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## **GF SECURITIES CO., LTD.**

**廣發證券股份有限公司**

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

**(Stock Code: 1776)**

### **2020 ANNUAL RESULTS ANNOUNCEMENT**

The board of directors of GF Securities Co., Ltd. (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries for the year ended December 31, 2020. This announcement, containing the full text of the 2020 annual 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 the information to accompany preliminary announcements of annual results.

The 2020 annual report of the Company and its printed version will be published and delivered to the H shareholders of the Company by the end of April 2021 and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.gf.com.cn](http://www.gf.com.cn).

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

Guangzhou, the PRC  
March 29, 2021

*As at the date of this announcement, the board of directors of the Company comprises Mr. Sun Shuming, Mr. Lin Chuanhui, Ms. Sun Xiaoyan and Mr. Qin Li as executive directors; Mr. Li Xiulin, Mr. Shang Shuzhi and Mr. Guo Jingyi as non-executive directors; and Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling Olivia and Mr. Li Wenjing as independent non-executive directors.*

## Important Notice

The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm the truthfulness, accuracy and completeness of the contents of this annual report and there is no misrepresentation, misleading statement or material omission from this annual report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein. Mr. Sun Shuming (the Chairman), Ms. Sun Xiaoyan (the Chief Financial Officer) and Ms. Wang Ying (the head of the accounting department of the Company) hereby declare that they confirm the truthfulness, accuracy and completeness of the financial report contained in this annual report.

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

The 2020 annual financial report of the Company prepared in accordance with the International Financial Reporting Standards has been audited by Ernst & Young, who has issued a standard unqualified audit report. Unless otherwise indicated, the financial data stated in this report is denominated in RMB.

The proposed profit distribution plan of the Company was considered and passed by the Board of Directors: based on the number of the shares as at the dividend distribution registration date, a cash bonus of RMB4.5 (tax inclusive) per 10 shares will be paid to all shareholders.

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

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

## WARNING ABOUT MATERIAL RISK FACTORS

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

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

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## DEFINITIONS

<b>Term</b>	<b>Definition</b>
Reporting Period	Year 2020 (January 1, 2020 to December 31, 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
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司)
GF Securities (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發證券(香港)經紀有限公司)
GF Asset Management (Hong Kong)	GF Asset Management (Hong Kong) Limited (廣發資產管理(香港)有限公司)
GF Investments (Hong Kong)	GF Investments (Hong Kong) Company Limited (廣發投資(香港)有限公司)
GF Capital (Hong Kong)	GF Capital (Hong Kong) Limited (廣發融資(香港)有限公司)
GF Global Capital	GF Global Capital Limited (廣發全球資本有限公司)
GF Futures	GF Futures Co., Ltd. (廣發期貨有限公司)
GF Futures (Hong Kong)	GF Futures (Hong Kong) Co., Limited (廣發期貨(香港)有限公司)
GF Xinde	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司)
GF Qianhe	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司)



## DEFINITIONS

GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司)
GFFL	Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司)
GF Hexin	GF Hexin Industry Investment Management Co., Ltd.(廣發合信產業投資管理有限公司)
Guangdong Equity Exchange	Guangdong Equity Exchange Co., Ltd. (廣東股權交易中心股份有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
ECT	E-Capital Transfer Co., Ltd. (證通股份有限公司)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
The PRC	Mainland China
CSRC	the China Securities Regulatory Commission
CIRC	the former China Insurance Regulatory Commission
Guangdong Bureau of the CSRC	Guangdong Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
SZSE Listing Rules	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Company Law	Company Law of the PRC (中華人民共和國公司法)
Securities Law	Securities Law of the PRC (中華人民共和國證券法)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited



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## DEFINITIONS

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



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## DEFINITIONS

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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
MSCI index	an index published by Morgan Stanley Capital International
VaR	Value at Risk
A Share(s)	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SZSE and traded in Renminbi
H Share(s)	foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
CPA, auditor, Ernst & Young	Ernst & Young Hua Ming LLP and Ernst & Young, accounting firms appointed by the Company
WIND	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In this 2020 annual report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.

