

GF Securities Co., Ltd.

2016 Annual Results (IFRS)

March 2017

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01

| Market
Overview |



2016 market overview (I)

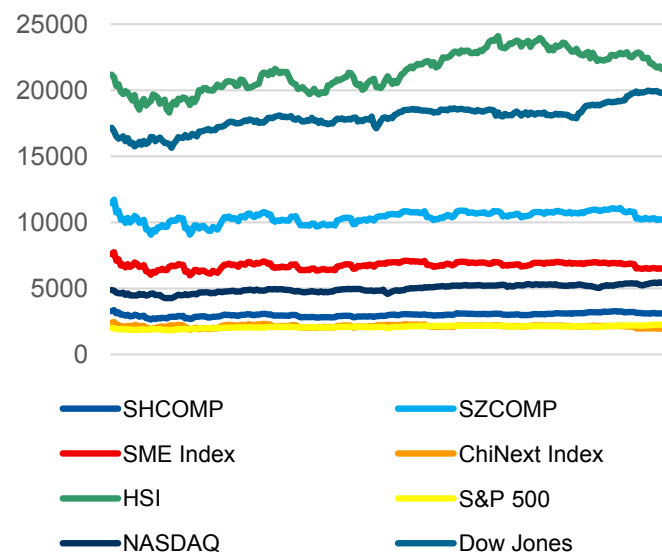
Economic environment

- Both domestic and international economic conditions were highly complex in 2016. The Chinese economy continued to face downward pressure.
- GDP growth slowed from 6.9% in 2015 to 6.7% in 2016.

Regulatory environment

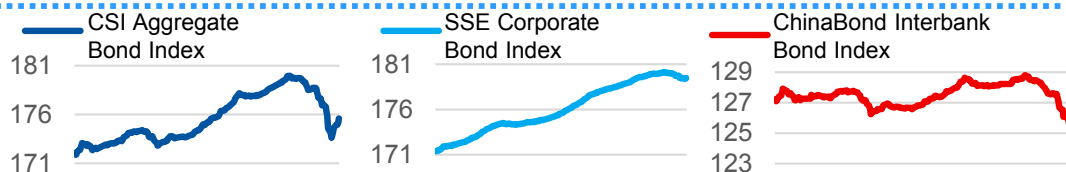
- After seeing a highly volatile market in 2015, regulators stuck to a policy stance of “stringent and comprehensive regulation according to law” in 2016.
- Various measures continued to be implemented to reduce financial risks, with a focus on the finance industry serving the real economy, financial institutions refocusing on businesses they were originally meant to do and financial deleveraging.

Daily closing values of key global stock indices (2016)



- As of 31 Dec 2016, the Shanghai Composite Index was down 12.31% from end-2015
- Shenzhen Composite Index down 19.64%
- SME Index down 22.89%
- ChiNext Index down 27.71%

Daily closing values of bond market indices in China (2016)

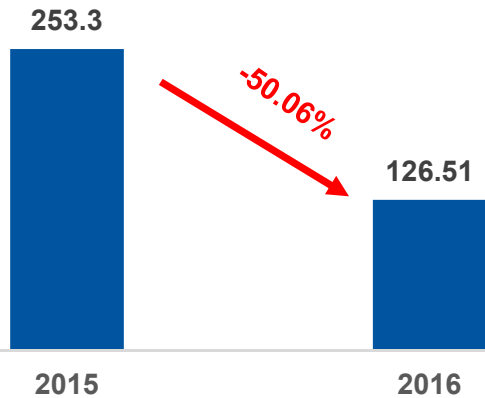


Bond market volatility increased significantly. During 2016, the CSI Aggregate Bond Index picked up 1.96%, the SSE Corporate Bond Index was up 4.78%, and the ChinaBond Interbank Bond Index declined 1.55%.

2016 market overview (II)

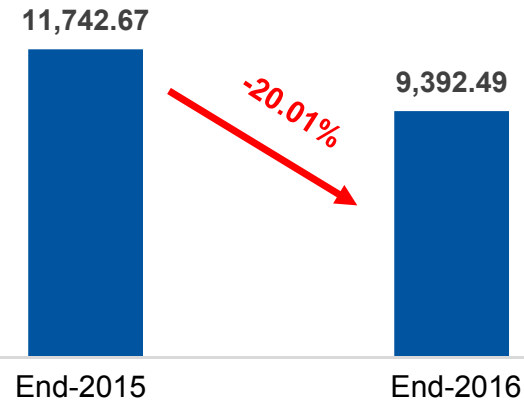
A-share market turnover

(RMB trillion)



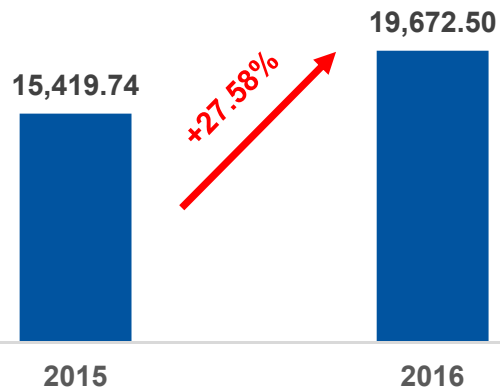
Balance of margin financing & securities lending of Shanghai & Shenzhen stock markets

(RMB 100 million)



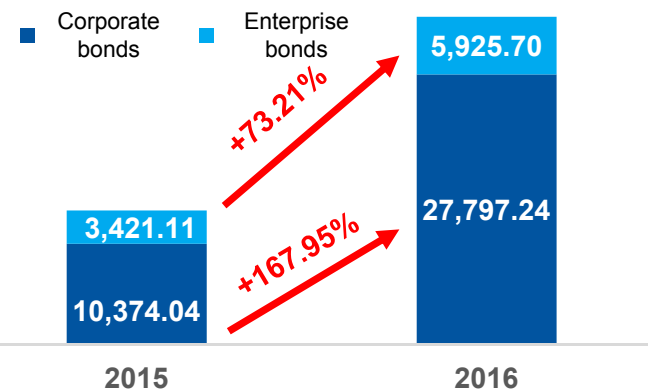
A-share equity financing

(RMB 100 million)



