,638.61	Same as above	333,839.89	-	-	231,549.99	275,044.58	1,703.65	291,649.56	Financial assets held for trading	Self-owned
Fund	002758	CCB Fund Cash Return Monetary Fund	151,579.41	Same as above	85,008.52	-	-	66,577.54	-	1,579.01	151,587.52	Financial assets held for trading	Self-owned
Fund	000917	Jiashi Kuaxian A	130,847.99	Same as above	20,008.50	-	-	130,847.99	20,000.00	969.89	130,978.40	Financial assets held for trading	Self-owned
Fund	000662	Yinhua Live Money F	107,692.35	Same as above	106,469.31	-	-	1,191.63	-	1,235.98	107,705.29	Financial assets held for trading	Self-owned
Fund	003164	CCB Fund Cash Return Fund B	101,073.28	Same as above	50,030.80	-	-	101,046.30	50,000.00	1,049.59	101,080.38	Financial assets held for trading	Self-owned
Bond	019613	19 Treasury Bond 03	98,277.58	Same as above	-	-	225.92	97,000.00	-	42.88	98,332.76	Other debt investments	Self-owned
Bond	019628	20 Treasury Bond 02	90,926.35	Same as above	-	-	-1,079.35	90,000.00	-	29.04	90,595.60	Other debt investments	Self-owned
Fund	003474	Southern Tiantianli B	87,902.52	Same as above	86,822.08	-	-	1,078.22	-	1,085.66	87,907.74	Financial assets held for trading	Self-owned
Bond	170209	17 CDB 09	82,941.91	Same as above	85,032.17	-	443.46	-	-	1,851.29	86,136.21	Other debt investments	Self-owned
Other securities investments held at the end of the period			17,606,001.12	-	18,225,603.08	224,709.35	24,525.42	N/A	N/A	665,594.70	18,092,123.28	-	-
Total			19,293,158.04	-	19,344,081.83	224,709.35	24,115.45	N/A	N/A	677,869.45	19,783,391.97	-	-

Note: Other securities investments include the investment by the Company in the special account of the CSF. Pursuant to the relevant contract entered into between the Company and CSF, the special account will be under the united operation of CSF, with the investment risks and investment income shared by us based on the investment ratio. As at the end of the Reporting Period, the balance of the Company's investment in such special account was RMB10,310 million and the Company has determined the book value of the investment in such special account based on the asset report provided by CSF to be RMB10,260 million.

(2) Derivative investment conditions

N/A

V. SALE OF MAJOR ASSETS AND EQUITY

1. Sale of major assets

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

2. Sale of major equity

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

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VI. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND PARTICIPATING STOCK COMPANIES

Company name	Company type	Main business	Registered capital	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sale.	RMB1,400,000,000	19,887,247,962.74	2,495,165,516.38	133,276,416.80
GF Xinde	Subsidiary	Equity investment; providing financial advisory services on equity investment to clients and other businesses approved by CSRC.	RMB2,800,000,000	7,631,045,681.72	5,900,219,609.74	781,433,088.10
GFHK	Subsidiary	Investment holding, undertaking investment banking, sale and transactions, asset management, equity investment and other businesses approved by the SFC through professional subsidiaries.	HKD5,600,000,000	20,074,499,848.38	4,678,539,864.47	-29,529,240.34
GF Qianhe	Subsidiary	Project investment; investment management.	RMB3,603,500,000	5,543,984,242.42	5,267,000,799.41	476,133,565.64
GF Asset Management	Subsidiary	Securities asset management.	RMB1,000,000,000	11,811,158,929.53	5,947,743,228.82	466,295,489.03
GFFL	Subsidiary	Medical equipment leasing services; commercial factoring business related to main business (only for financial leasing enterprises); financial leasing services (limited to foreign-invested enterprises); leasing business (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); 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); financial leasing of class III medical devices (limited to foreign-invested enterprises).	RMB800,000,000	3,342,190,872.38	873,919,818.62	-44,380,036.52
GF Hexin	Subsidiary	Investment management, asset management, fund management, equity investment, investment consulting.	RMB100,000,000	126,339,104.31	115,863,543.16	4,106,885.32
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB126,880,000	10,408,778,641.27	7,056,945,558.82	910,279,041.06
E Fund	Participating stock company	Publicly offered securities investment fund management, fund sale, asset management for specific customers.	RMB132,442,000	13,441,828,286.38	9,348,351,962.12	1,048,396,464.45

Explanation on the status of principal subsidiaries and participating stock companies

GF Xinde recorded net profit of RMB781 million, representing a year-on-year increase of 298.77%, which was mainly due to the increase in gain on financial assets at fair value through profit or loss. GF Fund recorded net profit of RMB910 million, representing a year-on-year increase of 53.01%, which was mainly due to the increase in fund management fee income.



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VII. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

The consolidated structured entities of the Group are primarily those structured entities of which the Group acts as a manager or investment advisor and in which the Group invests. The variable returns enjoyed by the Group through participating in the relevant activities of these structured entities have significant impact and the Group is able to impose influence on the amount of variable returns by applying its power over these structured entities. As at June 30, 2020, there were a total of 23 (as at the beginning of the period: 19) products consolidated into the consolidated financial statements of the Group.

As at June 30, 2020, the net assets of the consolidated structured entities were RMB12,881,438,763.82 (as at the beginning of the period: RMB11,568,043,861.71). The book value of the Group's interests was RMB6,168,423,530.02 (as at the beginning of the period: RMB5,066,657,735.58). The book value of the interests in the aforesaid structured entities held by various parties outside the Group was RMB6,713,015,233.80 (as at the beginning of the period: RMB6,501,386,126.13).

VIII. ESTIMATE OF THE OPERATING RESULTS FOR JANUARY TO SEPTEMBER 2020

N/A

IX. RISKS EXPOSED TO THE COMPANY AND COUNTER-MEASURES

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

(1) Policy risk

Policy risk refers to the adverse effects on the operation of security companies due to changes in national macro-control measures, laws and regulations, regulatory policies and trading on rules relating to the securities industry. On the one hand, the influence of the national macro-control measures on the securities market is larger, and the changes and adjustments strength in macro policies, interest rates and exchange rates are closely related to the tendency of the financial market, which directly affects the operation performance of 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 changes 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 or even risk of being managed or bankruptcy 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 risk and incidents include but are not limited to: mismatch of asset and liability structures, difficulty in asset realization, operating loss, deferred payment or breach of contract by counterparties, as well as liquidity risks transformed from credit risk, market risk, 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 actively expand the financing channels to meet the demand for internal liquidity, and ensure that its asset and liability term structures reasonably match with each other through reasonable arrangement of the liability. In addition, the liquidity risk management of a security company also needs to satisfy the supervision requirements for external liquidity risks as the bottom line and prevent the liquidity crisis that may be caused by various risk incidents.

(3) *Market risk*

Market risk refers to the risk of loss in the Company's businesses resulting from adverse changes in the market price (price of equity securities, interest rates, exchange rates or commodity price, etc.) and can be classified into equity price risk, interest rate risk, exchange rate risk, commodity price risk, etc. according to different types of underlying assets. The market risks faced by the Company 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 New Third Board, etc. with their own fund. With the promotion of the Company's course of internalization, as well as the acceleration to open the capital markets of China, 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. In particular, domestic derivative market is still at the stage of rapid development, so corresponding market mechanisms are not perfect and the risk hedging instruments are insufficient. Hence, as a major market maker and risk hedger in the derivative market, the structure of market risk exposure to be borne by the Company has become increasingly complex. Although overseas derivative markets have been well developed, related products have the characteristics of complex structure, highly fluctuating income and uneven liquidity, which makes it more difficult for the Company to manage market risks.



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(4) Credit risk

Credit risk refers to the potential losses resulting from the failure of an issuer or counterparty to perform its obligations under a contract, or arising from variations in the market value of debts due to changes in credit ratings or inability to perform contractual obligations. The credit risk faced by the Company at present mainly concentrates on transactions of bond investment, OTC transactions of derivatives, margin trading, agreed repurchase business, Stock Pledged Repo Transaction business, investment in non-standardized debt assets as well as other businesses that the Company shall bear or have payment commitment. With the promotion of leverage and continuous development of innovative businesses 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 Company in the future.

(5) Compliance risk

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

(6) Operational risk

Operational risk 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 middle and 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 Company'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 and suffer financial and reputation losses due to unclear setting and ineffective design or implementation of risk control measures. Therefore, the management of operational risk is a vital stage for securities firms to realize comprehensive risk management objectives.

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(7) Risk of information technology

Securities firms rely on the information technology represented by financial technology, which has enhanced their operational efficiency and core competitiveness. With the continuous development of its business, the Company's investment business, asset management business, brokerage business and many other business and middle- and back-stage management are highly dependent on the support of online information system; information technology is playing an increasingly important role in promoting the Company's business. In promoting business development, the information technology has been exposed to certain risks. Information technology risks have the characteristics of complexity, extensiveness, and variability. The types of risks include: information security risks, supplier risks, data protection risks, business continuity risks, information technology compliance risks, IT operational risks, force majeure risks, etc., which have a significant impact on the stable, safe, and smooth operation of the system.

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.



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(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 tracks various external policies and prepares corresponding reports that are announced across the Company so that information relating to changes in policies can be timely transmitted; 2) Implementation of various businesses of the Company will always be policy-oriented, front office, middle office and back office of the Company will continuously be highly sensitive to policy changes; as for major policy changes, each department of the Company 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 stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under normal situation and pressure state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about liquidity risk index to prevent liquidity risk. Specific measures for liquidity risk management include: 1) The Company 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 reasonably and guarantees that the Company has sufficient daytime liquidity cash; 3) The Company implements multilevel liquidity reserve management, sets corresponding risk limit for the liquidity reserve of the Company and conducts daily monitoring for relevant indexes; 4) The Company establishes 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 regularly or from time to time carries out liquidity risk drill and optimizes and perfects liquidity risk emergency disposal processes and mechanism of the Company based on the drill condition.

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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 limits of the Company and each business unit, to guarantee that the market risk exposure of the Company is within the risk tolerance range set by the Company 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 establishes multi-dimensional sensitivity index limit and stress test index limit for key investment business and complex derivatives business based on traditional risk index limit and continues 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 multi-level 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; 4) The Company continues to improve the risk management framework for pricing and risk measurement model through policy revision and process optimization, covering rating, development, verification, realization, 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 the full-process credit risk management by means of effective risk identification, prudent risk evaluation and decision-making, dynamic risk measurement and monitoring, timely risk reporting and settlement to effectively prevent or avoid risk events, reduce the losses caused by risk event to the Company and achieve maximized risk-adjusted income to the extent that credit risk is acceptable. The Company adheres 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 establishes limit for single customer and its identifiable related parties and industries and strictly controls concentration risk; 5) The Company reduces net exposure of risk and estimated loss undertaken by the Company through various risk mitigation measures; 6) The Company establishes a set of information system and analysis tools to measure credit risk exposure and classify and evaluate risk asset portfolio.



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⑤ 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 and subsequent supervision and inspection etc. The Company has improved the level and effectiveness of operational risk management mainly through the following measures: 1) The Company has improved the operational risk management system and operational mechanism, strengthened the joint coordination between the three lines of defense of the operational risk management and enhanced the in-depth analysis and rectification tracking of the operational risk related issues; 2) The Company has improved tool system for operational risk management and further improved the operational risk identification, evaluation, monitoring 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 construction process embedded; 3) The Company has gradually achieved the systematization and standardization of the operational 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 system construction; 5) Considering requirements for the construction of operational risk management system, the Company has been continuing to improve the assessment system, review scope and assessment process for new products and new business and enhance the tracking management mechanism for new business through reducing entry barrier by lowering criteria for new business, promoting online inspection and acceptance of new business and reviewing the status of business operation.

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⑥ Compliance risk management

The Company strictly complies with external legal provisions and regulatory requirements to implement various aspects of compliance management such as continuously strengthening system construction, 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: 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 and 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 compliance management information system construction, and improving the effectiveness of compliance management through high-tech and intelligent means.

⑦ Information technology risk management

By adhering to “taking information security as the bottom line and business continuity as the lifeline”, the Company strictly implements the clear requirements for management and control of information technology risk under the “Measures for Information Technology Management of Securities Fund Trading Institutions” (《證券基金經營機構信息技術管理辦法》) and builds three lines of defense for management and control of information technology risk. The Company has achieved the effective close-cycle before-event, event and after-event information technology risk management through the establishment of a multi-level technology assurance system of “assurance of on-going business, safety assurance, quality assurance, information platform, cloud platform and three centers in two areas” equipped with the construction of an online assurance system. The Company has increased its IT investment, strengthened technology management and regulated operation, enhanced digital operation and maintenance management and compliance risk control and management, and continuously improved the security management level for the construction, operation and maintenance of information system, thereby ensuring the stable, safe and smooth operation of the Company’s information system and effectively supporting the development of the Company’s business.



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X. REGISTRATION FORM FOR RECEPTION OF ACTIVITIES SUCH AS RESEARCH, COMMUNICATION AND INTERVIEW DURING THE REPORTING PERIOD

From January to June 2020, apart from daily telephone communications with public investors, the Company organized and participated in a total of 13 research receptions and results roadshows, receiving a total of about 100 investors, details of which are shown in the table below:

Reception time	Reception method	Type of participants	Participants	Index of basic particulars of the research
From January 1, 2020 to June 30, 2020	Telephone communication	Individuals	Public investors	Operation and development of the Company
March 30, 2020	Results roadshow	Institutions	Analysts and investors invited to GF Securities' 2019 Annual Results Presentation	Strategic and business development of the Company
March 31, 2020	Telephone communication	Institutions	UBS, Allianz Global Investors, FIL Ltd, Pacific Alliance Group, Eastspring Investments	Operation and development of the Company
March 31, 2020	Telephone communication	Institutions	Wellington (London)	Operation and development of the Company
April 2, 2020	Results roadshow	Institutions, individuals	Investors participating in GF Securities' 2019 Annual Results Webcast Presentation	Strategic and business development of the Company
April 15, 2020	Telephone communication	Institutions	DBS, Point72 Asia (Hong Kong) Limited, Santa Lucia Asset Management, Fuchs Capital Partners Pte. Ltd.	Operation and development of the Company
May 8, 2020	Telephone communication	Institutions	M&G	Operation and development of the Company
May 12, 2020	Telephone communication	Institutions	Investors invited to the 2020 Summer Listed Companies Online Communications sponsored by Northeast Securities	Strategic and business development of the Company
May 20, 2020	Telephone communication	Institutions	Investors invited to the 1st Pan-Asia Regional Investor Conference 2020 organised by Citigroup	Strategic and business development of the Company
May 26, 2020	Telephone communication	Institutions	Huatai Securities	Operation and development of the Company
June 3, 2020	Telephone communication	Institutions	Investors invited to the 2020 Summer Capital Market Conference sponsored by Shenwan Hongyuan	Strategic and business development of the Company
June 11, 2020	Telephone communication	Institutions	Investors invited to the 2020 Capital Market Forum sponsored by CITIC Securities	Strategic and business development of the Company

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Reception time	Reception method	Type of participants	Participants	Index of basic particulars of the research
June 16, 2020	Telephone communication	Institutions	Investors invited to Guotai Junan Interim Investment Strategy Conference	Strategic and business development of the Company
June 23, 2020	Telephone communication	Institutions	Investors invited to the Mid- 2020 Strategy Conference sponsored by TF Securities	Strategic and business development of the Company

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

Section 5

Significant Events



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

1. Corporate governance

The Company is committed to becoming a modern investment bank with international competitiveness, brand influence and systemic significance. As a public company listed in both Mainland China and Hong Kong, the Company carries out standardized operations in strict compliance with the requirements of laws and regulations and normative documents of the place where the Company is listed, continuously improving its social recognition and public reputation. The Company continues to enhance corporate governance pursuant to stipulations under the relevant laws and regulations including the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Firms, the Rules on Governance of Securities Firms, the Standardized Operational Guidelines for Companies Listed on the Shenzhen Stock Exchange and the Hong Kong Listing Rules. The Company constantly improves its internal control management system so as to gradually reinforce the integrity, rationality and effectiveness of its internal control. The Company further establishes and improves its rules and regulations. The general meeting of shareholders, the Board of Directors, the Supervisory Committee and the management of the Company perform their respective duties and act with due diligence, which establishes a sound structure of corporate governance. Through this corporate governance structure, the Company ensures its standard operation in accordance with the Corporate Governance Code.

To satisfy the requirements of both corporate governance and specific operation for an A+H dual listed company, the Company approved at the Board meeting on March 19, 2015, the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for securities transactions of the Company by all Directors, and the adoption of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules as the guidelines for standardizing the Company's governance. As at the end of the Reporting Period, after special enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly complied with the standards in the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period. On April 10, 2015, the Company's H Shares were issued and listed on the Main Board of Hong Kong Stock Exchange. Since then, the Company has strictly complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules (hereinafter referred to as the "Code"), and met most of the recommended best practice provisions as set out in the Code. According to the Corporate Governance Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since April 21, 2020, the Chairman of the Company, Mr. Sun Shuming, has also served as 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 10 members of the Board of Directors of the Company, including four 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 5 Significant Events

2. General meeting of shareholders during the Reporting Period

Session of meeting	Type of meeting	Participation ratio of investors	Convening date	Disclosure date	Disclosure index
2019 Annual General Meeting	Annual general meeting	49.0811%	June 9, 2020	June 10, 2020	It was published on the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) by the Company

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

N/A



Section 5 Significant Events

II. 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 2020.



Section 5 Significant Events

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

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

Section 5 Significant Events

Cause of commitment	Undertaking party	Type of commitment	Details of commitment	Date of Commitment	Term of Commitment	Performance
Net capital guarantee undertakings provided to GF Asset Management	GF Securities	Others	In order to support GF Asset Management for its continuous compliance with the regulatory requirements of 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

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

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*.

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

N/A

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

N/A

VII. BANKRUPTCY REORGANIZATION

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



Section 5 Significant Events

VIII. LITIGATIONS

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

As of June 30, 2020, the Company (including its wholly-owned and holding subsidiaries) was involved in 74 litigation and arbitration cases (including those initiated by and against the Company) pending for final judgment or ruling and completed execution, involving a total amount of claims at approximately RMB2.429 billion.

IX. QUESTIONING BY THE MEDIA

The Company was not involved in any matter commonly questioned by the media during the Reporting Period.

X. PENALTY AND RECTIFICATION

1. On April 30, 2020, the Company received the Decision on Adopting Regulatory Measures for Issuing Warning Letters to GF Securities Co., Ltd. (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2020] No. 58) 《關於對廣發證券股份有限公司採取出具警示函措施的決定》(中國證券監督管理委員會廣東監管局行政監管措施決定書[2020]58號)) from Guangdong Bureau of the CSRC, which states that in the process of serving as the financial advisor for the asset management scheme specific for NEEQ of China Railway Baoying (中鐵寶盈), there were deficiency in prudence relating to the due diligence, investment decision-making and post-investment management of the relevant projects, and insufficient internal business authorization control.