# COMPANY PROFILE

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## COMPANY PROFILE

### I. COMPANY INFORMATION

<b>Stock Name</b>	廣發證券	<b>Stock Code</b>	000776 (SZSE); 1776 (Hong Kong Stock Exchange)
<b>Listing venues of the Shares</b>	SZSE and Hong Kong Stock Exchange		
<b>Name in Chinese</b>	廣發證券股份有限公司		
<b>Short Name in Chinese</b>	廣發證券		
<b>Name in English</b>	GF Securities Co., Ltd.		
<b>Short Name in English</b>	GF SECURITIES		
<b>Legal Representative of the Company</b>	Sun Shuming		
<b>General Manager of the Company</b>	Lin Chuanhui		
<b>Registered Address</b>	Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong		
<b>Postal Code of the Registered Address</b>	510555		
<b>Principal Business Address</b>	GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong		
<b>Postal Code of the Business Address</b>	510627		
<b>Place of Business in Hong Kong</b>	29-30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong		
<b>Company Website</b>	www.gf.com.cn		
<b>Company E-mail</b>	gfzq@gf.com.cn		
<b>Tel</b>	020-66338888		
<b>Customer Service Hotline</b>	95575		
<b>Registered Capital of the Company</b>	RMB7,621,087,664		
<b>Net Capital of the Company</b>	RMB64,897,184,278.76		

### II. CONTACT PERSONS AND CONTACT INFORMATION

#### Secretary of the Board/Securities Affairs Representative

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



## COMPANY PROFILE

### III. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

<b>Newspapers designated by the Company for A Shares information disclosure</b>	China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
<b>Website designated by the CSRC for publication of annual report</b>	www.cninfo.com.cn
<b>Website designated by the Hong Kong Stock Exchange for publication of annual report</b>	www.hkexnews.hk
<b>Place where the annual report of the Company is available for inspection</b>	51st Floor, GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong

### IV. CHANGES IN REGISTRATION INFORMATION

<b>Organization Code</b>	No change during the Reporting Period
<b>Changes in the Principal Business of the Company since the Listing of the Company</b>	No change during the Reporting Period
<b>Changes in Controlling Shareholders</b>	Not applicable

### V. QUALIFICATIONS OF INDIVIDUAL BUSINESSES

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



## COMPANY PROFILE

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



## COMPANY PROFILE

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



## COMPANY PROFILE

No.	Type of License	Approval Authority	Issue Date
44	Qualification for ETF liquidity service provider business (Bosera S&P 500ETF, E Fund SSE & SZSE 300ETF, HuaAn SSE 180ETF, HuaAn SSE Gold ETF)	SSE	September 2013
45	License for part-time insurance agency	CIRC Guangdong Bureau	November 2013
46	Securities fund consumption payment services for clients	CSRC	December 2013
47	Qualification for the pilot work of comprehensive custody business of private equity	CSRC	January 2014
48	Qualification for pledged repo business authorization	SZSE	April 2014
49	Qualification for pilot work of receipt certificates	Securities Association of China	May 2014
50	Qualification for custody business of securities investment funds	CSRC	May 2014
51	Qualification for pilot work of Internet securities business	Securities Association of China	September 2014
52	Qualification on the Dalian Equity Exchange	Securities Association of China	June 2014
53	Qualification for the mutual swap and central clearing of Renminbi interest rates	Shanghai Clearing House	June 2014
54	Qualification on the Gansu Equity Exchange Center	Securities Association of China	July 2014
55	Qualification for market-making business on the National Equities Exchange and Quotations	National Equities Exchange and Quotations Co., Ltd.	July 2014
56	Qualification for the swap transaction business of OTC equity income	Securities Association of China	July 2014
57	Qualification for Hong Kong Stock Connect business authorization	SSE	October 2014
58	Qualification for agency services business for gold and other precious metal spot contracts and proprietary trading for spot gold contract	CSRC	January 2015
59	Qualification for stock option market-making business	CSRC	January 2015
60	Qualification for options settlement business	China Securities Depository and Clearing Corporation Limited	January 2015
61	Qualification as a stock options trading participant	SSE	January 2015