Corporate and enterprise bond financing

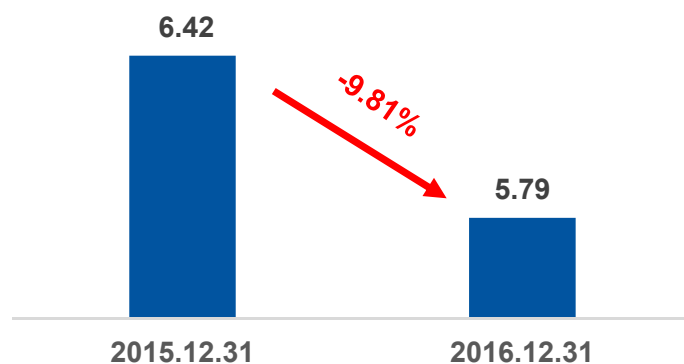
(RMB 100 million)



2016 market overview (III)

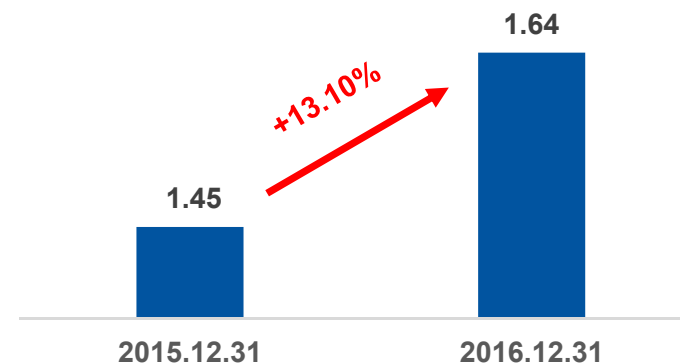
Securities industry total assets

(RMB trillion)



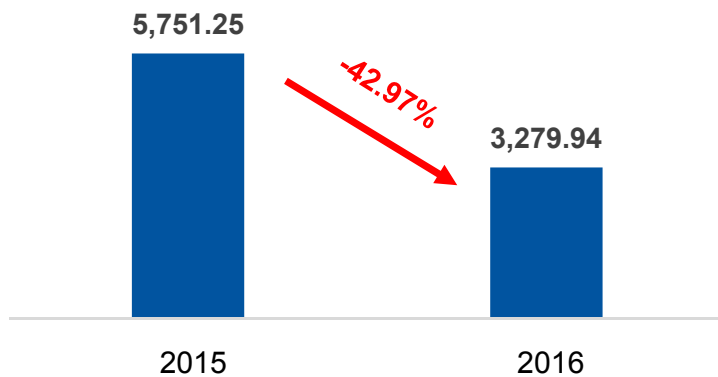
Industry net assets

(RMB trillion)



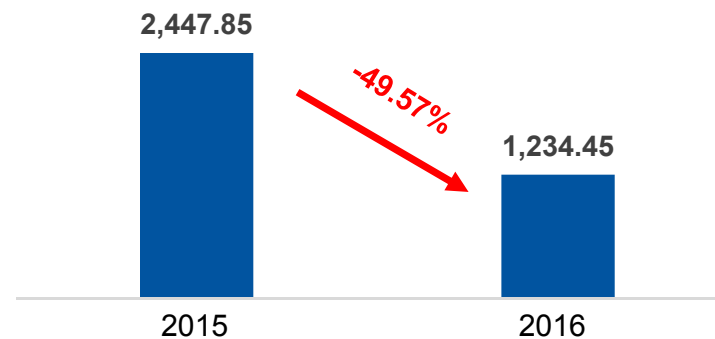
Industry revenue

(RMB 100 million)



Industry net profit

(RMB 100 million)





02

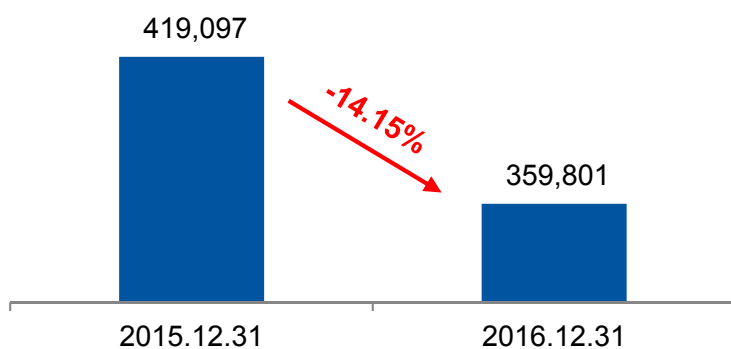
| Operating
Results |



Key financial performance

Total assets

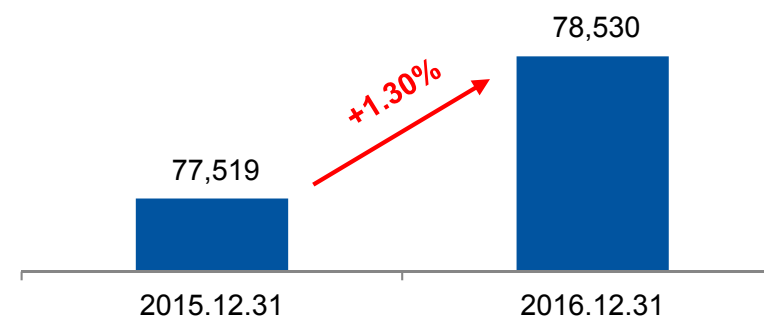
(RMB million)



Equity attributable to owners of the Company

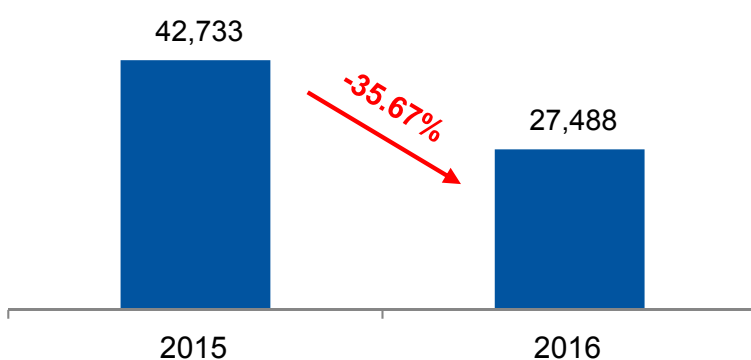
(RMB million)