In this regard, the Company earnestly implemented the rectification requirements, continuously improved its internal control, effectively strengthened the management of employees' practice behavior, and conducted internal accountability to responsible personnel.

Section 5 Significant Events

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Significant Events

2. On July 20, 2020, the Company received the Decision Regarding Implementation of Regulatory Measures including Ordering for Rectification, Limiting Business Activities and Ordering for Limiting Rights of Senior Management against GF Securities Co., Ltd. (Decision of Administrative Regulatory Measures of Guangdong Bureau of the CSRC [2020] No. 97)《關於對廣發證券股份有限公司採取責令改正、限制業務活動、責令限制高級管理人員權利監管措施的決定》(中國證券監督管理委員會廣東監管局行政監管措施決定書[2020]97號)) from Guangdong Bureau of the CSRC, which states that the Company did not exercise proper due diligence, was deficient in terms of basic procedures of due diligence review, failed to have necessary professional cautiousness, implemented perfunctory internal quality control and failed to continuously perform the obligation of supervision and trustee management as required for various projects of Kangmei Pharmaceutical Co., Ltd., including the 2014 non-public issuance of preference shares, the 2015 corporate bond project, the 2016 non-public issuance of shares and the 2018 corporate bond project, as well as the 2017 exchangeable corporate bond project of Kangmei Industrial Investment Holding Co., Ltd. (康美實業投資控股有限公司). Guangdong Bureau of the CSRC took administrative regulatory measures on the Company, including ordering the Company to make rectifications, suspending the Company's sponsorship qualification for 6 months, not accepting the documents regarding the Company's bond underwriting business for 12 months and limiting the rights of senior management of the Company. Moreover, Qin Li and Ouyang Xi, senior executives of the Company, received the decision on administrative regulatory measures of public censure and regulatory interview from Guangdong Bureau of the CSRC; Zhang Wei, a senior executive of the Company, received the decision on administrative regulatory measures of regulatory interview from Guangdong Bureau of the CSRC; relevant staff of investment banking business received the decision on administrative regulatory measures of identification as not fit and proper person from Guangdong Bureau of the CSRC; three core persons in charge of projects received the decision on administrative regulatory measures of regulatory interview from Guangdong Bureau of the CSRC.

In this regard, the Company will learn the lessons seriously, and carefully reflect, strictly effect the rectification requirements, and internally hold relevant personnel accountable in accordance with the internal accountability system. The Company will continuously establish, perfect and strictly implement the internal control system, work flow and operation standards of investment banking business to effectively improve the quality of investment banking business. The Company will comprehensively strengthen the development of responsibilities, capabilities and professional conducts, and comprehensively improve compliance management and risk control. The Company will strictly follow the philosophy of robust operation and further strengthen the cultural construction of "compliance, honesty, professionalism and robustness", and strictly abide by the bottom line requirements of honesty and faithfulness, diligence and responsibility.

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

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

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





Section 5 Significant Events

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

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

XIII. MAJOR RELATED TRANSACTIONS

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

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

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

In year 2020, our day-to-day related transactions were executed subject to the Proposals on Estimates of Annual Day-to-day Related/Connected Transactions in Year 2020 of the Company passed by the Annual General Meeting of 2019 upon deliberation.

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

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

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 Industry Investment Co., Ltd. (“Kangmei Healthcare”) (a wholly-owned subsidiary of Kangmei Pharmaceutical Co., Ltd. (“Kangmei Pharmaceutical”)) (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.

According to the Hong Kong Listing Rules, GF Fund is a significant subsidiary of the Company. Ms. Xu Dongjin was a director of GF Fund, who resigned as a director of GF Fund on October 25, 2019. In view of the fact that Ms. Xu Dongjin had been a director of GF Fund in the past twelve months, Ms. Xu Dongjin is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Kangmei Healthcare is a wholly-owned subsidiary of Kangmei Pharmaceutical. Mr. Ma Xingtian is the de facto controller of Kangmei Pharmaceutical, and Ms. Xu Dongjin is the spouse of Mr. Ma Xingtian. Therefore, Kangmei Healthcare is an associate of Ms. Xu Dongjin, and thus a connected person of the Company at the subsidiary level. Therefore, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

At the board meeting which considered the Transaction, the relevant personnel present at the meeting explained the Transaction and the pricing of the Transaction. Based on (1) the relevant proposal in respect of the Transaction; (2) the explanations made by the relevant personnel at the board meeting; and (3) the pricing mechanism of the Transaction, namely, GF Fund still needs to engage an intermediary party to issue the valuation report, and the final price of the Transaction will be adjusted and determined by reference to the report value, and the transaction price shall not exceed RMB1.13 billion, 10 of the 11 Directors of the Company’s Board of Directors (including three of the four independent non-executive Directors) voted in favor of the proposal on the Transaction, and were of the view that the terms of the Transaction were reached through fair negotiation between the parties to the Transaction, and were entered into on normal commercial terms, which were fair and reasonable and in the interests of the Company and its Shareholders as a whole. In addition, the three independent non-executive Directors (including Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu) who voted in favor of the Transaction also issued specific independent opinions in respect of the Transaction in accordance with the relevant regulatory requirements. They were of the view that:

- 1) The Transaction is a relatively feasible solution for GF Fund to meet its need of future long-term and centralized office space. GF Fund can obtain the naming rights of its own properties, thereby enhancing its social image and influence and strengthening its employees' sense of belonging. The subject plots of the Transaction are located in the core business district of Guangzhou, which has a good potential of value preservation and appreciation.
- 2) The terms and conditions of the Transaction are reasonable and the pricing is fair, which will not affect the Company's ability to carry out its business independently.
- 3) The procedures for the review and decision-making of the Transaction are in compliance with the laws, administrative regulations, departmental regulations and other regulatory requirements.

Therefore, the three then independent non-executive Directors of the Company, namely Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu, were of the view that the Transaction is in compliance with the relevant provisions of laws and regulations and the internal rules and regulations of the Company, and does not jeopardize the interests of the Company and other Shareholders, especially the interests of the non-connected Shareholders and small and medium shareholders.

Despite the aforementioned pricing mechanism (namely, the transaction price will not exceed RMB1.13 billion, the final price of the Transaction will be adjusted and determined by making reference to the report value issued by an intermediary party, while such report and report value were not available on the date of the Board meeting), Mr. Tang Xin, an independent non-executive Director of the Company, was of the view that the relevant meeting materials were not adequate for him to make an informed decision and he was not able to form an accurate judgment on the Transaction, thus Mr. Tang Xin, a then independent non-executive Director, abstained 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.

At present, in respect of the Transaction, GF Fund will engage a qualified independent third party intermediary to conduct an appraisal of the Transaction Target, and the final price of the Transaction will be referred to and adjusted based on the report values as stated in the relevant appraisal report.

3. Related Transactions in respect of Joint External Investment

No related transactions in respect of joint external investment occurred during the Reporting Period.

Section 5 Significant Events

4. Amount due to or from Related Parties

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

Item Name	Related Party	Unit: RMB	
		Amount as of the end of the period	Amount as of the beginning of period
Seats commission, trailing commission and custodian fee receivables	E Fund Management Co., Ltd.	13,895,975.85	6,784,065.85
Seats commission and trailing commission receivables	Harvest Fund Management Co., Ltd.	4,037,891.90	5,056,413.98
Seats commission receivables	Hang Seng Qianhai Fund Management Company Limited	65,940.92	—

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.



Section 5 Significant Events

5. Other Material Related Transactions

No other material related transactions occurred during the Reporting Period.

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

During the Reporting Period, the Company did not have a controlling shareholder and a de facto controller.

XV. MAJOR CONTRACTS AND THEIR PERFORMANCE

1. Custody, Contracting and Leases

(1) Custody

There was no custody of the Company during the Reporting Period.

(2) Contracting

From May 2013, the Company and Guangzhou Construction Co., Ltd. successively entered into the "Construction General Contract for GF Securities Tower" and the relevant supplementary agreements. Guangzhou Construction Co., Ltd. is the main contractor for the construction of GF Securities Tower. The tentative contract price is RMB1,062 million.

In December 2018, GF Securities Tower passed the acceptance inspection. In March 2019, the principal business address of the Company's headquarter changed to GF Securities Tower, No. 26 Machang Road, Tianhe District, Guangzhou, Guangdong Province.

(3) Leases

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

Section 5 Significant Events

2. Material Guarantees

(1) Guarantees

External Guarantees Provided by the Company (Excluding Guarantees Provided to Subsidiaries) during the Reporting Period								
Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee	Term of Guarantee	Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
Nil	-	-	-	-	-	-	-	-
Total amount of external guarantees approved during the Reporting Period (A1)			0	Total actual amount of external guarantees provided during the Reporting Period (A2)				0
Total amount of external guarantees approved as at the end of the Reporting Period (A3)			0	Total actual balance of external guarantees as at the end of the Reporting Period (A4)				0
Guarantees Provided to Subsidiaries by the Company during the Reporting Period								
Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee	Term of Guarantee	Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
GF Financial Markets (UK) Limited (Industrial and Commercial Bank of China Limited Guangzhou No. 1 Sub-branch issued a financing letter of guarantee or standby letter of credit, the Company undertook guarantee liabilities to the extent of the amount of the letter of guarantee ultimately and actually signed).	August 26, 2017	US\$70 million and relevant interest and expenses (if any)	February 2, 2018	US\$30 million	Joint and several guarantee liabilities	Until January 28, 2020	Yes	No
GF Financial Markets (UK) Limited (Industrial and Commercial Bank of China Limited Guangzhou No. 1 Sub-branch issued a financing letter of guarantee or standby letter of credit, the Company undertook guarantee liabilities to the extent of the amount of the letter of guarantee ultimately and actually signed).	April 30, 2019	US\$70 million and relevant interest and expenses (if any)	August 30, 2019	US\$40 million	Joint and several guarantee liabilities	Until September 3, 2021	No	No
			January 29, 2020	US\$30 million		Until January 28, 2022	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)				RMB707.9500 million
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (B3)			RMB495.5650 million	Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)				RMB495.5650 million



Section 5 Significant Events

Guarantees among Subsidiaries during the Reporting Period								
Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee	Term of Guarantee	Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
GF Brokerage (Hong Kong) (GFHK provided guarantee to it)	December 19, 2013	HK\$50 million and relevant interest and expenses (if any)	December 16, 2013	HK\$50 million	Joint and several liabilities	From the date of agreement up to one month after the bank has received a termination notice in writing from the guarantor or the liquidator or receiver of the guarantor.	No	No
Total amount of guarantees provided to subsidiaries approved during the Reporting Period (C1)				0	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)		RMB45.6720 million	
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (C3)				RMB45.6720 million	Total actual balance of guarantee provided to subsidiaries as at the end of the Reporting Period (C4)		RMB45.6720 million	
Total Amount of Guarantees Provided by the Company during the Reporting Period (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)		RMB753.6220 million	
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)				RMB541.2370 million	Total actual balance of guarantees provided as at the end of the Reporting Period (A4+B4+C4)		RMB541.2370 million	
Total actual amount of guarantees (i.e. A4+B4+C4) as a percentage of the net assets of the Company								0.58%
Including:								
Balance of guarantees provided to shareholders, de facto controller and their related parties (D)								0
Balance of debt guarantees provided directly or indirectly to guaranteed parties with gearing ratio over 70% (on the date of resolution) (E)								RMB495.5650 million
Amount of total guarantees above 50% of net assets (F)								0
Total of the above 3 amounts of guarantees (D+E+F)								RMB495.5650 million
For outstanding guarantees, description on the guarantee liabilities or possible joint and several liabilities of repayment occurred during the Reporting Period (if any)								No
Description on the provision of external guarantee with non-compliance in required procedures (if any)								No
Other description					In February 2018, the board of directors of GFHK resolved that it agreed to provide guarantees to its wholly-owned subsidiary, GF Global Capital Limited, under the agreements such as ISDA and GMRA.			

Note: Calculated by the central parity exchange rates of Hong Kong dollar to Renminbi at 1:0.91344 and US dollar to Renminbi at 1:7.0795 published by the People's Bank of China on June 30, 2020.

(2) Non-compliance in external guarantees

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

3. Entrusted Wealth Management

There was no any entrusted wealth management during the Reporting Period.

4. Other Major Contracts

There was no any other major contracts during the Reporting Period.

XVI. SOCIAL RESPONSIBILITIES

1. Fulfillment of Social Responsibilities

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

Since the outbreak of COVID-19, the Company has been continuously monitoring the development of such pandemic. The Company donated RMB10 million to jointly establish the GF Securities Fund for Prevention and Treatment of COVID-19 with China Foundation for Poverty Alleviation and such donations have been used to purchase hospital anti-pandemic equipment and relevant urgently needed medical and pandemic prevention materials under the direction of the relevant departments of the National Health Commission to support the prevention of COVID-19. The aggregate amount of donations made by the Company and its subsidiaries to combat COVID-19 is RMB16.82 million. The aggregate amount of donations made by E Fund, an investee of the Company, and its employees is RMB10.34 million. Currently, the capital endowment made and materials purchased by the Company, its subsidiaries and investee company have been received by the recipient organizations successively.

2. Material environment protection events

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

No

3. Fulfillment of the social responsibility of targeted poverty alleviation

(1) Planning for targeted poverty alleviation

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

(2) Summary of semi-annual targeted poverty alleviation

During the Reporting Period, the Group contributed a total of over RMB1,800,000 in poverty alleviation to assist Wuzhishan city, Baisha County and Lingao County in Hainan Province and Tianjingtang village in Lechang city to implement targeted poverty alleviation work and actively performed the social responsibilities, thereby enjoying wide recognition from the society.

During the Reporting Period, the Company earnestly carried out the assignments of regulatory authorities and local governments, put active efforts on targeted poverty relief and alleviation and made contributions to ensure fully successful fight against poverty as scheduled. The Company implemented multi-dimensional supporting measures of “poverty-alleviation through party construction, poverty-alleviation through finance, poverty-alleviation through industries, poverty-alleviation through education and poverty-alleviation through charity” and continued to promote poverty alleviation in Wuzhishan City, Baisha County and Lingao County, Hainan Province and Tianjinggang Village, Lechang City, Guangdong Province. The “one company for one county” supporting initiative in Hainan Province has achieved initial results, and has successfully support Wuzhishan City, Lingao County, and Baisha Li Autonomous County in Hainan Province to get rid of poverty. Focusing on its professional origins, the Company successfully applied for the pilot project of natural rubber “insurance + futures” to give full play to the effectiveness of financial poverty alleviation. The Company steadily promoted the construction of industrial bases such as Wuzhi Downy Peach and passion fruit to ensure the income growth of poverty-stricken areas and poor families. The Company continued to carry out “GF Inspirational Class” education program to promote the block of the intergenerational transmission of poverty, and donated approximately RMB300,000 to 2019-grade students in respect for the 2019-2020 academic year tuition of the “GF Inspirational Class” of Hainan Health Management College to help 34 students from poor families in Hainan Province finish their studies. The Company promoted the effective connection between poverty alleviation and rural revitalization in Tianjinggang Village. The Company provided assistances to Tianjinggang Village to prevent and control the epidemic, and assisted Tianjinggang Village to donate 12 tons of fresh vegetables to support Jingzhou, Hubei. The Company promoted the resumption of work and production and school in Tianjinggang Village, and solved the issue of slow-moving agricultural products of poor families affected by the epidemic by combining poverty alleviation with consumption and care for epidemic areas. The Company received a full score in the Special Assessment on Fulfillment of Social Responsibilities for Poverty Alleviation in 2019 and was awarded the bronze cup of the Guangdong Poverty Alleviation Red Cotton Cup (廣東省扶貧濟困紅棉杯銅杯).

The Group’s subsidiaries also participated actively in poverty alleviation work to establish combined forces for targeted poverty alleviation. During the Reporting Period, GF Futures purchased insurance products such as agricultural product price insurance for farmers in Jiangcheng County, Donggang City, Yunnan Province and Baisha Town, Hainan Province, respectively. Moreover, GF Futures carried out poverty alleviation through education, poverty alleviation through industrial development and poverty alleviation through charity in Tongbai County, Henan Province, Jiangcheng County, Yunnan Province and Changshan Farm, Guangdong Province, and purchased agricultural products of poverty-stricken farmers in poverty-stricken areas. In addition to regular financial instruments and financial methods, GFFL creatively researched and adopted convenient and flexible instruments such as financial leasing to support the construction and enterprise development of poverty-stricken areas. The model of poverty alleviation through financial leasing pioneered by it in the industry has contributed to wisdom and innovative solution for poverty alleviation.

Section 5 Significant Events

(3) Results of targeted poverty alleviation

Indicators		Unit of measurement	Quantity/development status
I.	General Information	—	—
	Including: 1. Funds	RMB'0,000	187.28
	2. Cash converted from materials	RMB'0,000	0
	3. Number of registered poor people who were helped to be lifted out of poverty	person	0
II.	Sub-segments of Investments	—	—
	1. Poverty alleviation through industrial development	—	—
	Including: 1.1 Type of industrial development project for poverty alleviation		Poverty alleviation through assets income
	1.2 Number of industrial development projects for poverty alleviation	piece	1
	1.3 Invested amount in industrial development projects for poverty alleviation	RMB'0,000	58.04
	1.4 Number of registered poor people who were helped to be lifted out of poverty	person	166
	2. Poverty alleviation by education	—	—
	Including: 2.1 Invested amount to endow poor students	RMB'0,000	29.24
	2.2 Number of endowed poor students	person	34
	3. Social poverty alleviation	—	—
	Including: 3.1 Invested amount in cooperation with poverty alleviation in western and eastern China	RMB'0,000	0
	3.2 Invested amount in targeted poverty alleviation work	RMB'0,000	187.28
	4. Others	—	—
	Including: 4.1. Number of projects	piece	1
	4.2. Invested amount	RMB'0,000	100
III.	Awards received (details and grade)	—	—
	Bronze cup of the Guangdong Poverty Alleviation Red Cotton Cup	Provincial level	

Note: The Company's total investment in targeted poverty alleviation in the first half of 2020 was RMB1,872,800, which was all used for the targeted poverty alleviation work mentioned in item 3.2.

(4) Targeted poverty alleviation follow-up programs

The Company's subsequent plan on targeted poverty alleviation is mainly to complete the paired assistance to Wuzhishan City, Lingao County, Baisha Li Autonomous County in Hainan Province and Tianjinggang Village in Guangdong Province to win the combat of targeted poverty alleviation. The Company will continue to strengthen the refining, sharing and communication of poverty alleviation experience and actively fulfill its social responsibilities.



Section 5 Significant Events

XVII. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

There was no newly added qualification for individual business obtained during the Reporting Period.

XVIII. PARTICULARS OF OTHER SIGNIFICANT ISSUES

As of June 30, 2020, the Company had a total of 20 branches and 283 securities brokerage branches that cover 31 provinces, municipalities directly under the central government and autonomous regions. During the Reporting Period, a total of 3 branches of the Company and 8 brokerage branches completed relocation within the same city.