## COMPANY PROFILE

No.	Type of License	Approval Authority	Issue Date
62	Qualification for the SSE 50ETF options market-making business	SSE	January 2015
63	Qualifications for financing-oriented option exercise business and restricted securities lending business with respect to share incentive schemes of listed companies	SZSE	January 2015
64	Membership certificate of the Shanghai Gold Exchange	Shanghai Gold Exchange	April 2015
65	Member of China Futures Association (ordinary member)	China Futures Association	May 2015
66	Opening accounts through one-way video	China Securities Depository and Clearing Corporation Limited	June 2015
67	Filing Certificate of Private Equity Outsourcing Institutions	Asset Management Association of China	June 2015
68	Qualification as a market maker in the national interbank bond market	PBOC	January 2016
69	Council entity of the National Internet Finance Association of China	National Internet Finance Association of China	August 2016
70	Interbank Market operations clearing membership	Shanghai Clearing House	September 2016
71	Qualification for Hong Kong Stock Connect business authorization under Shenzhen-Hong Kong Stock Connect	SZSE	November 2016
72	Membership of foreign currency funding in interbank funding market	China Foreign Exchange Trading System	March 2017
73	"Bond Connect" quotation bureau qualification	National Interbank Funding Center	July 2017
74	Qualification to issue credit-linked notes	National Association of Financial Market Institutional Investors	August 2017
75	Qualification to issue credit risk mitigation certificates	National Association of Financial Market Institutional Investors	August 2017
76	Core dealer of credit risk mitigation instruments	National Association of Financial Market Institutional Investors	August 2017
77	Qualification for interbank gold inquiry business	Shanghai Gold Exchange	December 2017
78	Pilot cross-border business	CSRC	April 2018
79	Qualification for regular clearing membership for central clearing businesses of credit default swaps	Shanghai Clearing House	June 2018



## COMPANY PROFILE

No.	Type of License	Approval Authority	Issue Date
80	Qualification for sale and purchase of foreign exchange	CSRC	July 2018
81	Qualification as a primary dealer for Over-the-counter options business	Securities Association of China	August 2018
82	Qualification for credit derivative business	CSRC	December 2018
83	Qualification as a dealer for commodity swap business	Dalian Commodity Exchange	December 2018
84	Qualification of core dealer of credit protection contract	SSE	February 2019
85	Qualification for business as lead market maker of listed funds	SSE	February 2019
86	Qualification for membership of the China Banking Association	China Banking Association	September 2019
87	Authorization for opening stock options business	SZSE	December 2019
88	Qualification for primary market maker of CSI 300ETF Options business (SSE)	SSE	December 2019
89	Qualification for primary market maker of CSI 300ETF Options business (SZSE)	SZSE	December 2019
90	Qualification for creating credit protection certificate	SSE	December 2019

**The qualifications of individual business that the Company has obtained in 2020 include:**

1	Qualification for participating in securities refinancing business on ChiNext	CSF	August 2020
2	Qualification for accessing into the China's commercial paper trading system	Shanghai Commercial Paper Exchange Corporation Ltd.	August 2020
3	First batch of forward quoters for The Agricultural Development Bank of China standard bonds	National Interbank Funding Center	October 2020



## COMPANY PROFILE

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

No.	Type of License	Approval Authority	Issue Date
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**Membership and business qualifications obtained by GF Fund and its subsidiaries**