End-2016 BPS RMB 10.30



Revenue and other income

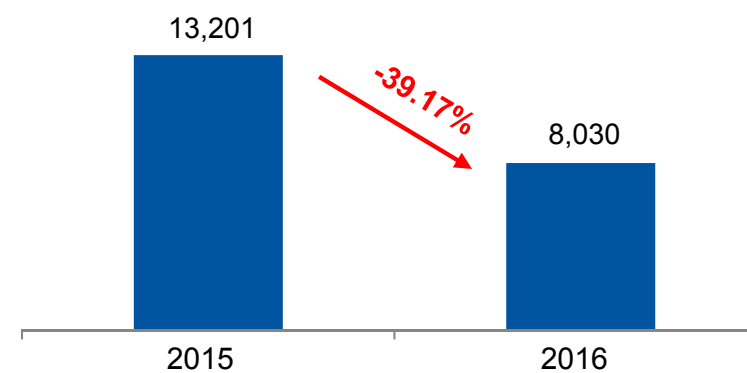
(RMB million)



Net profit attributable to owners of the Company

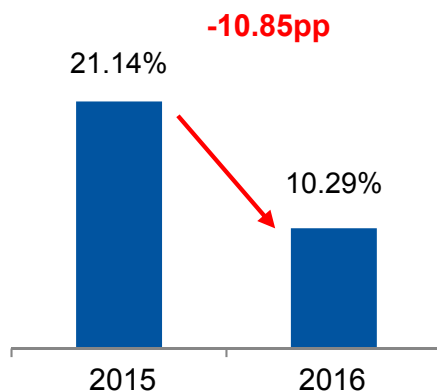
(RMB million)

2016 EPS RMB 1.05

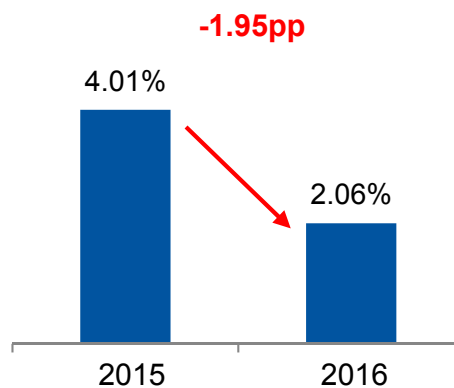


Key financial data

ROAE



ROAA



Cash dividends for common shareholders over past 3 years

Year	Cash dividend (tax included; RMB million)	As % of common shareholders' net profit in consolidated financial statement
2016: RMB 0.35/share proposed	2,667	33.22%
2015: RMB 0.8	6,097	46.18%
2014: RMB 0.2	1,184	23.57%

Average payout ratio 37.89% during 2014-2016

Revenue, expense and profit breakdown

(RMB million)	2015	2016	Change
Revenue and other income	42,733	27,488	-35.67%
Commission and fee income	20,046	13,391	-33.20%
Interest income	12,336	7,831	-36.52%
Net investment gains	10,396	6,511	-37.37%
Total expenses	25,217	17,186	-31.85%
Share of results from associates and JVs	290	403	39.01%
Net profit attributable to owners of the Company	13,201	8,030	-39.17%
Cost-to-income ratio ¹	59.01%	62.52%	+3.51pp ²
Adjusted cost-to-income ratio ³	47.04%	48.96%	+1.92pp ²

Source: Company financial reports

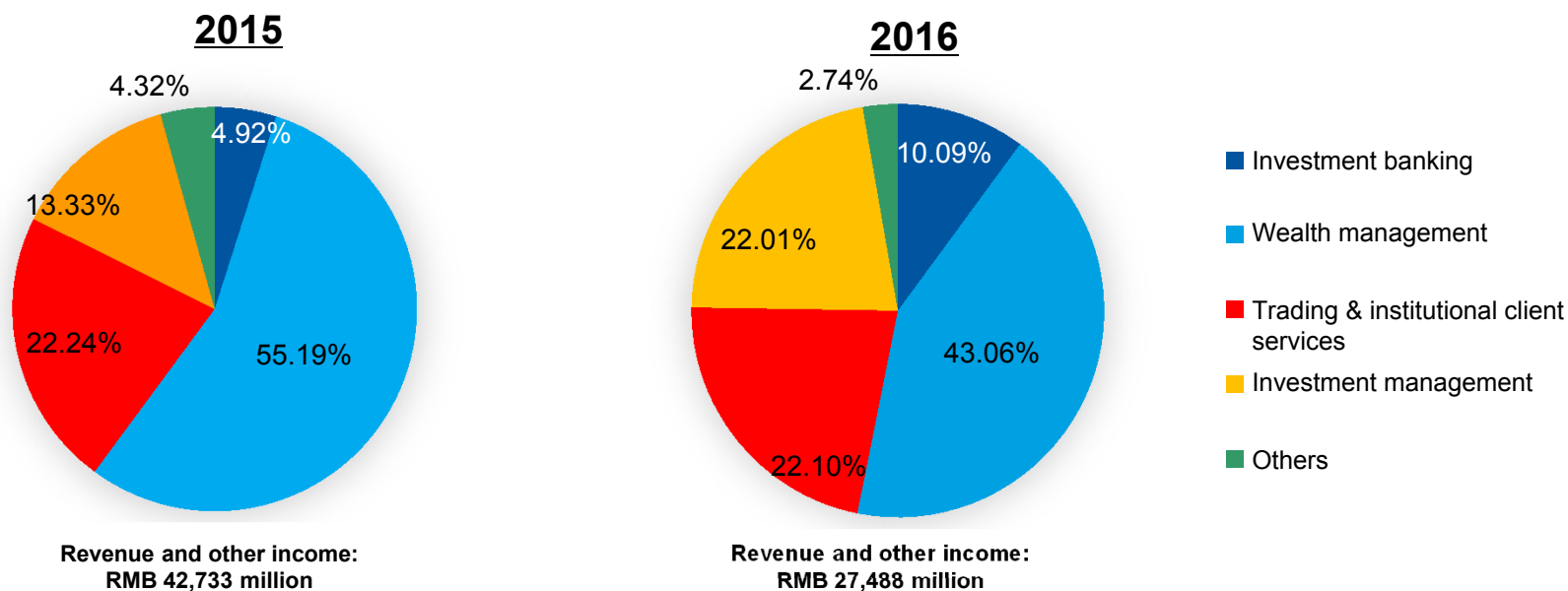
¹ Cost-to-income ratio = Total expenses / revenue & other income