XIX. SIGNIFICANT MATTERS FOR THE SUBSIDIARIES OF THE COMPANY

During the Reporting Period, the subsidiaries of the Company did not have other significant matters.

XX. 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	Dalian Bureau of the CSRC	Reply on Approval for Deregistration of Dalian Branch by GF Securities Co., Ltd.
2	SZSE	No-objection Letter to GF Securities Co., Ltd. for the Subordinated Bonds of Securities Firms in 2020 Meeting Transfer Conditions of the SZSE
3	Guangdong Administration for Market Regulation	Approval and Filing Registration Notice (filing registration of change of directors, supervisors and senior management and the Articles of Association)

Section 5 Significant Events

XXI. INDEX OF INFORMATION DISCLOSURE

During the Reporting Period, the Company published the following information in respect of A Shares (excluding the “H-share Announcements”) in the 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 Key Financial Information for December 2019	January 10, 2020
2	Announcement on the Results of the Issuance of the 2020 First Tranche of Short-term Financing Bills of the Company	January 11, 2020
3	Announcement on the Results of the Issuance of the Non-Public Issuance of Corporate Bonds	January 21, 2020
4	Estimated Results for the Year 2019	January 21, 2020
5	Announcement on the Resolutions of the 25th Meeting of the 9th Session of the Board of Directors	January 23, 2020
6	Announcement on Connected Transaction between GF Fund Management Co., Ltd. and Kangmei Healthcare Industry Investment Co., Ltd	January 23, 2020
7	Announcement on the Key Financial Information for January 2020	February 12, 2020
8	Announcement on the Interest Payment in 2020 for the 2019 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	February 25, 2020
9	Announcement on the Results of the Issuance of the 2020 Second Tranche of Short-term Financing Bills of the Company	February 25, 2020
10	Announcement on the Approval for Cancellation of Dalian Branch	February 29, 2020
11	Announcement on the Result of Issuance of Non-public Issuance of Subordinated Bonds	March 4, 2020
12	Announcement on the Key Financial Information for February 2020	March 6, 2020



Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
13	Announcement on the Results of the Issuance of the 2020 Third Tranche of Short-term Financing Bills of the Company	March 14, 2020
14	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	March 17, 2020
15	Announcement on the Resolutions of the 26th Meeting of the 9th Session of the Board of Directors	March 28, 2020
16	Announcement on the Resolutions of the 14th Meeting of the 9th Session of the Supervisory Committee	March 28, 2020
17	Highlights of the 2019 Annual Report	March 28, 2020
18	Announcement in Relation to the Provision for Assets Impairment for 2019	March 28, 2020
19	Announcement on the Estimates of Daily Related/Connected Transactions for 2020	March 28, 2020
20	Announcement on the Re-appointment of Accounting Firm	March 28, 2020
21	Announcement in Relation to 2019 Annual Results Presentation	March 31, 2020
22	Announcement on the Cumulative Amount of New Borrowings for the Year Representing More Than 20% of net assets as at the End of Last Year	April 9, 2020
23	Announcement on the Key Financial Information for March 2020	April 10, 2020
24	Announcement on the Results of the Issuance of the 2020 Fourth Tranche of Short-term Financing Bills of the Company	April 17, 2020
25	Announcement on the Interest Payment in 2020 for the 2018 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors	April 21, 2020
26	Announcement on the Resignation of Mr. Lin Zhihai as Executive Director and General Manager of the Company	April 22, 2020

Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
27	Announcement on the Resolutions of the 27th Meeting of the 9th Session of the Board of Directors	April 22, 2020
28	Announcement on the Resolutions of the 15th Meeting of the 9th Session of the Supervisory Committee	April 22, 2020
29	Statement of Nominator and Candidate of Independent Director (Fan Lifu)	April 22, 2020
30	Statement of Nominator and Candidate of Independent Director (Hu Bin)	April 22, 2020
31	Statement of Nominator and Candidate of Independent Director (Leung Shek Ling Olivia)	April 22, 2020
32	Statement of Nominator and Candidate of Independent Director (Li Wenjing)	April 22, 2020
33	Notice of the 2019 Annual General Meeting	April 25, 2020
34	Announcement on the Resolutions of the 28th Meeting of the 9th Session of the Board of Directors	April 29, 2020
35	2020 First Quarterly Report	April 29, 2020
36	Announcement on the Resolutions of the 16th Meeting of the 9th Session of the Supervisory Committee	April 29, 2020
37	Announcement on the Interest Payment in 2020 for the 2017 Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors and delisting thereof	April 30, 2020
38	Announcement on the Key Financial Information for April 2020	May 12, 2020
39	Announcement on the Results of the Issuance of the 2020 Fifth Tranche of Short-term Financing Bills (Bond Connect) of the Company	May 19, 2020



Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
40	Announcement on the Results of the Issuance of the 2020 Sixth Tranche of Short-term Financing Bills (Bond Connect) of the Company	June 2, 2020
41	Announcement on the Key Financial Information for May 2020	June 5, 2020
42	Announcement on Reminder Notice of the 2019 Annual General Meeting	June 5, 2020
43	Announcement on the Results of the Election of Employee Representative Supervisors	June 10, 2020
44	Announcement on the Resolutions of the 2019 Annual General Meeting	June 10, 2020
45	Announcement on the Resolutions of the 1st Meeting of the 10th Session of the Board of Directors	June 10, 2020
46	Announcement on the Resolutions of the 1st Meeting of the 10th Session of the Supervisory Committee	June 10, 2020
47	Announcement on the Interest Payment in 2020 for “13 GF 03” Corporate Bonds	June 11, 2020
48	Announcement on the Results of the Issuance of the 2020 Seventh Tranche of Short-term Financing Bills (Bond Connect) of the Company	June 20, 2020

Section 5 Significant Events

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 December 31, 2019	January 7, 2020
2	Announcement on the Key Financial Information for December 2019	January 9, 2020
3	Estimated Results for the Year 2019	January 20, 2020
4	Announcement on Connected Transaction between GF Fund Management Co., Ltd. and Kangmei Healthcare Industry Investment Co., Ltd.	January 22, 2020
5	Monthly Return of Equity Issuer on Movements in Securities for the month ended January 31, 2020	February 6, 2020
6	Announcement on the Key Financial Information for January 2020	February 11, 2020
7	Announcement on the Key Financial Information for February 2020	March 5, 2020
8	Monthly Return of Equity Issuer on Movements in Securities for the month ended February 29, 2020	March 5, 2020
9	Date of Board Meeting	March 12, 2020
10	2019 Annual Results Announcement	March 27, 2020
11	2019 Corporate Social Responsibility Report	March 27, 2020
12	Proposed Amendments to the Articles of Association, Proposed Amendments to the Rules of Procedure for the General Meeting, Proposed Amendments to the Rules of Procedure for the Board Of Directors, Proposed Amendments to the Rules of Procedure for the Supervisory Committee	March 27, 2020
13	Announcement in Relation to the Provision for Assets Impairment for 2019	March 27, 2020
14	Announcement in Relation to 2019 Annual Results Presentation	March 30, 2020



Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
15	Monthly Return of Equity Issuer on Movements in Securities for the month ended March 31, 2020	April 3, 2020
16	Date of Board Meeting	April 9, 2020
17	Announcement on the Key Financial Information for March 2020	April 9, 2020
18	2019 Annual Report	April 16, 2020
19	Notification Letter and Request Form to Registered Shareholders	April 16, 2020
20	Notification Letter and Request Form to Non-Registered Shareholders	April 16, 2020
21	Resignation of Executive Director and General Manager Appointment of General Manager Change of Authorized Representative	April 21, 2020
22	List of Directors and their Roles and Functions	April 21, 2020
23	Nomination of Candidates for the Directors of The Tenth Session of the Board of Directors and Nomination of Candidates for the Supervisors of the Tenth Session of the Supervisory Committee	April 21, 2020
24	Notice of AGM	April 24, 2020
25	2019 AGM Circular	April 24, 2020
26	Proxy Form for the 2019 Annual General Meeting	April 24, 2020
27	Reply Slip for the 2019 Annual General Meeting	April 24, 2020
28	Notification Letter and Request Form to Registered Shareholders	April 24, 2020
29	Notification Letter and Request Form to Non-Registered Shareholders	April 24, 2020
30	2020 First Quarterly Report	April 28, 2020
31	Monthly Return of Equity Issuer on Movements in Securities for the month ended April 30, 2020	May 7, 2020
32	Announcement on the Key Financial Information for April 2020	May 11, 2020

Section 5 Significant Events

No.	Matters of Announcement	Date of Publication
33	Announcement on the Key Financial Information for May 2020	June 4, 2020
34	Monthly Return of Equity Issuer on Movements in Securities for the month ended May 31, 2020	June 4, 2020
35	Poll Results of the 2019 Annual General Meeting and Final Dividend for the Year Ended December 31, 2019	June 9, 2020
36	List of Directors and their Roles and Functions	June 9, 2020
37	Retirement of Independent Non-Executive Directors Appointment of Employee Representative Supervisors Appointment of Chairman of the Board of Directors, Chairman of The Supervisory Committee and the General Manager	June 9, 2020
38	Articles of Association	June 9, 2020

Section 6

Changes in Shareholdings and Particulars about Shareholders



Section 6 Changes in Shareholdings and Particulars about Shareholders

I. CHANGES IN SHAREHOLDINGS

1. Changes in Shareholdings

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

Set out below is the share capital of the Company:

Unit: Share

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

2. Changes in restricted shares

N/A

II. SECURITIES ISSUANCE AND THE LISTING

For details about the issuance of corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills by the Company, please refer to Section 10 “Corporate Bonds” of this report.



Section 6 Changes in Shareholdings and Particulars about Shareholders

III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS IN THE COMPANY

Unit: Share

Total number of ordinary shareholders at the end of the Reporting Period	182,876 (of which, 181,173 were A shareholders, 1,703 were registered H shareholders)	Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period	0
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Shareholdings of ordinary shareholders who hold more than 5% of the ordinary shares or shareholdings of the top ten ordinary shareholders

Name of shareholder	Capacity of shareholder	Percentage of shareholding (%)	Number of ordinary shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of ordinary shares with selling restrictions held	Number of ordinary shares without selling restrictions held	Pledge or freeze Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31%	1,700,070,460	-28,000	0	1,700,070,460		
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	40,000	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		
Huaxia Life Insurance Co., Ltd. – Universal Life Insurance Product	Fund and wealth management products, etc.	2.83%	215,824,683	0	0	215,824,683		
Puning Xinhong Industrial Investment Co., Ltd.	Domestic general legal entity	1.91%	145,936,358	0	0	145,936,358	Pledged	144,000,000
Central Huijin Asset Management Ltd.	State-owned legal entity	1.29%	98,149,700	0	0	98,149,700		
Hong Kong Securities Clearing Company Limited	Overseas legal entity	0.85%	64,745,149	5,054,600	0	64,745,149		
China Construction Bank Corporation – Guotai CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	Fund, wealth management product, etc.	0.56%	42,630,554	11,757,654	0	42,630,554		

Section 6 Changes in Shareholdings and Particulars about Shareholders

Shareholdings of the top ten ordinary shareholders without selling restrictions

Name of shareholder	Number of ordinary shares without selling restrictions held as at the end of the Reporting Period	Type of Shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,700,070,460	Listed foreign shares	1,700,070,460
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
Huaxia Life Insurance Co., Ltd.– Universal Life Insurance Product	215,824,683	RMB-denominated ordinary shares	215,824,683
Puning Xinhong Industrial Investment Co., Ltd.	145,936,358	RMB-denominated ordinary shares	145,936,358
Central Huijin Asset Management Ltd.	98,149,700	RMB-denominated ordinary shares	98,149,700
Hong Kong Securities Clearing Company Limited	64,745,149	RMB-denominated ordinary shares	64,745,149
China Construction Bank Corporation – Guotai CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	42,630,554	RMB-denominated ordinary shares	42,630,554

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

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



Section 6 Changes in Shareholdings and Particulars about Shareholders

Note 3: According to the public information disclosed on July 9, 2020 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, 2020, Jilin Aodong held 67,280,000 H Shares of the Company and through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), held 36,868,800 H Shares of the Company, totaling 104,148,800 H Shares and representing 1.37% of the total share capital of the Company. Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of its wholly-owned subsidiary, Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. As at June 30, 2020, the shareholding percentages of A Shares and H Shares in the Company of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 17.80%, 16.42% and 10.34%, respectively;

Note 4: The number of shares held by Liaoning Chengda at the end of the Reporting Period increased by 40,000 shares compared with the end of December 2019, mainly due to the participation of Liaoning Chengda in the margin refinancing and securities refinancing;

Note 5: According to the public information disclosed on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk), as at June 30, 2020, other than Public Utilities International (Hong Kong) Investment Company Ltd. as set out in Note 3, shareholders holding 5% or more of the H Shares of the Company are as follows: on 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 6: At the end of the Reporting Period, no shares of the Company were held by A shareholders mentioned above through credit-based securities accounts;

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

IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

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

Section 6 Changes in Shareholdings and Particulars about Shareholders

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

As of June 30, 2020, 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	Percentage of total issued	Percentage of total issued
					(Note 1)/ short position (Note 2)	shares of the Company (%) (Note 8)	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	Interest in a controlled corporation	104,148,800 (Note 3)	Long position	1.37	6.12
2	Liaoning Cheng Da	A Shares	Beneficial owner	1,250,154,088	Long position	16.40	21.12
		H Shares	Interest in a controlled corporation	1,473,600 (Note 4)	Long position	0.02	0.09
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 6 Changes in Shareholdings and Particulars about Shareholders

- Note 1: A shareholder has a “long position” if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to 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 67,280,000 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), a total of 104,148,800 H shares, representing 1.37% of the total share capital of the Company.*
- Note 4: Liaoning Cheng Da, through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司) (a wholly-owned subsidiary of Liaoning Cheng Da), held 1,473,600 H Shares of the Company, representing 0.019% of the total share capital of the Company. Therefore, Liaoning Cheng Da and Chengda Steel Co., Ltd. were deemed to have interests in the shares held by Chengda Steel Hongkong 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, 2020.*

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, 2020 required to be recorded in the register pursuant to section 336 of the SFO.

Section 6 Changes in Shareholdings and Particulars about Shareholders

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

As of June 30, 2020, 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 for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange.

As of June 30, 2020, none of the Company, its subsidiaries or fellow subsidiaries was a party to any arrangements during the year to enable the Directors, Supervisors or chief executives of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

Section 7

Preference Shares





Section 7 Preference Shares

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

Section 8

Convertible Corporate Bonds





Section 8 Convertible Corporate Bonds

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

Section 9

Particulars about Directors, Supervisors and Senior Management



Section 9 Particulars about Directors, Supervisors and Senior Management

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

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

II. CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
Lin Zhihai	Executive director and general manager	Resigned	April 20, 2020	Health reason
Yang Xiong	Independent non-executive director	Expiry of term of office	June 9, 2020	Expiry of term of office
Tang Xin	Independent non-executive director	Expiry of term of office	June 9, 2020	Expiry of term of office
Chan Kalok	Independent non-executive director	Expiry of term of office	June 9, 2020	Expiry of term of office
Tan Yue	Supervisor	Expiry of term of office	June 9, 2020	Expiry of term of office
Gu Naikang	Supervisor	Expiry of term of office	June 9, 2020	Expiry of term of office
Lan Hailin	Supervisor	Expiry of term of office	June 9, 2020	Expiry of term of office
Hu Bin	Independent non-executive director	Elected	June 9, 2020	Election at the general meeting
Leung Shek Ling Olivia	Independent non-executive director	Elected	June 9, 2020	Election at the general meeting
Li Wenjing	Independent non-executive director	Elected	June 9, 2020	Election at the general meeting
Lai Jianhuang	Supervisor	Elected	June 9, 2020	Election at the general meeting
Xie Shisong	Supervisor	Elected	June 9, 2020	Election at the general meeting
Lu Xin	Supervisor	Elected	June 9, 2020	Election at the general meeting



Section 9 Particulars about Directors, Supervisors and Senior Management

1. Mr. Lin Zhihai, an executive director and the general manager, tendered his written resignation letter to the Company for health reason, applying for resignation from his positions as an executive director, a member of the strategy committee, nomination committee and risk management committee of the board of directors of the Company and the general manager of the Company and has ceased to hold any position in the Company.
2. During the Reporting Period, the Company conducted the re-election of members of the board of directors and the supervisory committee. The Company convened the 2019 annual general meeting on June 9, 2020, at which Mr. Li Xiulin, Mr. Shang Shuzhi and Ms. Liu Xuetao were elected as the non-executive directors of the tenth session of the board of directors of the Company; Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling Olivia and Mr. Li Wenjing were elected as the independent non-executive director of the tenth session of the board of directors of the Company; Mr. Sun Shuming, Mr. Qin Li and Ms. Sun Xiaoyan were elected as the executive directors of the tenth session of the board of directors of the Company; and Mr. Lai Jianhuang, Mr. Xie Shisong and Ms. Lu Xin were elected as the supervisors of the tenth session of the supervisory committee of the Company.
3. A resolution was passed at the ninth meeting of the 5th session of the employee representatives meeting of the Company on June 8, 2020, pursuant to which Mr. Zhang Shaohua and Mr. Cheng Huaiyuan were elected as the employee representative supervisors of the tenth session of the supervisory committee of the Company. Mr. Zhang Shaohua was elected as the chairman of the tenth session of the supervisory committee at the first meeting of the tenth session of the supervisory committee of the Company.
4. The Company convened the first meeting of the tenth session of the board of directors on June 9, 2020, at which Mr. Sun Shuming was elected as the chairman of the tenth session of the board of directors of the Company and appointed as the general manager of the Company; Mr. Qin Li was appointed as the standing deputy general manager of the Company; Ms. Sun Xiaoyan was appointed as the deputy general manager and the chief financial officer of the Company; Mr. Ouyang Xi was appointed as the deputy general manager of the Company; Mr. Luo Binhua was appointed as the deputy general manager of the Company; Mr. Yang Long was appointed as the deputy general manager of the Company; Mr. Wu Jifu was appointed as the deputy general manager and the chief compliance officer of the Company; Mr. Zhang Wei was appointed as the deputy general manager of the Company; Mr. Xin Zhiyun was appointed as the chief risk officer and chief information officer of the Company; and Mr. Xu Youjun was appointed as secretary to the board of directors of the Company.

Section 9 Particulars about Directors, Supervisors and Senior Management

III. STAFF AND REMUNERATION POLICIES

As of June 30, 2020, the Group had 11,809 employees, of whom a total of 9,936 were from the parent company and 1,873 were from the subsidiaries.