1	Permit for Operations of Securities and Futures Business	CSRC	July 2003
2	Client-specific asset management	CSRC	February 2008
3	Qualified Domestic Institutional Investor (QDII)	CSRC	January 2009
4	Entrusted Domestic Investment Manager of National Social Security Fund	National Council for Social Security Fund	December 2010
5	Type 4: advising on securities	SFC	September 2011
6	Type 9: asset management	SFC	September 2011
7	RMB Qualified Foreign Institutional Investor (RQFII) (1)	CSRC	August 2012
8	Entrusted investment managers of insurance funds	CIRC	October 2012
9	Permit for Operations of Securities and Futures Business (Client-specific asset management)	CSRC	June 2013
10	Entrusted asset management investment managers of Insurance Security Fund	China Insurance Security Fund Co., Ltd.	August 2013
11	Qualified Foreign Institutional Investors (QFII)	CSRC	September 2013
12	Financial Services Commission of South Korea-investment consulting business license (Foreign Investment Adviser)	Financial Services Commission of South Korea	November 2013
13	Type 1: dealing in securities	SFC	March 2014
14	Investment advisory (US Investment Adviser)	U.S. Securities and Exchange Commission (SEC)	May 2014
15	RMB Qualified Foreign Institutional Investor (RQFII) (2)	CSRC	December 2015
16	Basic pension insurance fund securities investment management agency	National Council for Social Security Fund	December 2016
17	Hong Kong Shares Investment Advisory Institution	Asset Management Association of China	October 2018



No.	Type of License	Approval Authority	Issue Date
<b>Membership and business qualifications obtained by GF Futures and its subsidiaries</b>			
1	Qualification for commodity futures brokerage business	CSRC	March 1993
2	Membership	ICE	March 2005
3	Type 2: dealing in futures contracts	SFC	February 2007
4	Futures Exchange Participant	Hong Kong Futures Exchange Limited (Hong Kong)	May 2007
5	HKCC Participant	HKFE Clearing Corporation Limited (Hong Kong)	May 2007
6	Qualification for financial futures brokerage business	CSRC	August 2007
7	Membership	China Financial Futures Exchange	February 2008
8	Membership	Shanghai Futures Exchange	June 2008
9	Membership	ICE Clear Europe	September 2008
10	Membership	Dalian Commodity Exchange	December 2008
11	Membership	Zhengzhou Commodity Exchange	March 2009
12	Qualification for futures investment consulting business	CSRC	August 2011
13	Trading membership	Singapore Exchange Derivatives Trading Limited	August 2011
14	Qualification for asset management business	CSRC	November 2012
15	Membership	Sugar Association of London	June 2013
16	Category 1, Ring dealing membership	London Metal Exchange	January 2014
17	Trading membership	Dubai Gold & Commodities Exchange	January 2014
18	Membership	London Stock Exchange	February 2014
19	Qualification for fund sales business	Guangdong Bureau of the CSRC	February 2015
20	Membership	China Futures Association	May 2015
21	Qualification for RMB Qualified Foreign Institutional Investor (RQFII)	CSRC	April 2016
22	Asset management license	Financial Conduct Authority (FCA) of the UK	October 2016
23	Membership	Shanghai International Energy Exchange	May 2017
24	Membership	Guangzhou Headquarters Economy Association	February 2018
25	Membership	Asset Management Association of China	July 2018
26	Participant of stock option trading on the Shanghai Stock Exchange	SSE	December 2018
27	Qualification for options clearing business	China Securities Depository and Clearing Corporation Limited	December 2018
28	Trading participant of the Shenzhen Stock Exchange	SZSE	January 2020