² Represents the simple change in the percentage from 2015 to 2016

³ Adjusted cost-to-income ratio = (Total expenses – interest expense – commission & fee expense) / (revenue & other income + share of results from associates & JVs – interest expense – commission & fee expense)

Segment operating results

Revenue breakdown by segment



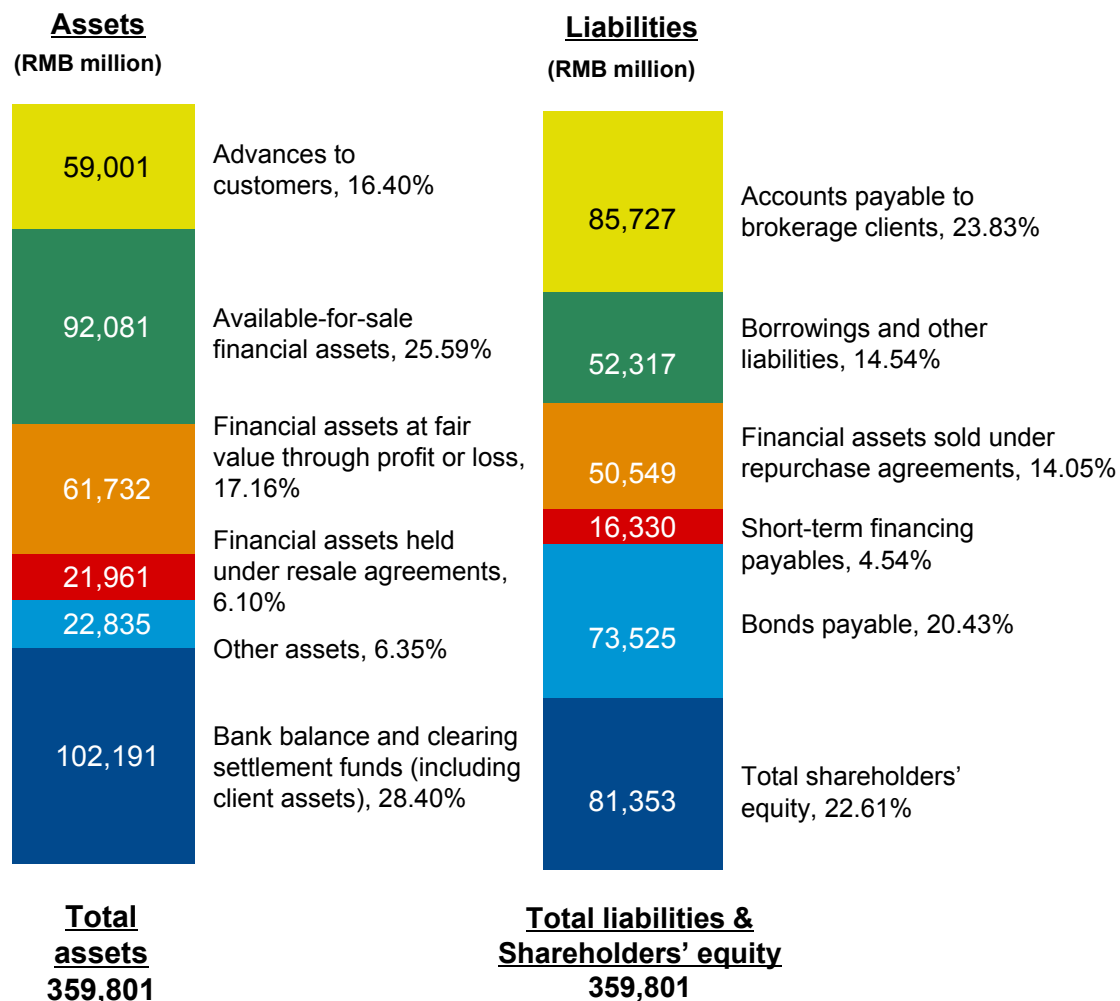
Revenue and other income by segment

(RMB million)	2015 Revenue & other income	2016 Revenue & other income		Change
Investment banking	2,101	2,773	↑	32.02%
Wealth management	23,584	11,835	↓	49.82%
Trading & institutional client services	9,505	6,074	↓	36.10%
Investment management	5,698	6,051	↑	6.20%

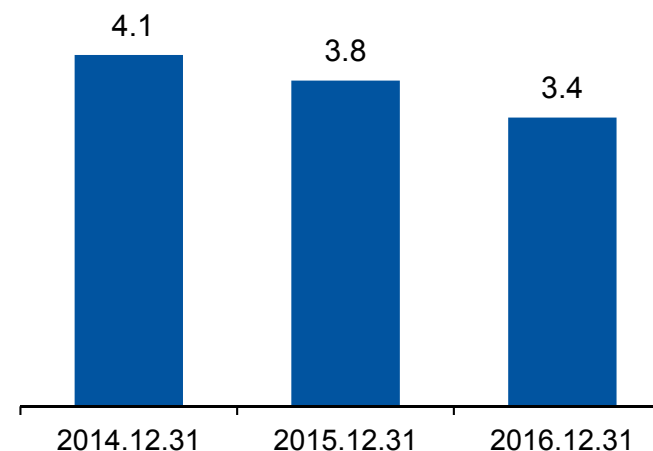
Source: Company financial reports

Balance sheet structure and leverage ratio

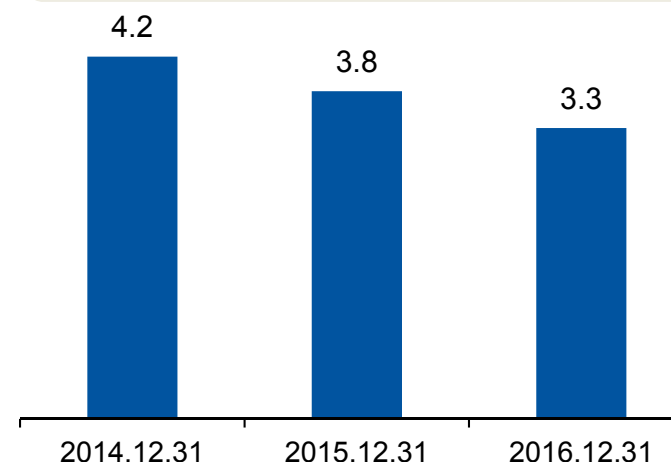
Balance sheet breakdown (as of 31 Dec 2016)