The Company stringently abided by and strictly enforced the Labor Law, Labor Contract Law and other external laws and regulations, and established sound human resources management systems and processes, including the Administrative Measures on the Remuneration for GF Securities Employees, the Administrative Measures on the Labor Contract for GF Securities Employees, the Administrative Measures on the Benefits Leave for GF Securities Employee and the Administrative Measures on the Welfare of GF Securities Employees at Designated Levels, 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 effective 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-based bonus and benefits. The Company established a comprehensive welfare and security system, including social insurance, housing fund, supplementary medical insurance, annuity, benefits leave, corporate benefits, union welfare, and welfare of female employees, etc.

The Company attached 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 took the training center as the carrier and built a hierarchical and targeted employee training course system of "business + leadership" to meet the development needs of employees in different professional stages of professional channels and management channels and to improve the organization ability of the implementation of strategy; through the operation of four learning platforms such as Guangfa Aixue APP, we can flexibly accommodate 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. By establishing an effective training management mechanism and extracting and disseminating organizational wisdom, we created an atmosphere that was conducive to guiding employees to learn and share independently, and built a learning organization. The employee training that met the strategic needs, supported the sustainable and stable development of the Company, and achieved a "win-win" for the Company's business development and employee career development. During the Reporting Period, the Company focused on "multi-pronged approach to comprehensively enhance the training on compliance and risk control culture; online and offline integration to consolidate the professional capabilities and leadership of the staff team; platform construction to constantly promote the extraction and dissemination of organizational wisdom" and organized talent cultivation and training activities.

Section 10

Corporate Bonds



I. BASIC INFORMATION ON BONDS OF THE COMPANY

(I) Authorization for the Issuance of Corporate Bonds at the General Meeting

On December 26, 2012 and January 10, 2013, upon consideration and approval by the 3rd extraordinary general meeting of shareholders in 2012 and the 1st extraordinary general meeting of shareholders in 2013, the Company was approved to publicly issue corporate bonds of not more than RMB12 billion (inclusive) with a term of not more than 10 years (inclusive).

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

On June 29, 2018, the Resolution on Authorization to the Company for the Issuance of Onshore and Offshore Debt Financing Instruments (《關於授權公司發行境內外債務融資工具的議案》) by the Company was considered and approved at the 2017 annual general meeting of the Company. Pursuant to the resolution, the Company is authorized to issue corporate bonds on a one-off or multiple issuances or multi-tranche issuances basis, including corporate bonds (including onshore public and non-public corporate bonds; offshore debt financing instruments such as US dollar, Euro and other foreign currency denominated corporate bonds and offshore RMB-denominated corporate bonds, medium term note programme, foreign currency notes and commercial papers), subordinated bonds (including perpetual subordinated bonds), asset securitization products and other debt financing instruments (collectively, the “Corporate Onshore and Offshore Debt Financing Instruments”); and to implement the subsequent issuance and authorization of above mentioned Corporate Onshore and Offshore Debt Financing Instruments in accordance with this resolution; and the outstanding balance of the Corporate Onshore and Offshore Debt Financing Instruments totalled not more than RMB200 billion. The resolution is valid for 60 months from the date of approval by the shareholders general meeting.



Section 10 Corporate Bonds

(II) Issuance of Corporate Bonds

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

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Value of Bond (RMB'0,000)	Coupon	Debt Service
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13 GF 01	112181	June 17, 2013	June 17, 2018	150,000	4.50%	Interest shall be paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type II)	13 GF 02	112182	June 17, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13 GF 03	112183	June 17, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the suitability of investors	Target investors are social public investors who hold security accounts with the initial letters of A, B, D, F opened in the registered companies (excluding purchasers prohibited by laws and regulations) and institutional investors opening eligible securities accounts in the registered companies (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On June 17, 2020, the Company paid the interest for “13 GF 03” corporate bonds from June 17, 2019 to June 16, 2020. The interest for “13 GF 03” is RMB51.00 (tax inclusive)/10 pieces.						
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period	“13 GF 01” includes special articles for redemption and redenomination interest rate. Redemption: after the issuer has issued the announcement for whether increase the nominal interest rate of 3+2-year type of bonds of the term or increase the range, investors have the right to choose to sell back their all or part 3+2-year type of bonds of the term to the issuer at par on the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term. Redenomination interest rate: the issuer has the right to decide if to increase the nominal interest rate of 2 years after increasing bonds of the term as at the 3rd year during the duration for such 3+2-year type of bonds of the term. The issuer will publish on the information disclosure media designated by the CSRC for the announcement that if to increase the nominal interest rate of 3+2-year type of bonds of the term or increase the range on the 30th trading day prior to the 3rd annual payment date within the duration for such 3+2-year type of bonds of the term. If the issuer has not executed its right to increase the interest rate, the original nominal interest rate for that for the duration of 3+2-year type of bonds of the term will remain the same. On June 19, 2016, the Company chose not to increase the nominal interest rate of “13 GF 01” (i.e. the redenomination interest rate of “13 GF 01” for the 2 years after the annual payment date remain unchanged at 4.50%). Pursuant to the requirement of Prospectus of GF Securities Co., Ltd. to Publicly Issue 2013 Corporate Bonds 《廣發證券股份有限公司公開發行2013年公司債券募集說明書》, the Company released an Announcement Regarding Non-Redenomination Interest Rate of “13 GF 01” and Implementation Measures on Redemption by Investors 《關於「13 廣發 01」票面利率不調整和投資者回售實施辦法的公告》. Following the announcement, none of the bondholders has chosen to sell back, all or part of, the “13 GF 01” at par to the issuer. During the Reporting Period, there is no special articles for redemption and redenomination interest rate.						

Section 10 Corporate Bonds

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

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Value of Bond (RMB'0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the First Tranche)	17 GF 01	112520	May 9, 2017	May 11, 2020	600,000	4.60%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (the Second Tranche)	17 GF 02	112556	July 24, 2017	July 26, 2020	600,000	4.50%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the suitability of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On May 11, 2020, the Company paid the principal and its interest for “17 GF 01” corporate bonds from May 11, 2019 to May 10, 2020 (the last interest-bearing year). The interest for “17 GF 01” is RMB46.00 (tax inclusive)/10 pieces.						
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period	No special terms such as issuer or investor option terms and interchangeable terms.						



Section 10 Corporate Bonds

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

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Value of Bond (RMB' 0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the First Tranche)	18 GF 01	112690	April 25, 2018	April 27, 2021	450,000	4.60%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018 (the Second Tranche)	18 GF 02	112751	August 22, 2018	August 24, 2021	190,000	4.30%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the suitability of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On April 27, 2020, the Company paid the interest for "18 GF 01" corporate bonds from April 27, 2019 to April 26, 2020. The interest for "18 GF 01" is RMB46.00 (tax inclusive)/10 pieces.						
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period	No special terms such as issuer or investor option terms and interchangeable terms.						

Section 10 Corporate Bonds

On November 15, 2018, the Company obtained the “Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2016] No. 2741) 《關於核准廣發證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2018]1826號)文件) from the CSRC and was approved to publicly issue corporate bonds with a nominal value of not more than RMB7.8 billion to qualified investors. On March 1, 2019, the Company completed the issuance of the 2019 first tranche of corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Value of Bond (RMB'0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019 (the First Tranche)	19 GF 03	112857	February 27, 2019	March 1, 2022	780,000	3.70%	Interest shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.
Trading places for the listing or transfer of corporate bonds	SZSE						
Arrangement to ensure the suitability of investors	Target investors are qualified investors who comply with the Administrative Measures for Bonds and open a legal A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).						
Interest payment of corporate bonds during the Reporting Period	On March 2, 2020 (interest payment date will be postponed to the next business day if it is a holiday), the Company paid the interest for “19 GF 03” corporate bonds from March 1, 2019 to February 29, 2020. The interest for “19 GF 03” is RMB37.00 (tax inclusive)/10 pieces.						
Implementation of the special terms including the embedded options attached to the bonds given to the issuer or investors or exchangeable terms of the bonds during the Reporting Period	No special terms such as issuer or investor option terms and interchangeable terms						



Section 10 Corporate Bonds

II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

The trustee of the 2013 corporate bonds:							
Name	China Merchants Securities Co., Ltd.	Business address	26th floor, China Merchants Securities Tower, No. 111, Fuhua 1st Road, Futian Subdistrict, Futian District, Shenzhen	Contact	Zhang Huanhuan, Wang Daifei	Tel of contact	0755-83081287
The trustee of 2017 and 2018 corporate bonds:							
Name	Guosen Securities Co., Ltd.	Business address	16-26th floor, Guosen Securities Tower, No. 1012, Hongling Middle Road, Luohu District, Shenzhen	Contact	ZHOU LEI	Tel of contact	0755-82130833
The trustee of 2019 corporate bonds:							
Name	Guotai Junan Securities Co., Ltd.	Business address	No. 768, Nanjing West Road, Jing'an District, Shanghai	Contact	Jiang Zhiqiang, Wang Kunpeng, Sun Yiran	Tel of contact	021-38676666
Credit rating agency for rating of 2013, 2017, 2018 and 2019 corporate bonds during the Reporting Period:							
Name	China Chengxin International Credit Rating Co., Ltd.	Business address	Building 6, Galaxy SOHO, No.2 Nanzhugan Hutong, Chaoyangmennei Avenue, Dongcheng District, Beijing				
Reason of change, procedures to be conducted and impacts on benefits of investors, etc. in case the bond trustee and credit rating agency hired by the Company during the Reporting Period have changed				During the Reporting Period, there were no changes in the bond trustee and credit rating agency.			

On February 25, 2020, China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) (hereafter referred to as “CCXI”) announced that CCXI has obtained license from the CSRC to carry out credit rating business in securities market. CCXI has succeeded to the credit rating business in securities market of China Chengxin Securities Rating Co., Ltd., a wholly-owned subsidiary of CCXI.

Section 10 Corporate Bonds

III. USE OF PROCEEDS FROM BOND OFFERING

Use of proceeds from and procedures to be fulfilled in bond offering	The proceeds from corporate bond offering, with the offering expenses deducted, were all used to replenish the Company's working capital in 2013; the proceeds from corporate bond offering, with the offering expenses deducted, were all used to replenish the Company's liquidity in 2017, 2018 and 2019.
Closing balance (RMB' 0,000)	2,920,000 (as of June 30, 2020)
Operation of special account for the funds raised	When the aforesaid corporate bond was issued, the Company designated a special account for the collection of funds raised according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been used according to the plan set forth in the prospectus.
Consistency of the use of proceeds with the commitments, the planned use and other agreements in the prospectus	The use of proceeds is consistent with the commitments, the planned use and other agreements in the prospectus.

IV. CORPORATE BOND RATING

When the 2013 corporate bonds were issued, the Company retained China Chengxin Securities Rating Co., Ltd. ("CCXR") as the rating agency of these corporate bonds. Pursuant to the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2013] No. 001) 《中誠信證評信用等級通知書 (信評委函字[2013]001號) 》 and Credit Rating Reports on Corporate Bond of GF Securities Co., Ltd. in 2013 《廣發證券股份有限公司2013年公司債券信用評級報告》 issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance in 2013. This rating indicates the extremely high credit quality and low credit risks of such bonds.

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

When the 2018 corporate bonds were issued, the Company retained CCXR as the rating agency of these corporate bonds. Pursuant to the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2018] No. G189-F3) (《中誠信證評信用等級通知書 (信評委函字[2018]G189-F3號) 》), the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2018] No. G189-F4) (《中誠信證評信用等級通知書 (信評委函字[2018]G189-F4號) 》), the Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2018 (the First Tranche) (《廣發證券2018年面向合格投資者公開發行公司債券 (第一期) 信用評級報告》) and the Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities to Qualified Investors in 2018 (the Second Tranche) (《廣發證券2018年面向合格投資者公開發行公司債券 (第二期) 信用評級報告》) issued by CCXR, the aforesaid corporate bonds were rated AAA at the time of issuance in 2018. This rating indicates the strong debt service capability and high security of such bonds.

When the 2019 corporate bonds were issued, the Company retained CCXR as the rating agency for these corporate bonds. Pursuant to the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2019] No. G119-F1) (《中誠信證評信用等級通知書 (信評委函字[2019]G119-F1號) 》), the Credit Rating Reports on Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019 (the First Tranche) (《廣發證券股份有限公司2019年面向合格投資者公開發行公司債券 (第一期) 信用評級報告》) issued by CCXR, the 2019 corporate bonds were rated AAA at the time of issuance. This rating indicates the high security (basically unaffected by adverse economic conditions) and low default risks of such bonds.

During the effective period of the credit rating of the aforementioned corporate bonds and the duration of such bonds, CCXR continuously monitored factors such as changes in the Company's external business environment, operations, financial conditions and the debt service coverage, and continuously analysed the credit risks of such bonds. On April 22, 2020, CCXI updated and maintained the AAA rating of the 2013 corporate bonds, the 2017 corporate bonds, the 2018 corporate bonds and the 2019 corporate bonds.

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

The above corporate bonds bear no warranties.

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

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

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

VI. CONVENING OF MEETINGS OF BONDHOLDERS DURING THE REPORTING PERIOD

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

VII. PERFORMANCE OF BOND TRUSTEE DURING THE REPORTING PERIOD

As the trustees, China Merchants Securities Co., Ltd., Guosen Securities Co., Ltd. and Guotai Junan Securities Co., Ltd. strictly performed the relevant obligations as the trustees during the Reporting Period according to relevant laws, rules and regulations such as the Management Measures on Corporate Bond Issuance and Trading, and the Code of Conduct for Corporate Bond Trustee, and issued the Report on the Trusteeship for the Year 2019 and relevant reports on temporary trusteeships. While performing the relevant responsibilities of a trustee, they had no conflict of interests with the Company.

VIII. OUTSTANDING OVERDUE DEBTS OF THE COMPANY

There were no outstanding overdue debts of the Company.



Section 10 Corporate Bonds

IX. INTEREST PAYMENT FOR OTHER BONDS AND DEBT FINANCING INSTRUMENTS DURING THE REPORTING PERIOD

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

During the Reporting Period, the Company did not pay interest for the short-term corporate bonds. As of the end of the Reporting Period, there was no outstanding short-term corporate bonds.

(2) Interest payment for subordinated bonds

During the Reporting Period, the Company paid interest for one tranche of subordinated bond:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
19 GF C1	400,000	January 21, 2019	3	4.15%	On January 21, 2020, paid the interest accrued from January 21, 2019 to January 20, 2020

As of the end of the Reporting Period, four tranches of the Company's subordinated bonds, with a total balance of RMB16.6 billion, were outstanding. Key information on these subordinated bonds that were outstanding by the end of the Reporting Period is as below:

Bond name	Offering size (RMB'0,000)	Value date	Bond maturity (years)	Coupon
17 GF C1	350,000	October 20, 2017	3	5.09%
18 GF C1	460,000	November 9, 2018	3	4.40%
19 GF C1	400,000	January 21, 2019	3	4.15%
20 GF C1	200,000	March 3, 2020	3	3.35%
20 GF C2	250,000	March 3, 2020	5	3.80%

Note: The 2020 subordinated bonds (first tranche) of securities firms of GF Securities Co., Ltd. are divided into two types, of which type I is referred to as "20 GF C1" and type II is referred to as "20 GF C2".

Section 10 Corporate Bonds

(3) Interest payment for private corporate bonds

During the Reporting Period, the Company paid interests for a total of four tranches of private corporate bonds:

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
19 GF 01	300,000	February 1, 2019	3	3.90%	On February 3, 2020 (interest payment date will be postponed to the next business day if it is a holiday), paid the interest accrued from February 1, 2019 to January 31, 2020
19 GF 02	400,000	February 21, 2019	3	4.00%	On February 21, 2020 (interest payment date will be postponed to the next business day if it is a holiday), paid the interest accrued from February 21, 2019 to February 20, 2020
19 GF 05	320,000	March 15, 2019	3	4.00%	On March 16, 2020 (interest payment date will be postponed to the next business day if it is a holiday), paid the interest accrued from March 15, 2019 to March 14, 2020
19 GF 06	330,000	May 24, 2019	3	4.10%	On May 25, 2020 (interest payment date will be postponed to the next business day if it is a holiday), paid the interest accrued from May 24, 2019 to May 23, 2020

As of the end of the Reporting Period, eight tranches of the Company's private corporate bonds, with a total balance of RMB30.8 billion, were outstanding, with key information as follows:

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (years)	Coupon
17 GF 03	350,000	August 15, 2017	3	4.84%
17 GF 04	300,000	August 28, 2017	3	4.95%
19 GF 01	300,000	February 1, 2019	3	3.90%
19 GF 02	400,000	February 21, 2019	3	4.00%
19 GF 05	320,000	March 15, 2019	3	4.00%
19 GF 06	330,000	May 24, 2019	3	4.10%
20 GF 01	500,000	January 20, 2020	3	3.65%
20 GF 02	580,000	March 16, 2020	3	3.20%



Section 10 Corporate Bonds

(4) Interest payment for short-term financing bills

During the Reporting Period, the Company paid interests for a total of five tranches of short-term financing bills:

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (days)	Coupon	Interest payment
19 GF CP006	300,000	October 15, 2019	90	2.85%	Principal and interest paid on January 13, 2020
19 GF CP007	300,000	November 8, 2019	90	3.00%	Principal and interest paid on February 6, 2020
20 GF CP001	300,000	January 9, 2020	90	2.75%	Principal and interest paid on April 8, 2020
20 GF CP002	400,000	February 21, 2020	90	2.52%	Principal and interest paid on May 21, 2020
20 GF CP003	500,000	March 12, 2020	90	2.25%	Principal and interest paid on June 10, 2020

As of the end of the Reporting Period, four tranches of the Company's short-term financing bills, with a total balance of RMB15 billion, were outstanding, with key information as follows:

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (days)	Coupon
20 GF CP004	500,000	April 15, 2020	90	1.55%
20 GF CP005BC	300,000	May 15, 2020	90	1.55%
20 GF CP006BC	400,000	May 29, 2020	90	1.70%
20 GF CP007BC	300,000	June 18, 2020	90	2.20%

(5) Interest payment for financial bonds

During the Reporting Period, the Company did not pay interest for the financial bonds. As of the end of the Reporting Period, one tranche of the Company's financial bonds, with a total balance of RMB5 billion, was outstanding, with key information as follows:

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (years)	Coupon
19 GF F01	500,000	July 23, 2019	3	3.63%

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

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

The Company did not borrow from banks during the Reporting Period, and there was no outstanding bank loan at the end of the Reporting Period. The Company is a member of the interbank market. It paid back the credit inter-bank interest and principal on a timely basis during the Reporting Period, and the outstanding balance of borrowed funds from banks was RMB1.95 billion as of the end of Reporting Period.

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

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



Section 10 Corporate Bonds

XII. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD

As of March 31, 2020, the cumulative amount of new borrowings of the Group accounted for 28.16% (above 20%) of the net assets at the end of last year. The Company made public disclosure in respect of the above issues in accordance with the Management Measures on Corporate Bond Issuance and Trading. China Merchants Securities Co., Ltd., the trustee of the Company's 2013 Corporate Bonds, Guosen Securities Co., Ltd., the trustee of the Company's 2017 Corporate Bonds and 2018 Corporate Bonds and Guotai Junan Securities Co., Ltd., the trustee of the Company's 2019 Corporate Bonds, issued the Report on the Temporary Trusteeship of Corporate Bonds, respectively.