Leverage ratio (consolidated)¹



Leverage ratio (parent company)¹



Source: Company financial reports

¹ Leverage ratio = (Total assets – accounts payable to brokerage clients) / total shareholders' equity



03

|Business
Overview|






Business overview: provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality SMEs and affluent individuals

Investment banking

-  **Equity financing:**
Acting as sponsor and lead underwriter in equity financing
-  **Debt financing:**
Underwriting enterprise bonds, corporate bonds and non-financial enterprise debt financing instruments
-  **Financial advisory:**
Providing financial advisory services regarding M&A, corporate restructuring and NEEQ listing


Revenue mix: 10.09%
OPM: 59.28%

Wealth management

-  **Retail brokerage and wealth management:**
Providing trading services for customers trading stocks, bonds, investment funds, warrants, futures and other tradable securities; providing professional recommendations regarding client asset allocation and investment products through investment advisors
-  **Margin financing and securities lending:**
Providing margin loans or securities lending for affluent customers
-  **Repo transactions:**
Providing stock pledged repo services





Revenue mix: 43.06%
OPM: 49.87%

Trading & institutional client services

-  **Sales and trading:**
Sales, trading and market making in the stock, bond and derivatives markets; OTC market sales, trading and market making; trading advisory and execution for institutional clients
-  **Investment research:**
Providing various investment research services for professional, institutional investors
-  **Asset custody:**
Providing asset custody and fund services for various asset management products

Revenue mix: 22.10%
OPM: 23.68%

Investment management

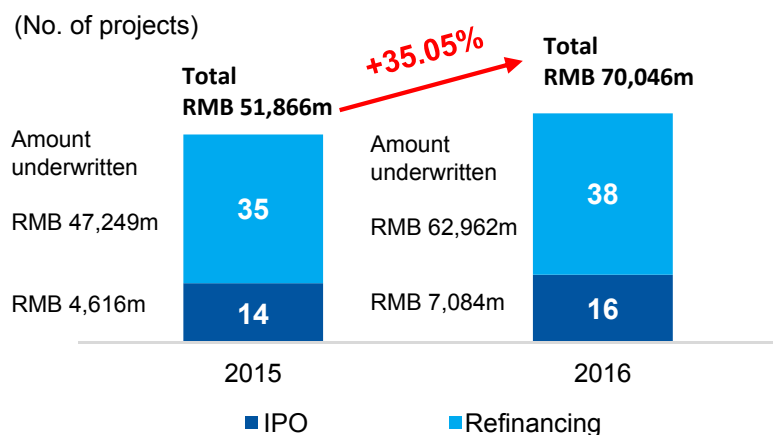
-  **Asset management:**
Engaged in asset management business through GF Asset Management, GF Futures and GF Asset Management (Hong Kong)
-  **Mutual fund management:**
Engaged in fund management business through subsidiary GF Fund and affiliate E Fund
-  **Private equity fund management:**
Engaged in private equity investment management through GF Xinde
-  **Alternative investment:**
Engaged in alternative investment through GF Qianhe

Revenue mix: 22.01%
OPM: 56.36%

Investment banking: key business metrics continue to lead industry

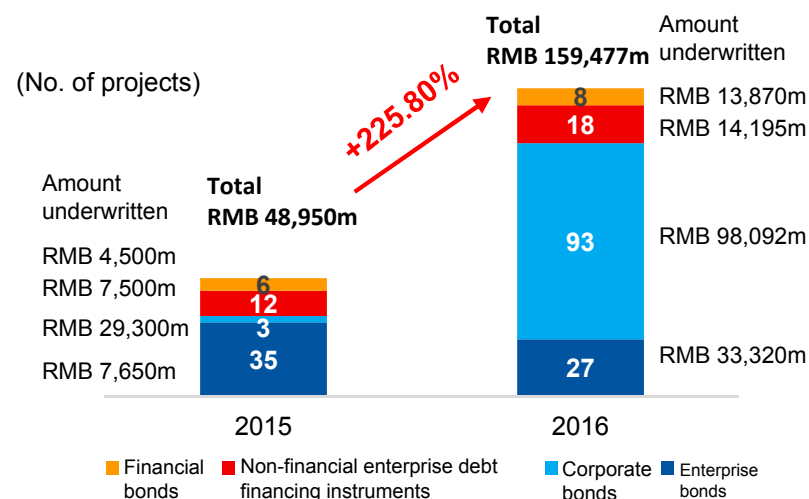
Equity underwriting business

- Ranking by No. of equity financing projects **3**
- Ranking by No. of IPO lead underwriting projects **2**



Bond underwriting business

- Ranking by value of bonds underwritten **6**



Major asset restructuring projects for which financial advisory service was provided

- Acted as financial advisor in 27 major asset restructuring projects in 2016 **Ranking 1**
- Acted as independent financial advisor for Bohai Capital and Tianhai Investment in large cross-border M&A worth US\$ 2,555m and US\$ 5,982m respectively



NEEQ listing

- We continued to promote comprehensive operation at our business branches in 2016 in order to expand our NEEQ listing client base. We recommended 111 companies for NEEQ listing during the year.
- As of end-2016, we had cumulatively recommended 308 companies for NEEQ listing. **Ranking 7**

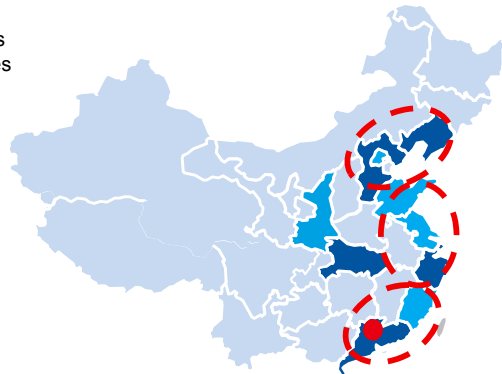
Sources: Wind, NEEQ website

Major asset restructuring projects for the financial advisory business include those approved by the CSRC's M&A and Restructuring Examination Committee and those categorized as non-administrative licensing approval projects

Wealth management (I): business transformation and upgrade underway

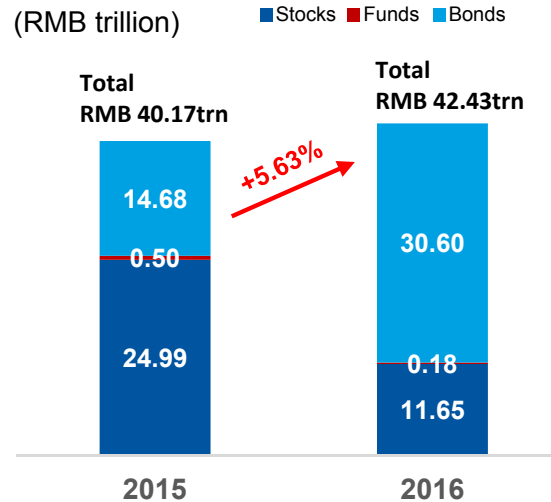
Business branches strategically located in economically developed regions

- >10 branches
- 5-10 branches
- <5 branches



- We have 264 business branches in total
- Over 70% of them are located in the economically developed PRD, YRD and Bohai Rim regions

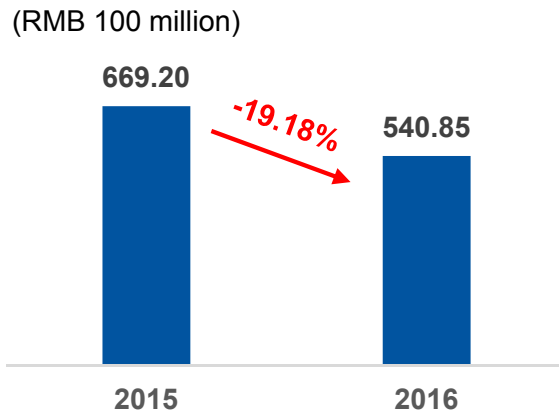
Securities brokerage business trading volume



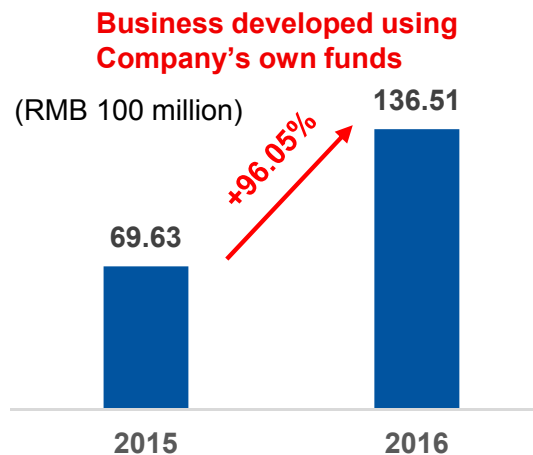
Key business metrics leading industry

- Ranked **5** by stock and fund trading volume during 2016
- Ranked **5** by consolidated balance of margin financing & securities lending at end-2016
- Ranked **1** with a team of more than 2,500 investment advisors at end-2016

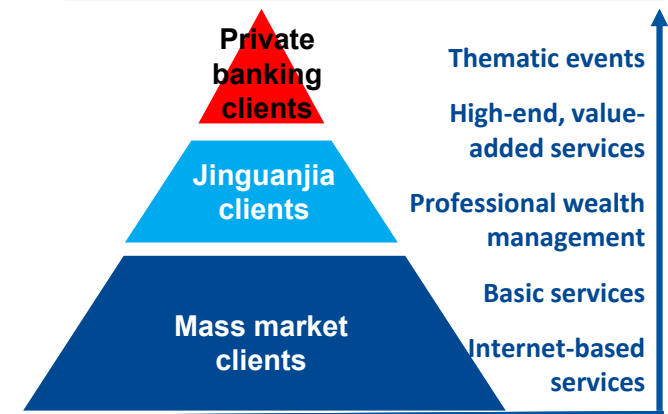
Balance of margin financing & securities lending



Balance of stock pledged repo



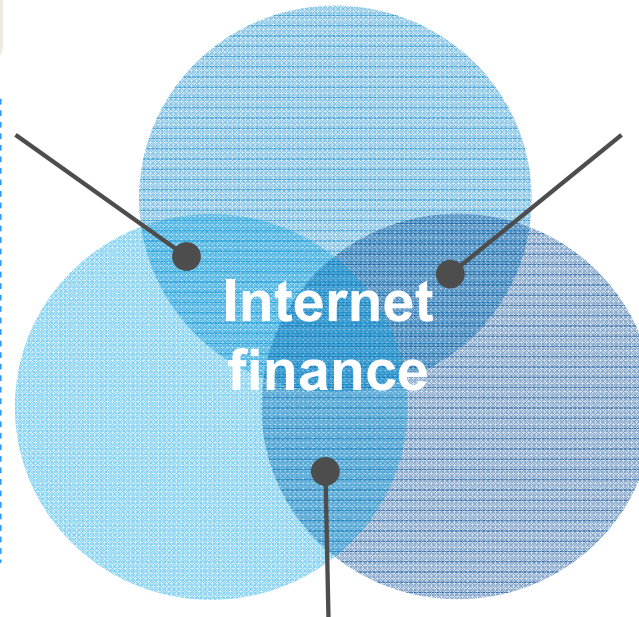
Stratified client management and services



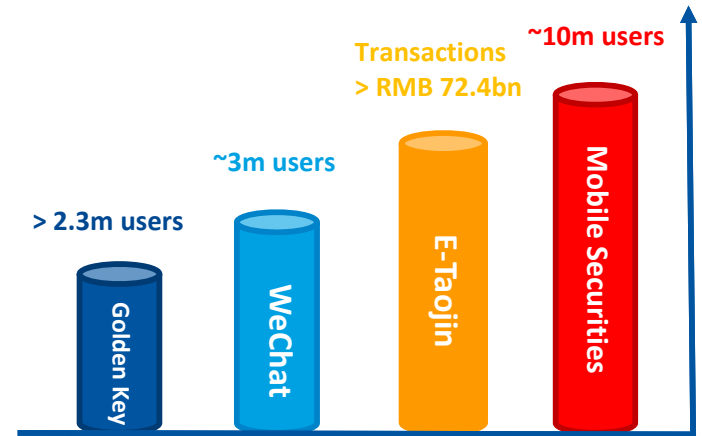
Wealth management (II): maintaining leadership and innovative edge in internet finance

Strengthening investor education

- Our online investor education system (edu.gf.com.cn) was awarded as a “National Internet Investor Education Base” in 2016, making us the **first** in the industry to receive such an award



Continuously enhancing client acquisition and conversion capabilities



Actively building wealth management business platform by fully tapping into internet finance

- Launched in June 2016, the Beta Bull smart investment advisory system is the **first** self-developed smart investment advisory system launched by a Chinese broker.
- Our credit point service system went on line in July 2016. The Jingubang investment advisory project was launched in Aug 2016.
- Our investment advisor management and asset allocation systems were enhanced during 2016.