Save as disclosed in this report, there were no major issues as listed in Article 45 of the Management Measures on Corporate Bond Issuance and Trading during the Reporting Period.

XIII. GUARANTOR FOR THE CORPORATE BOND

Nil



Section 11

Financial Report



Section 11 Financial Report

I. REVIEW REPORT

The 2020 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



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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 114 to 198 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 2020 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

28 August 2020

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Revenue			
Commission and fee income	4	6,426,107	5,096,123
Interest income	5	5,438,136	5,481,575
Net investment gains	6	5,392,343	4,191,487
Total revenue		17,256,586	14,769,185
Other income and gains or losses	7	421,486	885,925
Total revenue and other income		17,678,072	15,655,110
Depreciation and amortisation	8	(356,291)	(310,572)
Staff costs	9	(4,216,362)	(3,131,974)
Commission and fee expenses	10	(148,215)	(152,185)
Interest expenses	11	(3,531,544)	(3,801,143)
Other operating expenses	12	(1,427,796)	(2,397,293)
Impairment losses		(1,002)	(178)
Credit loss expense	13	(358,306)	(464,435)
Total expenses		(10,039,516)	(10,257,780)
Share of results of associates and joint ventures		215,878	250,526
Profit before income tax		7,854,434	5,647,856
Income tax expense	14	(1,735,526)	(1,208,093)
Profit for the period		6,118,908	4,439,763
Attributable to:			
Owners of the Company		5,751,536	4,140,017
Non-controlling interests		367,372	299,746
		6,118,908	4,439,763
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	15	0.75	0.54

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



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Profit for the period	6,118,908	4,439,763
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Revaluation (losses)/gains on equity instruments at fair value through other comprehensive income	(348,321)	781,510
Income tax related to the above	86,788	(195,530)
Total items that will not be reclassified to profit or loss in subsequent periods	(261,533)	585,980
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	97,439	12,174
Debt instruments at fair value through other comprehensive income:		
– Net fair value changes during the period	11,468	(35,637)
– Reclassification to profit or loss on disposal	(348,444)	(49,941)
– Reclassification to profit or loss on impairment	74,382	180,653
– Income tax related to the above	61,831	12,147
Net (losses)/gains on debt instruments at fair value through other comprehensive income	(200,763)	107,222
Share of other comprehensive income of associates and joint ventures:		
– Share of fair value (losses)/gains on financial assets of associates and joint ventures	(5,801)	47,920
– Share of exchange differences arising on translation of associates	3,643	580
Net (losses)/gains on other comprehensive income of associates and joint ventures	(2,158)	48,500
Total items that may be reclassified to profit or loss in subsequent periods	(105,482)	167,896

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Other comprehensive income for the period, net of tax	<u>(367,015)</u>	<u>753,876</u>
Total comprehensive income for the period	<u>5,751,893</u>	<u>5,193,639</u>
Attributable to:		
Owners of the Company	<u>5,383,908</u>	<u>4,894,470</u>
Non-controlling interests	<u>367,985</u>	<u>299,169</u>
	<u><u>5,751,893</u></u>	<u><u>5,193,639</u></u>

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



Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current assets			
Property and equipment	16	1,924,579	2,044,528
Right-of-use assets	17	1,578,329	850,641
Investment properties		43,949	45,499
Goodwill		2,370	2,325
Other intangible assets		243,646	272,354
Investments in associates	18	4,012,555	4,173,537
Investments in joint ventures	19	2,400,016	2,745,489
Debt instruments at amortised cost	20	175,551	332,004
Equity instruments at fair value through other comprehensive income	21	11,037,733	11,386,054
Advances to customers	23	—	521
Other accounts receivable, other receivables and prepayments	25	945,220	1,113,899
Financial leasing receivables	26	988,799	1,537,281
Financial assets held under resale agreements	27	937,674	382,617
Financial assets at fair value through profit or loss	28	7,027,818	6,821,485
Deferred tax assets	34	1,066,025	1,058,688
Total non-current assets		32,384,264	32,766,922

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Current assets			
Debt instruments at amortised cost	20	1,413,408	1,948,128
Debt instruments at fair value through other comprehensive income	22	94,882,040	98,597,038
Advances to customers	23	61,952,593	54,786,938
Accounts receivable	24	4,752,600	2,343,183
Contract assets		75,895	75,895
Other accounts receivable, other receivables and prepayments	25	1,089,356	911,829
Financial leasing receivables	26	1,402,567	1,534,797
Amounts due from joint ventures		14,265	13,797
Amounts due from associates		70,182	40,506
Financial assets held under resale agreements	27	15,327,051	20,305,993
Financial assets at fair value through profit or loss	28	83,008,815	74,091,687
Derivative financial assets	29	75,527	72,361
Deposits with exchanges and non-bank financial institutions	30	7,829,243	6,646,320
Clearing settlement funds	31	18,892,113	19,548,482
Bank balances	32	98,484,270	80,707,188
Total current assets		389,269,925	361,624,142
Total assets		421,654,189	394,391,064

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



Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Current liabilities			
Borrowings	35	4,035,163	1,038,013
Short-term financing payables	36	20,752,573	14,880,673
Financial liabilities at fair value through profit or loss	37	1,057,059	652,350
Due to banks and other financial institutions		5,327,317	2,984,030
Accounts payable to brokerage clients	38	102,084,108	79,680,645
Accounts payable to underwriting clients		—	117,000
Accrued staff costs	39	3,398,086	3,614,336
Other accounts payable, other payables and accruals	40	8,275,600	3,763,147
Contract liabilities		69,823	68,653
Amounts due to joint ventures		158,925	190,999
Amounts due to associates		3,927	3,525
Provisions	41	451,816	447,521
Current tax liabilities		687,086	342,366
Other liabilities	42	5,977,058	5,704,495
Derivative financial liabilities	29	72,436	201,165
Financial assets sold under repurchase agreements	43	72,862,847	95,396,421
Bonds payable	44	30,526,114	32,353,680
Long-term loans	45	1,328,994	1,507,586
Lease liabilities	17	226,582	240,929
Total current liabilities		257,295,514	243,187,534
Net current assets		131,974,411	118,436,608
Total assets less current liabilities		164,358,675	151,203,530

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current liabilities			
Financial liabilities at fair value through profit or loss	37	506,158	597,676
Accrued staff costs	39	2,481,919	2,482,112
Other accounts payable, other payables and accruals	40	70,143	96,430
Deferred tax liabilities	34	508,482	281,428
Bonds payable	44	61,093,130	50,325,973
Long-term loans	45	1,702,312	2,025,776
Lease liabilities	17	402,089	460,648
Other liabilities	42	735,958	796,891
Total non-current liabilities		67,500,191	57,066,934
Net assets		96,858,484	94,136,596
Capital and reserves			
Share capital		7,621,088	7,621,088
Capital reserve		31,205,149	31,205,149
Investment revaluation reserve		672,666	1,139,901
Translation reserve		502,657	403,050
General reserves		21,512,663	21,209,246
Retained profits		32,436,289	29,655,551
Equity attributable to owners of the Company		93,950,512	91,233,985
Non-controlling interests		2,907,972	2,902,611
Total equity		96,858,484	94,136,596

Approved and authorised for issue by the Board of Directors on 28 August 2020.

Sun Shuming
Chairman

Sun Xiaoyan
Executive Director

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



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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
As at 1 January 2020	7,621,088	31,205,149	1,139,901	403,050	21,209,246	29,655,551	91,233,985	2,902,611	94,136,596
Profit for the period	-	-	-	-	-	5,751,536	5,751,536	367,372	6,118,908
Other comprehensive income for the period	-	-	(467,235)	99,607	-	-	(367,628)	613	(367,015)
Total comprehensive income for the period	-	-	(467,235)	99,607	-	5,751,536	5,383,908	367,985	5,751,893
Appropriation to general reserves	-	-	-	-	303,417	(303,417)	-	-	-
Dividends recognised as distribution (note 46)	-	-	-	-	-	(2,667,381)	(2,667,381)	(362,624)	(3,030,005)
At 30 June 2020 (unaudited)	7,621,088	31,205,149	672,666	502,657	21,512,663	32,436,289	93,950,512	2,907,972	96,858,484

	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
As at 1 January 2019	7,621,088	31,864,816	387,203	294,816	18,814,878	26,035,215	85,018,016	3,611,158	88,629,174
Profit for the period	-	-	-	-	-	4,140,017	4,140,017	299,746	4,439,763
Other comprehensive income for the period	-	-	741,211	13,242	-	-	754,453	(577)	753,876
Total comprehensive income for the period	-	-	741,211	13,242	-	4,140,017	4,894,470	299,169	5,193,639
Appropriation to general reserves	-	-	-	-	114,922	(114,922)	-	-	-
Others	-	-	-	-	-	-	-	(470,025)	(470,025)
At 30 June 2019 (unaudited)	7,621,088	31,864,816	1,128,414	308,058	18,929,800	30,060,310	89,912,486	3,440,302	93,352,788

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	7,854,434	5,647,856
Adjustments for:		
Interest expenses	3,531,544	3,801,143
Share of results of associates and joint ventures	(215,878)	(250,526)
Depreciation and amortisation	356,291	310,572
Impairment losses	1,002	178
Credit loss expense	358,306	464,435
Gain on disposal of property and equipment and other intangible assets	(711)	(853)
Gain on acquisition of a subsidiary	—	(6,705)
Gain on disposal of associates and joint ventures	230	(62,978)
Foreign exchange gains, net	(19,419)	(848)
Net realised gains from disposal of financial instruments		
at fair value through other comprehensive income	(348,444)	(49,941)
Dividend income and interest income from financial instruments		
at fair value through other comprehensive income	(1,571,708)	(1,557,195)
Interest income from debt instruments at amortised cost	(44,690)	(150,247)
Unrealised fair value changes in financial assets at		
fair value through profit or loss	(2,237,208)	(1,398,465)
Unrealised fair value changes in financial liabilities		
at fair value through profit or loss	(174,834)	24,954
Unrealised fair value changes in derivatives	3,258	25,682

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



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Operating cash flows before movements in working capital	7,492,173	6,797,062
Increase in advances to customers	(7,113,029)	(3,474,804)
Decrease in financial assets held under resale agreements	4,395,210	7,985,032
(Increase)/Decrease in financial assets at fair value through profit or loss	(7,032,703)	2,400,969
Increase in deposits with exchanges and non-bank financial institutions	(1,182,838)	(894,495)
Increase in pledged restricted bank deposits	(205,598)	(233,280)
(Increase)/Decrease in other assets	(1,355,696)	1,352,565
Decrease in clearing settlement funds – clients	1,021,190	1,112,400
Increase in cash held on behalf of customers	(21,179,244)	(22,924,824)
Increase/(Decrease) in financial liabilities at fair value through profit or loss	957,942	(114,806)
Increase in accounts payable to brokerage clients	22,321,151	23,614,820
(Decrease)/Increase in accrued staff costs	(219,160)	90,036
Increase/(Decrease) in other accounts payable, other payables and accruals and other liabilities	1,095,899	(4,950,596)
Decrease in financial assets sold under repurchase agreements	(22,436,690)	(5,940,317)
Increase/(Decrease) in amounts due to banks and other financial institutions	2,296,958	(8,108,733)
(Decrease)/Increase in provision	(3,793)	400,624
Cash used in operations	(21,148,228)	(2,888,347)
Income taxes paid	(1,029,093)	(1,561,078)
Interest paid	(1,337,005)	(1,293,542)
NET CASH USED IN OPERATING ACTIVITIES	(23,514,326)	(5,742,967)

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
INVESTING ACTIVITIES		
Dividends and interest received from investments	2,276,706	1,719,177
Purchases of property and equipment and other intangible assets	(1,296,247)	(154,419)
Proceeds from disposal of property and equipment and other intangible assets	2,853	1,054
Capital injection to associates and joint ventures	—	(47,486)
Proceeds from disposals of interests in associates and joint ventures	217,180	51,422
Acquisition of a subsidiary	—	(60,861)
Purchase or proceeds from disposal of financial instruments at fair value through other comprehensive income, net	3,659,243	(8,772,986)
Purchase or proceeds from disposal of debt instruments at amortised cost, net	596,122	3,157,741
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	5,455,857	(4,106,358)

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



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Dividends paid to shareholders and non-controlling interests	(12,624)	(90)
Repayment of interest of borrowings	(62,097)	(135,057)
Repayment of short-term financing payables and bonds interest	(2,315,482)	(1,867,596)
Repayment of interest of long-term loans	(82,853)	(122,181)
Capital reduction by non-controlling shareholders	—	(8,000)
Proceeds from short-term financing payables and bonds issued	47,610,943	42,080,033
Repayment of short-term financing payables and bonds	(32,635,477)	(22,226,400)
Proceeds from borrowings	3,314,229	677,840
Repayment of borrowings	(346,504)	(3,027,094)
Proceeds from long-term loans	206,537	5,920,243
Repayment of long-term loans	(727,614)	(7,173,105)
Repayment of principal and interest on notes payable	(37,962)	(105,430)
Payment of principal and interest on lease liabilities	(137,517)	(101,893)
Repayment of other financing activities	—	(58,500)
NET CASH FROM FINANCING ACTIVITIES	14,773,579	13,852,770
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,284,890)	4,003,445
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21,302,612	21,285,579
Effect of foreign exchange rate changes	26,164	3,807
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18,043,886	25,292,831

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 August 28, 2020.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2019.

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 2019.

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 2019, 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>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The application of revised IFRSs does not have significant impact on the condensed consolidated financial statements of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. SEGMENT REPORTING

The operating and reportable segment information provided to the chief operating decision maker for the six months ended 30 June 2020 and 2019 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 2020								
Segment revenue and results								
Segment revenue	437,919	5,905,726	5,632,589	5,288,024	(7,672)	17,256,586	–	17,256,586
Segment other income and gains or losses	(162)	241,265	6,477	(550,391)	724,297	421,486	–	421,486
Segment revenue and other income	437,757	6,146,991	5,639,066	4,737,633	716,625	17,678,072	–	17,678,072
Segment expenses	(226,543)	(3,448,018)	(2,972,223)	(1,758,192)	(1,634,540)	(10,039,516)	–	(10,039,516)
Segment results	211,214	2,698,973	2,666,843	2,979,441	(917,915)	7,638,556	–	7,638,556
Share of results of associates and joint ventures	–	14	(18,237)	300,562	(66,461)	215,878	–	215,878
Profit/(loss) before income tax	211,214	2,698,987	2,648,606	3,280,003	(984,376)	7,854,434	–	7,854,434
Unaudited								
As at 30 June 2020								
Segment assets and liabilities								
Segment assets	453,985	113,263,736	146,681,844	35,062,150	126,594,449	422,056,164	(1,468,000)	420,588,164
Deferred tax assets								1,066,025
Group's total assets								421,654,189
Segment liabilities	305,809	101,351,530	43,681,092	12,662,213	166,286,579	324,287,223	–	324,287,223
Deferred tax liabilities								508,482
Group's total liabilities								324,795,705



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2019								
Segment revenue and results								
Segment revenue	510,842	5,474,068	4,865,529	3,706,610	212,136	14,769,185	–	14,769,185
Segment other income and gains or losses	1,170	769,692	4,230	(362,621)	473,454	885,925	–	885,925
Segment revenue and other income	512,012	6,243,760	4,869,759	3,343,989	685,590	15,655,110	–	15,655,110
Segment expenses	(247,718)	(4,045,327)	(2,944,021)	(1,575,654)	(1,445,060)	(10,257,780)	–	(10,257,780)
Segment results	264,294	2,198,433	1,925,738	1,768,335	(759,470)	5,397,330	–	5,397,330
Share of results of associates and joint ventures	–	22	(607)	228,058	23,053	250,526	–	250,526
Profit/(loss) before income tax	264,294	2,198,455	1,925,131	1,996,393	(736,417)	5,647,856	–	5,647,856
Audited								
As at 31 December 2019								
Segment assets and liabilities								
Segment assets	998,066	92,977,881	152,251,291	33,891,334	114,654,804	394,773,376	(1,441,000)	393,332,376
Deferred tax assets								1,058,688
Group's total assets								<u>394,391,064</u>
Segment liabilities	339,270	79,460,698	65,527,244	13,002,624	141,643,204	299,973,040	–	299,973,040
Deferred tax liabilities								281,428
Group's total liabilities								<u>300,254,468</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Securities brokerage business commission and fee income	2,811,095	2,290,046
Asset management and fund management fee income	2,856,670	1,993,448
Underwriting and sponsorship fee income	381,007	459,939
Consultancy and financial advisory fee income	138,988	115,350
Futures brokerage business commission and fee income	174,672	145,078
Others	63,675	92,262
	<u>6,426,107</u>	<u>5,096,123</u>

5. INTEREST INCOME

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Margin financing and securities lending	2,059,798	1,740,019
Debt instruments at fair value through other comprehensive income	1,571,708	1,548,591
Deposits with exchanges and financial institutions	1,192,131	1,124,956
Financial assets held under resale agreements	433,891	730,838
Debt instruments at amortised cost	44,690	150,247
Leasing business	120,567	165,154
Others	15,351	21,770
	<u>5,438,136</u>	<u>5,481,575</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Net realised gains from disposal of financial instruments		
at fair value through other comprehensive income	348,444	49,941
Net realised gains from disposal of financial instruments		
at fair value through profit or loss	1,400,004	1,339,354
Dividend income and interest income from financial instruments		
at fair value through profit or loss	1,251,500	1,449,069
Dividend income from financial instruments at fair value		
through other comprehensive income	—	8,604
Net realised (losses)/gains from derivatives and others	(6,839)	82,832
Unrealised fair value changes of financial instruments		
at fair value through profit or loss		
– Financial assets at fair value through profit or loss	2,237,208	1,398,465
– Financial liabilities at fair value through profit or loss	174,834	(24,954)
– Derivatives	(12,808)	(111,824)
	<u>5,392,343</u>	<u>4,191,487</u>

7. OTHER INCOME AND GAINS OR LOSSES

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Trading business income	166,925	745,441
Third-party interests in consolidated structured entities	(551,448)	(424,540)
Government grants	743,661	473,804
Commission from tax withholding and remitting	29,645	9,884
(Losses)/gains on disposal of associates and joint ventures	(230)	62,978
Others	32,933	18,358
	<u>421,486</u>	<u>885,925</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Depreciation of property and equipment	152,868	153,315
Depreciation of investment properties	1,550	1,437
Depreciation of right-of-use assets	149,214	106,415
Amortisation of other intangible assets	52,659	49,405
	<u>356,291</u>	<u>310,572</u>

9. STAFF COSTS

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Salaries, bonuses and allowances and other long-term benefits	3,771,976	2,630,923
Short-term social welfares	139,669	157,009
Defined contribution plans	135,528	182,354
Others	169,189	161,688
	<u>4,216,362</u>	<u>3,131,974</u>

10. COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Securities and futures brokerage business expenses	132,384	120,139
Underwriting and sponsorship fee expenses	10,246	18,622
Other service expenses	5,585	13,424
	<u>148,215</u>	<u>152,185</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

11. INTEREST EXPENSES

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Bonds payable	1,892,970	1,873,599
Financial assets sold under repurchase agreements	815,145	919,195
Short-term financing payables	259,720	409,535
Accounts payable to brokerage clients	147,462	113,661
Due to banks and other financial institutions	133,486	100,765
Long-term loans	78,829	117,271
Borrowings	59,201	132,089
Lease liabilities	17,014	13,424
Others	127,717	121,604
	<u>3,531,544</u>	<u>3,801,143</u>

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Trading business costs	165,678	745,343
General and administrative expenses	249,974	304,618
Taxes and surcharges	64,634	65,144
Rents and utilities	80,951	125,504
Distribution expenses for fund and asset management business	546,361	358,299
Post and telecommunications expenses	105,197	95,712
Securities and futures investor protection funds	54,704	113,183
Advertisement and business development expenses	27,588	45,534
Provision expenses	—	394,626
Sundry expenses	132,709	149,330
	<u>1,427,796</u>	<u>2,397,293</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13. CREDIT LOSS EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Debt instruments at amortised cost	91,488	119,983
Debt instruments at fair value through other comprehensive income	74,382	180,653
Advances to customers	2,011	70,612
Accounts receivable	4,787	50,986
Financial leasing receivables	89,195	54,053
Financial assets held under resale agreements	47,699	(30,590)
Others	48,744	18,738
	<u>358,306</u>	<u>464,435</u>

14. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	1,360,523	1,265,427
Hong Kong Profits Tax	13,307	—
Subtotal	<u>1,373,830</u>	<u>1,265,427</u>
Deferred income tax (Note 34)	<u>361,696</u>	<u>(57,334)</u>
	<u>1,735,526</u>	<u>1,208,093</u>

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

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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	
	2020 (unaudited)	2019 (unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company (in thousand)	<u>5,751,536</u>	<u>4,140,017</u>
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand) (Note)	<u>7,621,088</u>	<u>7,621,088</u>
Earnings per share:		
Earnings per share (RMB)		
– Basic	0.75	0.54
– Diluted	<u>0.75</u>	<u>0.54</u>

There were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2020 and 30 June 2019, thus, the diluted earnings per share were the same as the basic earnings per share.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

16. PROPERTY AND EQUIPMENT

Unaudited

Cost

	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
As at 1 January 2020	1,543,949	932,797	122,618	248,976	957,363	–	3,805,703
Additions	–	26,503	3,173	2,360	6,779	–	38,815
Disposals/write-off	(265)	(13,424)	(4,475)	(4,667)	(15,469)	–	(38,300)
Effect of foreign currency exchange differences	–	764	50	19	301	–	1,134
As at 30 June 2020	1,543,684	946,640	121,366	246,688	948,974	–	3,807,352

Accumulated depreciation and impairment

	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
As at 1 January 2020	399,826	623,743	81,954	136,722	518,930	–	1,761,175
Charge for the period	24,250	63,860	7,077	16,143	43,415	–	154,745
Disposals/write-off	–	(13,367)	(4,475)	(4,590)	(11,647)	–	(34,079)
Effect of foreign currency exchange differences	–	556	45	14	317	–	932
As at 30 June 2020	424,076	674,792	84,601	148,289	551,015	–	1,882,773

Net carrying amount

	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
As at 30 June 2020	1,119,608	271,848	36,765	98,399	397,959	–	1,924,579



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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	Construction in progress RMB' 000	Total RMB' 000
Audited							
Cost							
As at 1 January 2019	802,786	912,993	126,541	166,129	612,293	1,429,391	4,050,133
Additions	–	82,475	5,913	12,182	43,332	447,110	591,012
Acquisitions of a subsidiary	–	247	–	258	39	–	544
Transfers during the year	741,803	34,362	–	85,670	344,035	(1,876,501)	(670,631)
Disposals/write-off	(640)	(98,001)	(9,917)	(15,101)	(43,110)	–	(166,769)
Disposal of a subsidiary	–	(247)	–	(334)	(39)	–	(620)
Effect of foreign currency exchange differences	–	968	81	172	813	–	2,034
As at 31 December 2019	1,543,949	932,797	122,618	248,976	957,363	–	3,805,703
Accumulated depreciation and impairment							
As at 1 January 2019	369,199	574,135	76,859	120,990	479,137	–	1,620,320
Charge for the year	43,358	146,732	14,576	30,262	80,723	–	315,651
Acquisitions of a subsidiary	–	182	–	153	–	–	335
Disposals/write-off	(372)	(97,823)	(9,537)	(14,639)	(41,491)	–	(163,862)
Disposal of a subsidiary	–	(202)	–	(191)	(25)	–	(418)
Transfers during the year	(12,359)	–	–	–	–	–	(12,359)
Effect of foreign currency exchange differences	–	719	56	147	586	–	1,508
As at 31 December 2019	399,826	623,743	81,954	136,722	518,930	–	1,761,175
Net carrying amount							
As at 31 December 2019	1,144,123	309,054	40,664	112,254	438,433	–	2,044,528

As at 30 June 2020, the Group's properties and buildings amounting to RMB363.98 million (31 December 2019: RMB377.58 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 RMB12.66 million as at 30 June 2020 (31 December 2019: RMB13.42 million) and GF Securities Tower which was put into use in 2019. 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 2020

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
<u>Unaudited</u>			
Cost			
As at 1 January 2020	936,860	231,065	1,167,925
Additions	53,994	825,011	879,005
Disposals/write-off	(6,294)	–	(6,294)
Effect of foreign currency exchange difference	1,666	–	1,666
As at 30 June 2020	986,226	1,056,076	2,042,302
Accumulated depreciation and impairment			
As at 1 January 2020	223,945	93,339	317,284
Additions	139,446	9,768	149,214
Disposals/write-off	(3,667)	–	(3,667)
Effect of foreign currency exchange difference	1,142	–	1,142
As at 30 June 2020	360,866	103,107	463,973
Net carrying amount			
As at 30 June 2020	625,360	952,969	1,578,329



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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
<u>Audited</u>			
Cost			
As at 1 January 2019	522,948	385,108	908,056
Additions	415,690	–	415,690
Disposals/write-off	(3,708)	(154,043)	(157,751)
Effect of foreign currency exchange difference	1,930	–	1,930
	<u>936,860</u>	<u>231,065</u>	<u>1,167,925</u>
Accumulated depreciation and impairment			
As at 1 January 2019	–	86,649	86,649
Additions	223,879	6,690	230,569
Disposals/write-off	(636)	–	(636)
Effect of foreign currency exchange difference	702	–	702
	<u>223,945</u>	<u>93,339</u>	<u>317,284</u>
Net carrying amount			
As at 31 December 2019	<u>712,915</u>	<u>137,726</u>	<u>850,641</u>

(2) Lease liabilities

The carrying amounts of lease liabilities during the period/year are as follows:

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Properties and buildings		
Current	226,582	240,929
Non-current	<u>402,089</u>	<u>460,648</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

18. INVESTMENTS IN ASSOCIATES

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Cost of unlisted investments in associates	1,608,631	1,648,430
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,190,897	2,333,046
	3,799,528	3,981,476
Unlisted investment in an associate at fair value through profit or loss (Note)	213,027	192,061
	4,012,555	4,173,537

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB213.03 million (31 December 2019: RMB192.06 million) held through Guangfa Xinde Capital Management Limited, a venture capital organisation and an indirect wholly-owned subsidiary, at fair value through profit or loss as management measures the performance of this associate on a fair value basis as at 30 June 2020. 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 50.

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 2020	As at 31 December 2019	
易方達基金管理有限公司 E Fund Management Co., Ltd. ("E Fund")	PRC 17 April 2001	22.65%	22.65%	Publicly offered securities investment fund management, fund sale, asset management for specific customers



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. INVESTMENTS IN JOINT VENTURES

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Cost of unlisted investments in joint ventures	2,444,997	2,667,273
Share of post-acquisition profits and other comprehensive income, net of dividends received	(44,981)	78,216
	<u>2,400,016</u>	<u>2,745,489</u>

20. DEBT INSTRUMENTS AT AMORTISED COST

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current		
Secured loan receivables	318,957	318,672
Debt securities	—	153,128
Entrusted loans	—	4,586
Less: Allowance for ECLs	143,406	144,382
	<u>175,551</u>	<u>332,004</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	—	50,833
Unlisted	175,551	281,171
	<u>175,551</u>	<u>332,004</u>

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20. DEBT INSTRUMENTS AT AMORTISED COST – *continued*

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Current		
Debt securities	1,010,018	1,392,232
Entrusted loans	23,915	17,908
Secured loan receivables	198,147	202,924
Asset management schemes launched by securities companies	501,654	561,870
Less: Allowance for ECLs	320,326	226,806
	<u>1,413,408</u>	<u>1,948,128</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	729,907	853,843
Unlisted	683,501	1,094,285
	<u>1,413,408</u>	<u>1,948,128</u>
Total	<u>1,588,959</u>	<u>2,280,132</u>

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



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20. DEBT INSTRUMENTS AT AMORTISED COST – *continued*

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

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
At beginning of period/year	371,188	222,459
Charge for the period/year ⁽ⁱⁱ⁾	95,370	170,813
Reversal	(3,882)	(21,398)
Effect of foreign currency exchange differences	1,056	(686)
At 30 June 2020/31 December 2019	<u>463,732</u>	<u>371,188</u>

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

As at 30 June 2020, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB0.43 million, RMB62.19 million and RMB401.11 million, respectively (31 December 2019: RMB5.98 million, RMB4.26 million and RMB360.95 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Non-current		
China Securities Finance Corporation Limited ⁽ⁱ⁾	10,260,374	10,572,875
Jilin Aodong Pharmaceutical Group Co., Ltd	681,306	715,956
E-Capital Transfer Co., Ltd.	80,000	80,000
Others	16,053	17,223
	<u>11,037,733</u>	<u>11,386,054</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱⁱ⁾	681,306	715,956
Unlisted	<u>10,356,427</u>	<u>10,670,098</u>
	<u>11,037,733</u>	<u>11,386,054</u>

- (i) Included in the balance is an investment in a special account managed by China Securities Finance Corporation Limited ("CSFCL"). The Company is entitled to the profit or loss derived from the special account in proportion to the funding portion contributed. The Company determined the fair value of the investment according to an evaluation report provided by CSFCL, and the principal is RMB10,310.30 million.
- (ii) 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.

During the period ended 30 June 2020, the Group received dividends in the amount of nil from Jilin Aodong Pharmaceutical Group Co., Ltd.

As at 30 June 2020, the Group entered into securities lending arrangements with clients that resulted in the transfer of equity instruments at fair value through other comprehensive income ("FVTOCI") with a total fair value of RMB0.04 million (31 December 2019: RMB0.04 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair values of the Group's equity instruments at FVTOCI are determined in the manner described in note 50.



Notes to the Condensed Consolidated Financial Statements

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22. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Current		
Debt securities	<u>94,882,040</u>	<u>98,597,038</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	<u>35,622,525</u>	36,111,685
Unlisted	<u>59,259,515</u>	<u>62,485,353</u>
	<u>94,882,040</u>	<u>98,597,038</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 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
At beginning of period/year	453,749	233,826
Charge for the period/year ⁽ⁱⁱ⁾	154,583	292,492
Reversal	(80,201)	(73,713)
Effect of foreign currency exchange differences	<u>1,211</u>	<u>1,144</u>
At 30 June 2020/31 December 2019	<u>529,342</u>	<u>453,749</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.

As at 30 June 2020, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB150.37 million, RMB9.70 million and RMB369.27 million, respectively (31 December 2019: RMB151.44 million, RMB1.78 million and RMB300.53 million).

Fair values of the Group's debt instruments at FVTOCI are determined in the manner described in note 50.

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For the six months ended 30 June 2020

23. ADVANCES TO CUSTOMERS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current		
Restricted equity incentive financing	—	524
Less: Allowance for ECLs	—	3
	<u>—</u>	<u>521</u>
Current		
Loans to margin clients	62,199,267	54,951,893
Restricted equity incentive financing	35,907	111,212
Less: Allowance for ECLs	282,581	276,167
	<u>61,952,593</u>	<u>54,786,938</u>
Total	<u>61,952,593</u>	<u>54,787,459</u>

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

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
At beginning of period/year	276,170	149,538
Charge for the period/year ⁽ⁱ⁾	35,899	263,972
Reversal	(33,888)	(141,501)
Effect of foreign currency exchange differences	4,400	4,161
At 30 June 2020/31 December 2019	<u>282,581</u>	<u>276,170</u>

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

As at 30 June 2020, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB38.72 million, RMB1.35 million and RMB242.51 million, respectively (31 December 2019: RMB34.30 million, RMB0.54 million and RMB241.33 million).



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24. ACCOUNTS RECEIVABLE

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Accounts receivable from/related to:		
Current		
Commission and fee	1,506,231	1,184,085
Brokers	1,308,052	509,607
Cash clients	406,870	146,082
Clearing house	1,087,545	134,299
Others	617,014	537,262
Less: Allowance for ECLs	173,112	168,152
	<u>4,752,600</u>	<u>2,343,183</u>

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

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Current		
Within 1 year	4,519,630	2,182,537
Between 1 and 2 years	168,945	99,037
Between 2 and 3 years	31,704	29,453
More than 3 years	32,321	32,156
	<u>4,752,600</u>	<u>2,343,183</u>

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24. ACCOUNTS RECEIVABLE – continued

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

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
At beginning of period/year	168,152	109,695
Charge for the period/year ⁽ⁱ⁾	12,970	126,593
Reversal	(8,183)	(67,352)
Amounts written off as uncollectible	(13)	(923)
Effect of foreign currency exchange differences	186	139
At 30 June 2020/31 December 2019	<u>173,112</u>	<u>168,152</u>

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

25. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current		
Investment prepayments	114,920	137,774
Receivables arising from sale and leaseback arrangements	107,983	204,581
Other receivables	3,253	9,034
Other long-term assets	782,537	783,896
Less: Allowance for impairment	63,473	21,386
	<u>945,220</u>	<u>1,113,899</u>
Current		
Investment prepayments	8,008	13,226
Receivables arising from sale and leaseback arrangements	314,452	322,284
Other receivables	694,801	475,888
Others	98,275	120,240
Less: Allowance for impairment	26,180	19,809
	<u>1,089,356</u>	<u>911,829</u>
Total	<u>2,034,576</u>	<u>2,025,728</u>



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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 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
At beginning of period/year	41,195	6,758
Charge for the period/year ⁽ⁱ⁾	55,539	36,922
Reversal	(6,112)	(1,012)
Amounts written off as uncollectible	(977)	(1,485)
Effect of foreign currency exchange differences	8	12
At 30 June 2020/31 December 2019	<u>89,653</u>	<u>41,195</u>

- (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.

26. FINANCIAL LEASING RECEIVABLES

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Analysed as:		
Current assets	1,402,567	1,534,797
Non-current assets	988,799	1,537,281
	<u>2,391,366</u>	<u>3,072,078</u>

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26. FINANCIAL LEASING RECEIVABLES – continued

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

	As at 30 June 2020		As at 31 December 2019	
	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)	1,782,784	1,667,786	1,822,895	1,675,139
Between 1 year and 2 years (including 2 years)	714,479	662,047	1,065,122	983,482
Between 2 and 3 years (including 3 years)	355,595	337,180	561,777	529,145
Between 3 and 4 years (including 4 years)	17,806	17,037	92,128	87,801
Total	2,870,664	2,684,050	3,541,922	3,275,567
Less: Unrealised finance income	186,614	N/A	266,355	N/A
Balance of financial leasing receivables	2,684,050	2,684,050	3,275,567	3,275,567
Less: Allowance for ECLs	292,684	292,684	203,489	203,489
Financial leasing receivables, net	2,391,366	2,391,366	3,072,078	3,072,078

As at 30 June 2020, the effective interest rate is ranged from 5% to 20% (31 December 2019: 5% to 17%) per annum.

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

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
At beginning of period/year	203,489	54,793
Charge for the period/year ⁽ⁱ⁾	89,704	150,982
Reversal	(509)	(2,286)
At 30 June 2020/31 December 2019	292,684	203,489

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

As at 30 June 2020, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB20.46 million, RMB54.44 million and RMB217.78 million, respectively (31 December 2019: RMB25.67 million, RMB47.24 million and RMB130.57 million).



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current		
Analysed by collateral type:		
Stocks ⁽ⁱ⁾	941,564	384,100
Less: Allowance for ECLs	3,890	1,483
	<u>937,674</u>	<u>382,617</u>
Analysed by market:		
Stock exchanges	<u>937,674</u>	<u>382,617</u>
Current		
Analysed by collateral type:		
Stocks ⁽ⁱ⁾	11,088,058	11,847,564
Bonds ⁽ⁱⁱ⁾	4,444,304	8,618,448
Less: Allowance for ECLs	205,311	160,019
	<u>15,327,051</u>	<u>20,305,993</u>
Analysed by market:		
Stock exchanges	10,913,282	11,713,374
Interbank bond market	4,413,769	7,663,331
Over the counter	—	929,288
	<u>15,327,051</u>	<u>20,305,993</u>
Total	<u>16,264,725</u>	<u>20,688,610</u>

(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 RMB46,311.98 million as at 30 June 2020 (31 December 2019: RMB41,677.10 million).

(ii) The financial assets (pledged by bonds) held under resale agreements are mainly for inter-bank pledged resale agreement and inter-bank outright resale agreement, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB5,410.42 million as at 30 June 2020 (31 December 2019: RMB10,361.55 million).

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For the six months ended 30 June 2020

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

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

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
At beginning of period/year	161,502	214,329
Charge for the period/year ⁽ⁱⁱⁱ⁾	95,882	88,034
Reversal	(48,183)	(140,862)
Effect of foreign currency exchange differences	—	1
At 30 June 2020/31 December 2019	<u>209,201</u>	<u>161,502</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.

As at 30 June 2020, the allowances for ECLs of Stage 1, Stage 2 and Stage 3 were RMB80.04 million, RMB21.38 million and RMB107.78 million, respectively (31 December 2019: RMB76.50 million, RMB10.39 million and RMB74.62 million).



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28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current		
At fair value through profit or loss ⁽ⁱ⁾ :		
Listed equity securities	610,018	420,997
Unlisted equity instruments	5,799,206	5,666,524
Funds	210,620	307,226
Convertible debt instruments	50,780	73,580
Convertible preference shares	262,036	176,172
Asset management schemes launched by securities companies ^{(ii),(iii)}	95,158	176,986
	7,027,818	6,821,485
 Analysed as:		
Listed outside Hong Kong ^(iv)	610,018	420,997
Unlisted ^(v)	6,417,800	6,400,488
	7,027,818	6,821,485

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

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Current		
At fair value through profit or loss ⁽ⁱ⁾ :		
Debt securities	26,286,314	29,353,195
Listed equity securities	8,152,286	6,166,542
Funds	35,213,370	28,830,953
Convertible debt instruments	34,790	162,000
Asset management schemes launched by securities companies ^{(ii),(iii)}	2,983,787	3,198,710
Collective trusts	9,150	8,939
Wealth management products launched by banks ⁽ⁱⁱⁱ⁾	8,431,492	5,640,364
Other investments ⁽ⁱⁱⁱ⁾	1,897,626	552,529
Convertible preference shares	–	178,455
	83,008,815	74,091,687
Analysed as:		
Listed in Hong Kong	756,444	515,982
Listed outside Hong Kong ^(iv)	15,699,850	17,770,060
Unlisted ^(v)	66,552,521	55,805,645
	83,008,815	74,091,687
Total	90,036,633	80,913,172

- (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 RMB697.69 million as at 30 June 2020 (31 December 2019: RMB1,104.23 million).



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

- (iii) The investments represent investments in asset management schemes and other wealth management products launched and managed by the Group and other financial institutions. The Group's 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, exchangeable debt instruments, convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.

As at 30 June 2020, the listed equity securities of the Group included restricted shares of approximately RMB2,365.64 million (31 December 2019: RMB1,128.42 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 2020, 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 RMB342.99 million (31 December 2019: RMB276.96 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 50.

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29. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2020			As at 31 December 2019		
	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	153,180,000	1,160	799	155,320,000	881	647
– Standard bond forward	69,880	–	–	87,252	–	–
Currency derivatives						
– Currency swaps	–	–	–	98,504	3,288	–
– Currency forward	–	–	–	7,870	–	44
Equity derivatives						
– Stock index futures ⁽ⁱ⁾	4,015,425	121	–	3,155,820	26	945
– Over-the-counter options	2,114,351	6,928	9,709	1,863,985	14,193	–
– Structured notes ⁽ⁱⁱ⁾	–	–	12,001	–	–	20,530
– Exchange-traded options	4,924,812	48,580	39,580	4,823,614	39,392	65,835
Credit derivatives						
– Credit default swaps	158,500	107	439	75,000	892	512
– Credit risk mitigation warrants	34,000	658	–	20,000	17	–
Others						
– Treasury bond futures ⁽ⁱⁱⁱ⁾	3,052,649	39	525	8,911,261	–	15
– Commodity futures ⁽ⁱⁱⁱ⁾	2,618,517	–	–	1,745,920	–	–
– Others	4,591,888	17,934	9,383	4,141,477	13,672	112,637
	<u>174,760,022</u>	<u>75,527</u>	<u>72,436</u>	<u>180,250,703</u>	<u>72,361</u>	<u>201,165</u>

- (i) Stock index futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC stock index futures (including the "PRC SIF", "PRC SIH" and "PRC SIC") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2020 and 31 December 2019. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the period/year-end date. Balances as at 30 June 2020 were the unrealised profits and losses from stock index futures in Hong Kong or other overseas areas.
- (ii) The amount represents the fair value of embedded derivatives of structured notes, details of which are set out in notes 36 and 44.
- (iii) Treasury bond futures and commodity futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2020 and 31 December 2019. Accordingly, the net position of the treasury bond future contracts and commodity future contracts was nil at the period/year-end date. Balances as at 30 June 2020 were the unrealised profits and losses from treasury bond futures in Hong Kong or other overseas areas.



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30. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Deposits with stock exchanges:		
Shanghai Stock Exchange	400,424	608,913
Shenzhen Stock Exchange	273,256	197,982
Hong Kong Stock Exchange	30,842	20,320
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	167,652	204,049
Shanghai Futures Exchange	1,483,528	1,155,451
Zhengzhou Commodity Exchange	347,453	239,992
Dalian Commodity Exchange	926,220	660,977
China Financial Futures Exchange	2,257,821	1,946,273
Intercontinental Exchange, Inc.	392,238	254,392
China Securities Finance Corporation Limited	173,983	104,072
Shanghai Clearing House	174,898	169,358
Guarantee fund paid to China Financial Futures Exchange	30,218	20,127
LME Clear Limited	278,564	572,748
Brokers	709,291	462,674
Shanghai International Energy Exchange Co., Ltd.	179,098	19,947
Others	3,757	9,045
Total	<u>7,829,243</u>	<u>6,646,320</u>

31. CLEARING SETTLEMENT FUNDS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Clearing settlement funds held with clearing houses for:		
House accounts	2,825,056	2,460,234
Clients	<u>16,067,057</u>	<u>17,088,248</u>
	<u>18,892,113</u>	<u>19,548,482</u>

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

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For the six months ended 30 June 2020

32. BANK BALANCES

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Bank balances:		
House accounts	18,939,590	22,341,547
Cash held on behalf of customers ⁽ⁱ⁾	79,544,680	58,365,641
	<u>98,484,270</u>	<u>80,707,188</u>

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

- (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).

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Bank balances – house accounts	15,220,937	18,843,915
Clearing settlement funds – house accounts	2,822,949	2,458,697
	<u>18,043,886</u>	<u>21,302,612</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

34. DEFERRED TAXATION

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 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Deferred tax assets	1,066,025	1,058,688
Deferred tax liabilities	(508,482)	(281,428)
	<u>557,543</u>	<u>777,260</u>

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 2019 (audited)	270,544	(143,335)	635,625	150,129	(18,149)	52,245	947,059
Charge/(credit) to profit or loss	(328,699)	60,772	154,394	59,013	983	40,982	(12,555)
Charge/(credit) to other comprehensive income	563	(155,369)	—	(148)	—	(2,290)	(157,244)
At 31 December 2019 (audited)	<u>(57,592)</u>	<u>(237,932)</u>	<u>790,019</u>	<u>208,994</u>	<u>(17,166)</u>	<u>90,937</u>	<u>777,260</u>
Charge/(credit) to profit or loss (Note 14)	(491,744)	4,471	62,365	79,019	492	(16,299)	(361,696)
Charge/(credit) to other comprehensive income	(311)	148,731	—	(101)	—	(6,340)	141,979
At 30 June 2020 (unaudited)	<u>(549,647)</u>	<u>(84,730)</u>	<u>852,384</u>	<u>287,912</u>	<u>(16,674)</u>	<u>68,298</u>	<u>557,543</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

35. BORROWINGS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Secured short-term bank loans ⁽ⁱ⁾	1,125,502	134,523
Unsecured short-term bank loans ⁽ⁱⁱ⁾	2,909,661	903,490
	<u>4,035,163</u>	<u>1,038,013</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 2020, the total market value of securities pledged amounted to RMB3,248.59 million (31 December 2019: RMB2,204.28 million) and the credit facilities utilised amounted to RMB1,085.95 million (31 December 2019: RMB89.45 million), which bear interest rates of cost of fund rate of lending bank+1.10% or FDTRMID+1.10% (31 December 2019: cost of fund rate of lending bank +1.10%) per annum.

The Group obtained several short-term loans amounting to RMB39.55 million (31 December 2019: RMB45.08 million) secured by rights and interests in financial leasing receivables. The loans bear interest at fixed interest rates of 5.22% (31 December 2019: 6.10%).

- (ii) As at 30 June 2020, the Group's unsecured short-term bank loans bear interest at fixed interest rates ranging from 4.35% to 5.87% (31 December 2019: 4.35% to 6.35%), or variable interest rates ranging from LIBOR+0.65% to LIBOR+2.50% (31 December 2019: LIBOR+1.30% to LIBOR+1.65%).

36. SHORT-TERM FINANCING PAYABLES

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Unsecured and unguaranteed:		
Short-term financing bills (Note 1)	15,030,478	6,031,421
Structured notes (Note 2)	5,722,095	8,849,252
	<u>20,752,573</u>	<u>14,880,673</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

36. SHORT-TERM FINANCING PAYABLES – continued

Note 1: Short-term financing bills

The details of short-term financing bills as at 30 June 2020 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
20GFCP004	4,999,753	15/04/2020	14/07/2020	1.55%
20GFCP005BC	2,999,852	15/05/2020	13/08/2020	1.55%
20GFCP006BC	3,999,803	29/05/2020	27/08/2020	1.70%
20GFCP007BC	2,999,852	18/06/2020	16/09/2020	2.20%

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.

37. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Non-current		
Equity return swaps	<u>506,158</u>	<u>597,676</u>
Analysed as:		
Unlisted	<u>506,158</u>	<u>597,676</u>
Current		
Bonds	<u>1,057,059</u>	<u>652,350</u>
Analysed as:		
Unlisted	<u>1,057,059</u>	<u>652,350</u>
Total	<u>1,563,217</u>	<u>1,250,026</u>

The fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 50.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 are interest-bearing at the prevailing market interest rate.

As at 30 June 2020, accounts payable to brokerage clients of approximately RMB8,352.76 million (31 December 2019: RMB6,379.76 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 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Non-current		
Other long-term benefits	<u>2,481,919</u>	<u>2,482,112</u>
Current		
Salaries, bonuses and allowances	3,313,850	3,508,909
Short-term social welfares	1,638	866
Defined contribution plans	18,739	47,985
Others	<u>63,859</u>	<u>56,576</u>
	<u>3,398,086</u>	<u>3,614,336</u>
Total	<u>5,880,005</u>	<u>6,096,448</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

40. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current		
Deposits of financial leasing business	<u>70,143</u>	<u>96,430</u>
Current		
Payables for open-ended fund clearing and other clearing	1,327,787	712,385
Payables for property and equipment purchases ⁽ⁱ⁾	1,021,689	1,089,221
Commission payable and related accrued expenses for the sale of funds	483,406	307,108
Other taxes	450,212	363,357
Accrued expenses	268,603	151,694
Funds risk reserve	190,165	156,672
Futures risk reserve	144,781	139,217
Block trade deposits	100,000	100,000
Payables for securities investor protection fund and futures investor protection fund	53,556	30,024
Project quality deposits ⁽ⁱⁱ⁾	40,000	40,000
Deposits of equity return swaps	30,000	30,046
Interest payable	14,358	52,102
Dividends payable	3,019,011	—
Others ⁽ⁱⁱⁱ⁾	<u>1,132,032</u>	<u>591,321</u>
	<u>8,275,600</u>	<u>3,763,147</u>
Total	<u>8,345,743</u>	<u>3,859,577</u>

- (i) The balances mainly represent the construction expenditure of GF Securities Tower which was paid by Guangzhou R&F Properties Co., Ltd. ("R&F") on behalf of the Company.
- (ii) The balances represent the project quality deposits from R&F, which is the construction agent of the GF Securities Tower, to ensure the construction quality of the GF Securities Tower.
- (iii) 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 2020

41. PROVISIONS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Provisions (Note)	<u>451,816</u>	<u>447,521</u>

Note: As at 30 June 2020, the Group recognized a provision of USD58.27 million (31 December 2019: USD58.27 million), approximately RMB412.54 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 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current		
Third-party interests in consolidated structured entities	<u>735,958</u>	<u>796,891</u>
Current		
Third-party interests in consolidated structured entities	<u>5,977,058</u>	<u>5,704,495</u>
Total	<u>6,713,016</u>	<u>6,501,386</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 they can be put back to the Group for cash.

The realisation of third-party interests in consolidated structured entities cannot be predicted with accuracy since the interests of third-party unit holders in consolidated structured 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 2020

43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Current		
Analysed by collateral type:		
Bonds ⁽ⁱ⁾	65,033,501	89,281,817
Gold ⁽ⁱⁱ⁾	7,006,141	5,639,804
Others	823,205	474,800
	<u>72,862,847</u>	<u>95,396,421</u>
Analysed by market:		
Stock exchanges	25,149,886	35,249,722
Interbank bond market	38,661,083	52,235,859
Shanghai Gold Exchange	7,254,010	5,639,804
Over the counter	1,797,868	2,271,036
	<u>72,862,847</u>	<u>95,396,421</u>

- (i) As at 30 June 2020, included in the balance was an amount of RMB2,376.72 million (31 December 2019: RMB9,122.34 million), which was secured by bonds borrowed from interbank bond market and stock exchanges, which are not recognised in the condensed consolidated financial statements as it is the banks rather than the Group that subject to all the risks and returns of the bonds, and the fair value of such bonds is RMB2,526.36 million (31 December 2019: RMB10,096.17 million).
- (ii) As at 30 June 2020, the fair value of gold transferred, which is from leasing and is not recognised in the condensed consolidated financial statements was RMB7,557.44 million (31 December 2019: RMB6,645.60 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

44. BONDS PAYABLE

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Unsecured and unguaranteed:		
Non-current		
Corporate bonds (Note 1)	42,960,245	36,648,285
Subordinated bonds (Note 1)	13,100,000	8,600,000
Financial bond (Note 1)	4,996,565	4,995,739
Structured notes (Note 2)	36,320	81,949
	<u>61,093,130</u>	<u>50,325,973</u>
Current		
Corporate bonds (Note 1)	18,037,407	20,000,715
Subordinated bonds (Note 1)	3,880,213	3,721,924
Financial bond (Note 1)	170,560	80,556
Structured notes (Note 2)	8,437,934	8,550,485
	<u>30,526,114</u>	<u>32,353,680</u>
Total	<u>91,619,244</u>	<u>82,679,653</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

44. BONDS PAYABLE – continued

Note 1: Details of bonds as of 30 June 2020 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
Corporate bonds				
13GF03	8,983,700	17/06/2013	17/06/2023	5.10%
17GF02	5,997,695	26/07/2017	26/07/2020	4.50%
17GF03	3,500,000	15/08/2017	15/08/2020	4.84%
17GF04	3,000,000	28/08/2017	28/08/2020	4.95%
18GF01	4,498,271	27/04/2018	27/04/2021	4.60%
18GF02	1,899,270	24/08/2018	24/08/2021	4.30%
19GF01	3,000,000	01/02/2019	01/02/2022	3.90%
19GF02	4,000,000	21/02/2019	21/02/2022	4.00%
19GF03	7,737,600	01/03/2019	01/03/2022	3.70%
19GF05	3,200,000	15/03/2019	15/03/2022	4.00%
19GF06	3,300,000	24/05/2019	24/05/2022	4.10%
20GF01	5,000,000	20/01/2020	20/01/2023	3.65%
20GF02	5,800,000	16/03/2020	16/03/2023	3.20%
Subordinated bonds				
17GFC1	3,500,000	20/10/2017	20/10/2020	5.09%
18GFC1	4,600,000	09/11/2018	09/11/2021	4.40%
19GFC1	4,000,000	21/01/2019	21/01/2022	4.15%
20GFC1	2,000,000	03/03/2020	03/03/2023	3.35%
20GFC2	2,500,000	03/03/2020	03/03/2025	3.80%
Financial bond				
19GFF01	4,995,000	23/07/2019	23/07/2022	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 2020, the undue structured notes bear fixed interest rates ranging from 2.70% to 4.80% per annum (31 December 2019: 3.40% to 5.10%). Structured notes maturing within one year as at 30 June 2020 amounting to RMB8,437.93 million (31 December 2019: RMB8,550.49 million) are classified as current liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

45. LONG-TERM LOANS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Non-current		
Unsecured long-term loans ⁽ⁱ⁾	1,213,822	1,309,717
Secured long-term loans ⁽ⁱⁱ⁾	488,490	716,059
	<u>1,702,312</u>	<u>2,025,776</u>
Current		
Unsecured long-term loans ⁽ⁱ⁾	167,974	147,786
Secured long-term loans ⁽ⁱⁱ⁾	1,161,020	1,359,800
	<u>1,328,994</u>	<u>1,507,586</u>
Total	<u>3,031,306</u>	<u>3,533,362</u>

- (i) As at 30 June 2020, the syndicated loan amounting to RMB1,100.28 million (31 December 2019: RMB1,084.40 million) carried interest at variable interest rate of LIBOR+1.48% (31 December 2019: LIBOR+1.48%) per annum, and the interest is repayable monthly and the principal is repayable within two years. The remaining unsecured loans amounted to RMB281.52 million (31 December 2019: RMB373.11 million). The loans bear interest at fixed interest rates from 4.85% to 7.25% (31 December 2019: 4.85% to 7.25%) per annum, with principal amounting to RMB165.22 million (31 December 2019: RMB144.56 million) due within one year, and principal amounting to RMB76.61 million (31 December 2019: RMB161.90 million) due within two years, and the remaining due within five years.
- (ii) As at 30 June 2020, the long-term loans amounting to RMB1,649.51 million (31 December 2019: RMB2,075.86 million) are secured by rights and interests in financial leasing receivables. The loans bear interest at fixed interest rates ranging from 4.75% to 7.36% (31 December 2019: 4.75% to 7.36%) per annum, with principal amounting to RMB1,149.90 million (31 December 2019: RMB1,346.90 million) due within one year, and principal amounting to RMB405.72 million (31 December 2019: RMB544.06 million) due within two years, and the remaining due within five years.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

46. DIVIDENDS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Dividends recognised as distribution	<u>2,667,381</u>	<u>1,524,217</u>

Pursuant to the resolution the shareholders meeting held on 9 June 2020, the Company distributed cash dividends of RMB3.5 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB2.67 billion in total for the period ended 31 December 2019.

Pursuant to the resolution of the first extraordinary shareholders meeting held on 22 October 2019, the Company distributed cash dividends of RMB2.0 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB1.52 billion in total for the period ended 30 June 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

47. RELATED PARTY TRANSACTIONS

(1) Shareholders

Holding equity interest in shareholders and their subsidiaries

	As at 30 June 2020		As at 31 December 2019	
	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.	110	1,733	110	1,821
遼寧成大股份有限公司				
– Liaoning Cheng Da Co., Ltd.	–	–	1	11
遼寧成大生物股份有限公司				
– Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	3,996	168,498	3,975	146,666
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.	899	93,548	899	99,301
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.	43,312	681,306	43,312	715,956

* The English names are translated for identification purposes only.