Trading & institutional client services: developing capital intermediary business, maintaining leading investment capabilities

Leading research capabilities

Research coverage Covering over 600 listed companies in China across 25 sectors, and over 70 companies listed on the Hong Kong Stock Exchange



Ranked **No.2** in **New Fortune's "Best Local Research Team"** poll in 2016



Ranked **No.1** in **New Fortune's best sector research** poll for coal, auto & components, non-ferrous, building materials, chemical and environmental

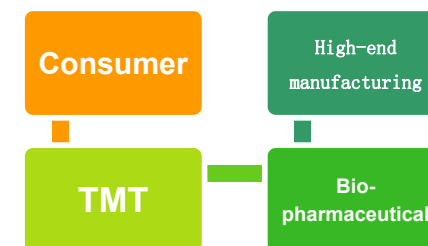


Ranked **No.2** in best sector research poll for financial engineering, electronics, property and machinery



NEEQ market making

- We provided market making service for 206 companies on the NEEQ board during 2016, with a focus on the following sectors:



Industry leading investment capabilities

We successfully avoided major risks in the domestic stock market in 2016, while achieving solid fixed income investment returns in China.

We are building an overseas FICC investment platform through GF Global Capital, with asset allocations in 18 countries and regions across Asia, Europe and the US, gradually establishing our ability to make global FICC investments



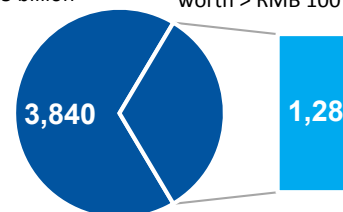
OTC product issuance

Cumulative value of products issued >RMB 325 billion

Cumulative No. of products issued

No. of products newly issued in 2016

Products newly issued in 2016 worth > RMB 100 billion



Business highlights



One of the **first** group of participants in the index futures market



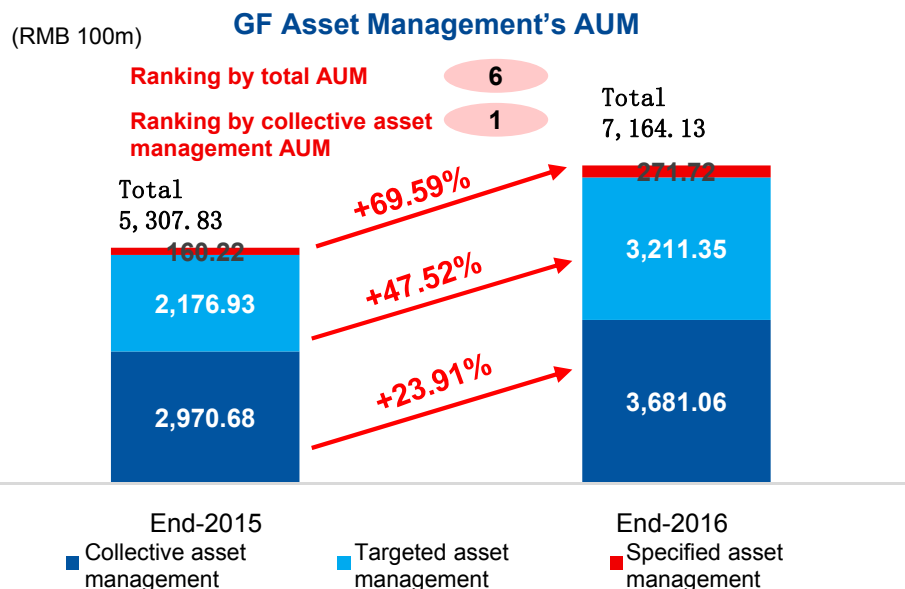
One of first two brokerages qualified as interbank bond market makers



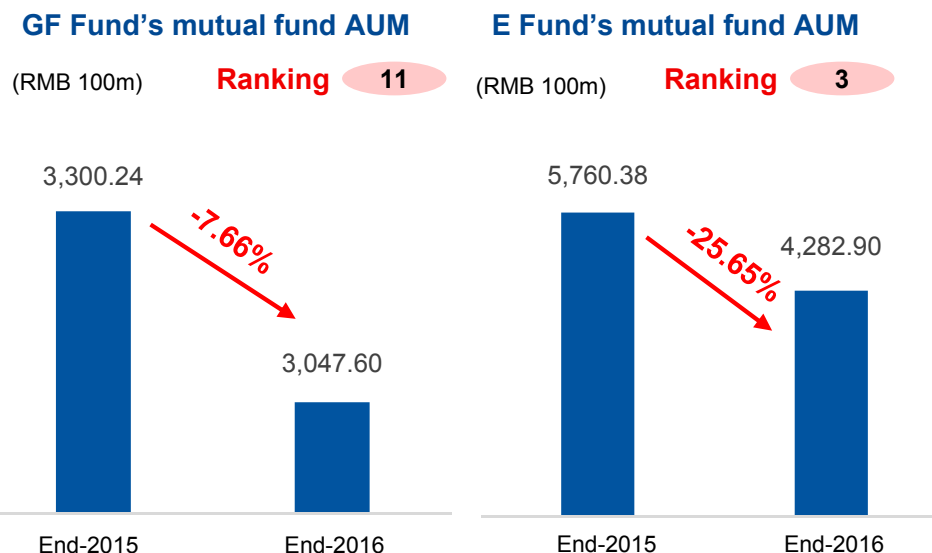
Ranked **6th** among brokerages in terms of bond trading volume in 2016

Investment management: maintaining industry leading position

Asset management



Fund management



Private equity and alternative investment

GF Xinde (private equity investment platform)

- GF Xinde (along with funds under its management) completed 43 equity investment projects in 2016, investing RMB 1,819 million.
- During 2016, GF Xinde set up and managed 13 PE funds and four mezzanine funds, involving client funds of RMB 6,905 million.