Note: Liaoning Cheng Da 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 2020***47. RELATED PARTY TRANSACTIONS – continued****(1) Shareholders – continued***Cash dividends arising from equity interests in shareholders and their subsidiaries*

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.	–	8,687
遼寧成大生物股份有限公司		
– Liaoning Cheng Da Biotechnology Co., Ltd. *	2,397	2,289

Transactions with a shareholder

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Commission and fee income		
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co., Ltd.	–	3,642
持有本公司5%以上股份的股東及其子公司		
– Shareholders with subsidiaries holding more than 5% of the company's shares	244	–

* The English names are translated for identification purposes only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

47. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties

Transactions with associates/joint ventures

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Commission and fee income		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	39,673	11,796
珠海廣發信德環保產業投資基金合夥企業(有限合夥)		
– Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.*	10,288	5,447
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*	270	1,368
廣州廣發信德一期健康產業投資企業(有限合夥)		
– Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	562	2,685
廣發信德匯金(龍岩)股權投資合夥企業(有限合夥)		
– GF Xinde Huijin (Longyan) Equity Investment Partnership L.P.*	8,232	7,547
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. *	3,763	3,774
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. *	1,823	1,828
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.*	8,940	5,283
廣州南鑫珠海港股權投資合夥企業(有限合夥)		
– Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.*	1,388	1,304
珠海廣發信德盈遠二期投資基金(有限合夥)		
– Zhuhai GF Xinde Yingyuan Phase II Investment Fund L.P.*	1,411	702
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.*	4,633	4,646

* The English names are translated for identification purposes only.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

47. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Transactions with associates/joint ventures – continued

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Commission and fee income – continued		
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.*	1,588	1,592
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.*	3,782	–
廣州廣發信德二期創業投資合夥企業(有限合夥)		
– Guangzhou Guangfa Xinde Phase II Venture Capital Partnership L.P.*	2,590	–
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.*	2,357	–
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.*	780	–
廣發信德(珠海)醫療產業投資中心(有限合夥)		
– GF Xinde (Zhuhai) Medical Industrial Investment Center L.P.*	–	4,197
珠海廣發朗姿互聯網時尚產業基金投資管理有限公司		
– Zhuhai GF Langzi Modern Internet Industrial Fund Investment Management Co., Ltd.*	5	–
Interest income		
– GHS Investment Management (Cayman) Company Limited	70	67
Other income and gains or losses		
– Horizon Partners Fund, L.P.	444	427

* The English names are translated for identification purposes only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

47. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Transactions with associates/joint ventures – continued

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Interest expenses		
– Global Health Science Fund I, L.P.	–	313
– Global Health Science Fund II, L.P.	2,386	3,653
– Horizon Partners Fund, L.P.	–	58
	<u>–</u>	<u>58</u>
Other operating expenses		
廣發鈞策海外投資基金管理(上海)有限公司		
– GF-Persistent Overseas Investment Fund Management (Shanghai) Co., Ltd. *	1,536	1,536
珠海盈米基金銷售有限公司		
– Zhuhai Yingmi Fund Selling Co., Ltd.*	6,917	4,545
	<u>6,917</u>	<u>4,545</u>

* The English names are translated for identification purposes only.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

47. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 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.	<u>13,468</u>	<u>6,357</u>
Receivables for custodian fee		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	428	427
珠海廣發朗姿互聯網時尚產業基金投資管理有限公司		
– Zhuhai GF Langzi Modern Internet Industrial Fund Investment Management Co., Ltd.*	<u>15</u>	<u>–</u>
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*	4,636	4,350
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.*	3,989	–
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. *	1,932	–
珠海廣發信德環保產業投資基金合夥企業(有限合夥)		
– Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.*	10,905	–
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.*	–	9,850
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*	<u>6,636</u>	<u>6,040</u>

* The English names are translated for identification purposes only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

47. RELATED PARTY TRANSACTIONS – continued

(2) Other related parties – continued

Balances with associates/joint ventures – continued

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Amount due from an associate – costs and dividends receivables		
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.*	25,000	13,482
珠海廣發信德厚維投資企業(有限合夥)		
– Zhuhai GF Xinde Houwei Investment Partnership L.P.*	<u>3,188</u>	<u>–</u>
Amounts due from joint ventures – other receivables		
– GHS Investment Management (Cayman) Company Limited	8,983	8,745
– Global Health Science Fund II, L.P.	<u>5,267</u>	<u>5,052</u>
Amounts due to joint ventures – notes payable and other payables		
– Global Health Science Fund II, L.P.	158,897	190,972
– Global Health Science Fund I, L.P.	<u>28</u>	<u>27</u>
Amounts due to associates – other payables		
珠海盈米基金銷售有限公司		
– Zhuhai Yingmi Fund Selling Co., Ltd.*	<u>3,927</u>	<u>3,525</u>

* The English names are translated for identification purposes only.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

47. 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	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Short-term benefits		
– Salaries, allowance and bonuses	13,497	12,191
Post-employment benefits		
– Employer's contribution to pension schemes/annuity schemes	499	363
Total	13,996	12,554

48. CAPITAL COMMITMENTS

	As at 30 June 2020 RMB' 000 (unaudited)	As at 31 December 2019 RMB' 000 (audited)
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	60,713	52,430

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

49. FINANCIAL RISK MANAGEMENT

49.1 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 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 that 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 policies and internal control process. The Group also manages risks with information system on a continuous monitoring basis.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

49. FINANCIAL RISK MANAGEMENT – *continued*

49.1 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 (risk control committee, internal review group in respect of the investment banking business and asset allocation committee), various control and supporting departments, and business departments”. First-line risk management organisations 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 are the Group’s main risk management departments. These departments cooperate with each other and each focuses on specific aspects, and they perform risk assessment before the projects implement, on-going control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business 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; 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 procedure, and operating management performance.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

49. FINANCIAL RISK MANAGEMENT – *continued*

49.2 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 refer 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.

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. Counterparties of over-the-counter derivative transactions are mainly banks, securities companies and other financial institutions, with low overall risks.

The credit risk of 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 2020

49. FINANCIAL RISK MANAGEMENT – *continued*

49.2 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 credit risk exposure of counterparty 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 are based on an expected credit loss model. The Group applies 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 advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds, bank balances, debt instruments at amortised cost and financial leasing receivables and debt instruments accounted for at FVTOCI, 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.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

49. FINANCIAL RISK MANAGEMENT – continued

49.2 Credit risk – continued

Criteria for judging significant increases in credit risk – continued

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; 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.

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 the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are 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; and
- 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 2020

49. FINANCIAL RISK MANAGEMENT – *continued*

49.2 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 listed 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 GF Securities Co., Ltd., taking the forward-looking information into account 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 applied experts' judgement in this process, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

49. FINANCIAL RISK MANAGEMENT – *continued*

49.3 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 business development plan, business scale and other factors into account, the Group disaggregates risk limits into different investment units through risk limits authorisation management system and each investment unit operates business within the range of risk limits authorisation. When concretely operating the business, the Group comprehensively manage 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 resulted from the portion of positions held and actively takes actions to reduce risk exposure or performs risk hedging when the risk exposure is high. 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 communicate 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 resulted from market risks, including VaR, sensitivity analysis, stress testing and ES. The Group's VaR is measured using the historical simulation method with a confidence interval 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 case, 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 2020

49. FINANCIAL RISK MANAGEMENT – continued

49.3 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 bond, interbank negotiable certificates of deposit, medium-term notes, high-quality short-term papers, corporate bonds, asset backed securities, treasury bond futures and interest rate swaps and standard bond forward. In order to manage interest rate risks, the Group uses VaR, stress test 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	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Profit before income tax for the period		
Increase by 100bps	(375,778)	(427,913)
Decrease by 100bps	389,769	467,469

	Six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Other comprehensive income before income tax		
Increase by 100bps	(1,106,640)	(1,038,623)
Decrease by 100bps	1,139,883	1,072,865

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

49. FINANCIAL RISK MANAGEMENT – *continued*

49.3 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 were mainly held by its overseas subsidiary, GF Hong Kong (Holdings) Co., Ltd. Hence, the Group's overseas operating assets and liabilities were subject to currency risk due to exchange rate fluctuations. As the overseas net operating assets only account for a small proportion of the Group's net assets, the currency risk of the Group is relatively manageable.

Price risk

Price risk mainly includes equity security price risk and commodity price risk. The Group is exposed to price risk which arises from price fluctuation of the financial instruments at fair value through profit or loss and the financial assets at fair value through other comprehensive income, mainly including equity investments, shares (with shares 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 and stress testing indicators in daily risk monitoring of price risk.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

49. FINANCIAL RISK MANAGEMENT – continued

49.3 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	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Profit before income tax for the period		
Increase by 10%	1,277,705	1,171,311
Decrease by 10%	(1,283,144)	(1,174,844)

	Six months ended 30 June	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Other comprehensive income before income tax		
Increase by 10%	1,095,773	1,149,552
Decrease by 10%	(1,095,773)	(1,149,552)

49.4 Liquidity risk

Liquidity risk of a security 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 2020

49. FINANCIAL RISK MANAGEMENT – continued

49.4 Liquidity risk – continued

As at 30 June 2020 and 31 December 2019, cash and bank deposits and clearing settlement funds held by the Group amounted to RMB113.60 billion and RMB96.69 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounted to RMB39.44 billion and RMB33.53 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 normal situation and pressure state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about liquidity risk index to prevent liquidity risk. Measures for liquidity risk management include the following: the Group established a frame for liquidity risk management with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as the core indicator strictly according to the requirements of *Guidelines for the Liquidity Risk Management of Listed Companies* 《證券公司流動性風險管理指引》, and based on the control and projection of LCR and NSFR, each of the operational activities is assured to be complied with the requirements of liquidity risk as stated in the regulatory requirements; asset allocation and arrangement of structure of assets and liabilities based on flexible adjustments to prevent the Company from risk of maturity mismatch; established a multiple system of quality assets with on-going control and maintained an adequate liquidity reserve; constructed a system for risk limits, which includes capital leverage, maturity structure and concentration of financial liabilities and liquidity reserve, and performed routine monitoring and report on indicators; regularly or irregularly evaluated liquidity risk stress testing and carried out liquidity risk drill, optimized 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 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 2020

50. 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 2 as at 30 June 2020 and 31 December 2019.

As at 30 June 2020

(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	35,504,194	59,033,035	344,811	94,882,040
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	681,306	–	91,968	773,274
– Other investments	–	10,264,459	–	10,264,459
Financial assets at fair value through profit or loss				
– Equity instruments	4,856,247	1,787,986	8,179,313	14,823,546
– Debt instruments	4,607,992	21,165,966	597,926	26,371,884
– Funds	35,205,238	147,959	70,793	35,423,990
– Other investments	–	13,163,035	254,178	13,417,213
Other investment				
– Unlisted investment in an associate	–	–	213,027	213,027
Derivative financial assets	49,079	17,033	9,415	75,527
Total	80,904,056	105,579,473	9,761,431	196,244,960
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	(1,057,059)	(506,158)	(1,563,217)
Derivative financial liabilities	(40,298)	(7,772)	(24,366)	(72,436)
Other liabilities	(97,942)	(81,812)	(1,549,939)	(1,729,693)
Total	(138,240)	(1,146,643)	(2,080,463)	(3,365,346)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

50. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(1) Fair value hierarchy – continued

As at 31 December 2019

(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	36,027,659	62,218,788	350,591	98,597,038
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	715,956	–	92,709	808,665
– Other investments	–	10,577,389	–	10,577,389
Financial assets at fair value through profit or loss:				
– Equity instruments	3,910,056	1,506,474	7,192,160	12,608,690
– Debt instruments	7,553,149	21,257,429	778,197	29,588,775
– Funds	28,881,253	187,155	69,771	29,138,179
– Other investments	–	9,301,034	276,494	9,577,528
Other investment				
– Unlisted investment in an associate	–	–	192,061	192,061
Derivative financial assets	39,418	16,848	16,095	72,361
Total	<u>77,127,491</u>	<u>105,065,117</u>	<u>8,968,078</u>	<u>191,160,686</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	(652,350)	(597,676)	(1,250,026)
Derivative financial liabilities	(66,796)	(4,364)	(130,005)	(201,165)
Other liabilities	<u>(425,582)</u>	<u>(287,054)</u>	<u>(1,179,567)</u>	<u>(1,892,203)</u>
Total	<u>(492,378)</u>	<u>(943,768)</u>	<u>(1,907,248)</u>	<u>(3,343,394)</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

50. 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 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 2020 and 31 December 2019.

	As at 30 June 2020 (unaudited)			Fair value hierarchy
	Carrying amount RMB' 000	Fair value RMB' 000	Difference RMB' 000	
Bonds payable - corporate bonds	60,997,652	61,603,583	605,931	Level 2
Bonds payable - subordinated bonds	16,980,213	17,082,524	102,311	Level 2
Bonds payable - financial bond	5,167,125	5,232,573	65,448	Level 2

	As at 31 December 2019 (audited)			Fair value hierarchy
	Carrying amount RMB' 000	Fair value RMB' 000	Difference RMB' 000	
Bonds payable - corporate bonds	56,649,000	57,204,266	555,266	Level 2
Bonds payable - subordinated bonds	12,321,924	12,424,285	102,361	Level 2
Bonds payable - financial bond	5,076,295	5,111,669	35,374	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 2020

50. 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 bond pricing system on the valuation date, the fair value is measured using the latest valuation results published by 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 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 currency swaps and currency options, the fair value is determined by using the bid prices made by market dealers.

During the period ended 30 June 2020, 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 valuation techniques and quotation from counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include discounted cash flow analysis, discounted bid prices, market multiples, 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 liquidity discount. The fair values of the financial instruments in Level 3 was not significantly sensitive to a reasonable change in these unobservable inputs.

During the period ended 30 June 2020, 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 2020

50. 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 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)			
1) Financial assets					
Debt instruments	85,570	235,580	Discounted cash flows with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of counterparty, and the value of the option	Credit risk spread; The value of the option	The higher the credit risk spread, the lower the fair value; The higher the value of the option, the higher the fair value
Debt instruments	857,167	893,208	Discounted cash flows calculated based on the probability of default (the probability of the underlying asset does not achieve an agreed result), loss given default and expected loss	Probability of default	The higher the probability of default, the lower the fair value
Equity instruments	2,647,185	1,275,029	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	5,624,096	6,009,840	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Funds	70,793	69,771	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Other investments	254,178	276,494	Discounted cash flows calculated based on the loss given default	Loss given default	The higher the loss given default, the lower the fair value
Equity options	6,928	13,974	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 2020

50. 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

	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	30 June 2020 RMB' 000 (unaudited)	31 December 2019 RMB' 000 (audited)			
1) Financial assets – continued					
Commodity options	1,722	2,121	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
Credit default swaps	765	–	Valuation Pricing Model. Loss given default of the underlying investment	The loss given default of the underlying investment	The higher the loss given default of the underlying investment, the higher the fair value
Unlisted investment in an associate	213,027	192,061	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
	<u>9,761,431</u>	<u>8,968,078</u>			



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

50. 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

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 2020 RMB' 000 (unaudited)	31 December 2019 RMB' 000 (audited)			
2) Financial liabilities					
Equity return swaps	506,158	597,676	Calculated based on the fair value of the underlying equity instruments	The fair value of the underlying equity instruments	The higher the fair value of the underlying equity instruments, the higher the fair value
Structured notes	12,001	20,530	Risk Pricing 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
Equity options	9,709	–	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	2,217	109,475	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
Credit default swaps	439	–	Valuation Pricing Model. Loss given default of the underlying investment	The loss given default of the underlying investment	The higher the loss given default of the underlying investment, the higher the fair value
Third-party interests	1,549,939	1,179,567	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>2,080,463</u>	<u>1,907,248</u>			

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

50. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(6) Reconciliation of Level 3 fair value measurements

For the six months ended 30 June 2020

	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 2020	8,316,622	443,300	(597,676)	16,095	(130,005)	(1,179,567)
Total gains/losses	1,534,189	(6,521)	91,518	(5,719)	717	(351,410)
– Profit or loss	1,534,189	–	91,518	(5,719)	717	(351,410)
– Other comprehensive income	–	(6,521)	–	–	–	–
Additions	285,072	–	–	204	(5,258)	–
Settlements/disposals	(395,551)	–	–	(1,165)	110,180	–
Transfers into level 3	320,019	–	–	–	–	(18,962)
Transfers out of level 3	(958,141)	–	–	–	–	–
As at 30 June 2020	<u>9,102,210</u>	<u>436,779</u>	<u>(506,158)</u>	<u>9,415</u>	<u>(24,366)</u>	<u>(1,549,939)</u>
Total unrealised gains/losses for the period for assets/liabilities held as at 30 June 2020						
– Included in profit or loss	<u>1,385,901</u>	<u>–</u>	<u>91,518</u>	<u>(5,719)</u>	<u>717</u>	<u>(351,410)</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

50. FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(6) Reconciliation of Level 3 fair value measurements – continued

For the year ended 31 December 2019

	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 2019	8,260,447	80,000	(459,530)	10,549,785	(12,378,958)	-
Total gains/losses	160,164	5,454	(138,146)	(17,740)	(6,222)	(74,825)
– Profit or loss	160,164	-	(138,146)	(17,740)	(6,222)	(74,825)
– Other comprehensive income	-	5,454	-	-	-	-
Additions	1,093,615	-	-	2,490	(112,789)	(636,807)
Settlements/disposals	(1,782,069)	-	-	(10,518,440)	12,367,964	42,362
Transfers into level 3	2,178,442	357,846	-	-	-	(510,297)
Transfers out of level 3	(1,593,977)	-	-	-	-	-
As at 31 December 2019	<u>8,316,622</u>	<u>443,300</u>	<u>(597,676)</u>	<u>16,095</u>	<u>(130,005)</u>	<u>(1,179,567)</u>
Total unrealised gains/losses for the year for assets/liabilities held as at 31 December 2019	<u>52,503</u>	<u>-</u>	<u>(138,146)</u>	<u>(17,740)</u>	<u>(6,222)</u>	<u>(74,825)</u>

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

51. CHANGE OF SCOPE OF CONSOLIDATION

51.1 Consolidated structured entities

As at 30 June 2020, the Group consolidates 23 structured entities (31 December 2019: 19). 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. The Group assesses whether or not it controls a structured entity when facts and circumstances indicate that there are changes to the elements of control, and if concludes that it has lost control over the structured entities, the Group will therefore not consolidate these structured entities at the end of the reporting period.

51.2 Deconsolidated subsidiaries

During the reporting period, the Group has liquidated GF Hexin (Shandong) Industry Investment Management Co., Ltd., which was a wholly-owned subsidiary of GF Hexin Industry Investment Management Co., Ltd., and SF Project (Cayman) Limited, which was a wholly-owned subsidiary of GF Holdings (Hong Kong) Corporation Limited.

52. OUTSTANDING LITIGATIONS

As at 30 June 2020 and 31 December 2019, the Group was involved as a defendant in certain lawsuits with claim amounts of approximately RMB302.89 million and RMB45.51 million, respectively. Based on the court rulings, advice from legal representatives and management judgement, no provision had been made to the claim amounts. The Group is of the opinion the above lawsuits will not have a significant impact on the Group's financial position and operations.

53. EVENT AFTER THE END OF THE REPORTING PERIOD

As at 8 July 2020, the Company has completed the issuance of an 84-day short-term financing bill 20GFCP008BC (Security Code: 072000173), amounting to RMB2.50 billion, with an annual interest rate of 1.95%.

54. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about uncertainties in the Group's operating environment. The Group has been closely monitoring the developments and reacted actively. Based on the current situation of prevention and control of COVID-19 in China, the overall direct impact of the COVID-19 pandemic on the Group's financial position and financial performance for the current period is limited.

55. COMPARATIVE FIGURES

Certain comparative figures in the Condensed Consolidated Financial Statements have been reclassified to conform with current period's presentation.

Section 12

Documents Available for Inspection



Section 12 Documents Available for Inspection

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