GF Qianhe (alternative investment platform)

- GF Qianhe invested a total of RMB 1,128 million in ten projects during 2016.
- GF Qianhe had cumulatively invested RMB 5,648m in 56 projects as of end-2016, and had exited from 21 of the projects.

Core competitiveness

1
A leading non-state-controlled securities firm

- Market-driven mechanisms, a balanced and diversified ownership structure, and solid corporate governance
- A board of directors that fully trusts the management team and gives the latter the maximum amount of flexibility, making the corporate decision-making process more efficient and market-oriented
- Ensuring the company maintains a market-driven operation over the long term

2
Sound corporate culture and stable management team

- Management team members have an average of more than 17 years of managerial experience in securities and finance and relevant sectors, and have served an average term of more than 16 years
- A sound corporate culture has boosted cohesion and momentum

3
Time-tested effective risk and compliance management mechanism

- We are one of the first batch of pilot compliance management brokerages selected by the CSRC, and one of the first brokerages to implement a comprehensive risk management strategy
- Over the years, we have maintained solid asset quality, with key risk control indicators in line with regulatory levels and leverage regulatory indicators offering a large safety margin, demonstrating strong risk resistance

4 We have been an industry leader in terms of key operating indicators with continuously growing brand equity

Ranking by key operating indicators in 2016

	(End-)2016
Revenue	3
Net profit	3
Total assets	4
Net capital	4
Net assets	5

Brand influence

- We ranked 2nd in the “Hurun Brand List” in 2015 and 2016
- We assume our social responsibilities through the “GF Securities Social Charity Foundation”, which focuses on poverty reduction and education in less developed regions

5 Fully-licensed and equipped to provide comprehensive financial services

- Preliminary framework of a financial group has taken shape

6 Industry-leading FinTech model

- We have attached great importance to innovation regarding the integration of information technology and finance, and has shifted our focus from outsourcing to independent development
- We have continued to innovate by exploring the application of container technology, big data and high performance computation in the securities industry



04

| Outlook |



Industry trends: seeking growth amid stability; domestic capital markets still have substantial room for growth

Domestic capital markets' potential for future development

- Strong policy support: it was proposed in this year's government work report that asset securitization and corporate equity financing should be promoted; that multi-layered capital market reform should be deepened, the fundamental framework for the main board market should be improved, and the ChiNext board, NEEQ board and regional equity markets should be further developed.
- The Securities Law is being revised, and cross-industrial regulation is better coordinated. Steady progress is being made in the reform of the finance industry regulatory framework, with key risk factors being dealt with in an orderly manner. The securities industry is likely to achieve growth amid stable operation in the foreseeable future.

- China's capital markets have strong growth potential as Chinese companies' financing demand continues to grow thanks to strong policy support for real economy development and direct financing, as well as the need for China to restructure its economy.
- M&A regulation is being improved, while leveraged buyouts are subject to strict regulations. The Chinese economy is going through a period of transformation with a focus on economic restructuring while maintaining stable growth; asset restructuring and M&A will play a distinct role during this process.

- As the Chinese economy and residents' wealth continue to grow, the domestic asset management industry has grown rapidly and has become the most vibrant finance industry segment with the strongest growth potential.
- The structure of residents' asset allocation is about to change with financial assets to take an increasing proportion, creating room for wealth management business growth.

- Looking at the broader-sense asset management industry, retail clients account for 61% of total AUM, compared with 39% for long-term institutional investors such as pension funds, corporate annuities and insurance companies.
- Expanding the institutional investor base is highly meaningful for the stable and healthy development of the A-share market, and has been a focus of regulatory work. Going forward, a higher level of institutional investor participation will bring new income sources and diversified business opportunities for securities firms.

- Capital market internationalization is speeding up, as China represents a bigger share and takes a more important position in the global economy, and as the One Road One Belt initiative is being pushed forward steadily.
- Capital market internationalization is expected to deepen further as the RMB becomes more internationalized; the securities industry will grow along with this process.

Future development strategy: focusing on customer groups and businesses with greatest growth potential



Investment banking

- While further solidifying our business advantages among quality SME clients, increase the proportion of medium- and large-sized projects, improve our client structure, and enhance our ability to serve mid/high-end clients
- Build new industry teams in areas where we have a project reserve base
- Accelerate the transition of the investment banking business towards higher industry chain specialization and diversified profit-making models, enhance client service capabilities and grow with our clients
- Expand the influence of our leading investment banking brand to overseas markets so as to make breakthroughs in our international business growth

Wealth management

- Improve our ability to serve wealth management customers, increase affluent customer coverage and product penetration, strengthen the introduction of tailor-made and private banking products, and improve our wealth management product offering
- Solidify and strengthen our advantages in internet finance development, enrich our wealth management business system, and further enhance comprehensive business operation
- Develop the margin financing and securities lending business and create value for wealth management customers by expanding our investment advisor team, providing research reports and offering innovative products

Trading and institutional client services

- Tap into the growing institutional client service business, strengthen our ability to provide comprehensive financial solutions, and build our leadership as a market maker; enhance our asset allocation capabilities, and cultivate our ability to invest in overseas markets
- Build an FICC platform that meets global standards, and enlarge the size of held-for-trading financial assets which is driven by the market making business
- Further optimize the structure of our derivatives business, and build our competitive edge by using our resources in a more focused manner
- Further consolidate our resources in the institutional and asset custody businesses, strengthen team and operational system development, so as to significantly promote business development

Investment management

- Build a multi-layered investment management platform, strengthen and expand the advantages of our products, increase the input of own funds, enlarge our AUM, and improve investment performance, so as to create an industry-leading investment management brand
- Further increase the size of GF Xinde's private equity investment and GF Qianhe's alternative investment using our own funds; further enhance the active asset management capabilities of GF Asset Management and GF Fund

Thank you!

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