## COMPANY PROFILE

No.	Type of License	Approval Authority	Issue Date
<b>Membership and business qualifications obtained by GFHK and its subsidiaries</b>			
1	Type 1: dealing in securities	SFC	January 2007
2	Type 6: advising on corporate finance	SFC	January 2007
3	Stock Exchange Participant	Hong Kong Stock Exchange	February 2007
4	Type 4: advising on securities	SFC	November 2007
5	Type 9: asset management	SFC	November 2007
6	Business license for securities investment	CSRC	December 2011
7	RMB Qualified Foreign Institutional Investor (RQFII) Qualification	CSRC	December 2011
8	Approval for RMB Qualified Foreign Institutional Investor (RQFII) investment quota Qualification	State Administration of Foreign Exchange (PRC)	January 2012
9	Account opening license	PBOC Shenzhen Central Sub-branch (PRC)	February 2012
10	Qualified Foreign Institutional Investor Qualification	CSRC	January 2015
11	Approval for QFII investment quota and related account opening	State Administration of Foreign Exchange (PRC)	March 2015
12	Business license for insurance brokerage: (general & long term (including LLT))	Professional Insurance Brokers Association (PRC)	March 2015
13	Licensed securities dealer of IIROC	Investment Industry Regulatory Organization of Canada (IIROC)	May 2015
14	Options Trading Exchange Participant	Hong Kong Stock Exchange	November 2015
15	Direct Clearing Participant	The SEHK Options Clearing House Limited	November 2015
16	Membership	Beijing Financial Assets Exchange	October 2020
17	Membership	National Association of Financial Market Institutional Investors	October 2020



No.	Type of License	Approval Authority	Issue Date
<b>Membership and business qualifications obtained by GF Asset Management</b>			
1	Permit for Operations of Securities Business (securities asset management)	CSRC	March 2014
2	Qualified Domestic Institutional Investor (QDII) qualification for overseas securities investment management business	Guangdong Bureau of the CSRC	December 2013
3	Member of National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors	July 2015
4	Investment Manager Qualification for Management of Entrusted Investment of Insurance Funds	CIRC	March 2016
<b>Membership and business qualifications obtained by GF Qianhe</b>			
1	Membership	Securities Association of China	May 2017
<b>Membership and business qualifications obtained by GFFL</b>			
1	Membership	Guangdong Financial Leasing Association	April 2016
2	Membership	Guangzhou Financial Leasing Industry Alliance	April 2016
3	Membership	Guangzhou Foreign Investment Enterprises Chamber of Commerce	September 2017
4	Membership	Guangzhou Industrial Robot Manufacturing and Application Industry Alliance	September 2018
5	Lease-related business registration including finance lease	Administrative Approval Bureau, New Area, Nansha, Guangzhou, China (Guangdong) Pilot Free Trade Zone	October 2018
6	Membership	Guangzhou Nansha Financial Industry Association	November 2018
7	Membership	Global Leasing Union and United Leasing Research and Development Center	December 2018
<b>Membership and business qualifications obtained by GF Hexin</b>			
1	Private Investment Fund Manager Registration Certificate	Asset Management Association of China	October 2015
<b>Membership and business qualifications obtained by GF Xinde</b>			
1	Membership	Securities Association of China	April 2017
2	Membership	Asset Management Association of China	March 2018



### VI. COMPANY HISTORY AND DEVELOPMENT

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

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

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

The repurchase by Yan Bian Road of 84,977,833 shares from one of its then shareholders, Jilin Aodong Pharmaceutical Group Co., Ltd.(吉林敖東藥業集團股份有限公司);

The issuance of 2,409,638,554 shares by Yan Bian Road to shareholders of the Original Guangfa in exchange for all the then existing shares of the Original Guangfa;

As a result of the Reverse Takeover, the Original Guangfa transferred all of its assets and employees to Yan Bian Road and was deregistered on February 10, 2010.

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



### MAJOR INCREASES IN SHARE CAPITAL

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

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

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

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

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

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

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

On August 17, 2011, the Company issued 452,600,000 A Shares to 10 investors by way of private placement. As a result, the Company's share capital increased to RMB2,959,645,732.

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

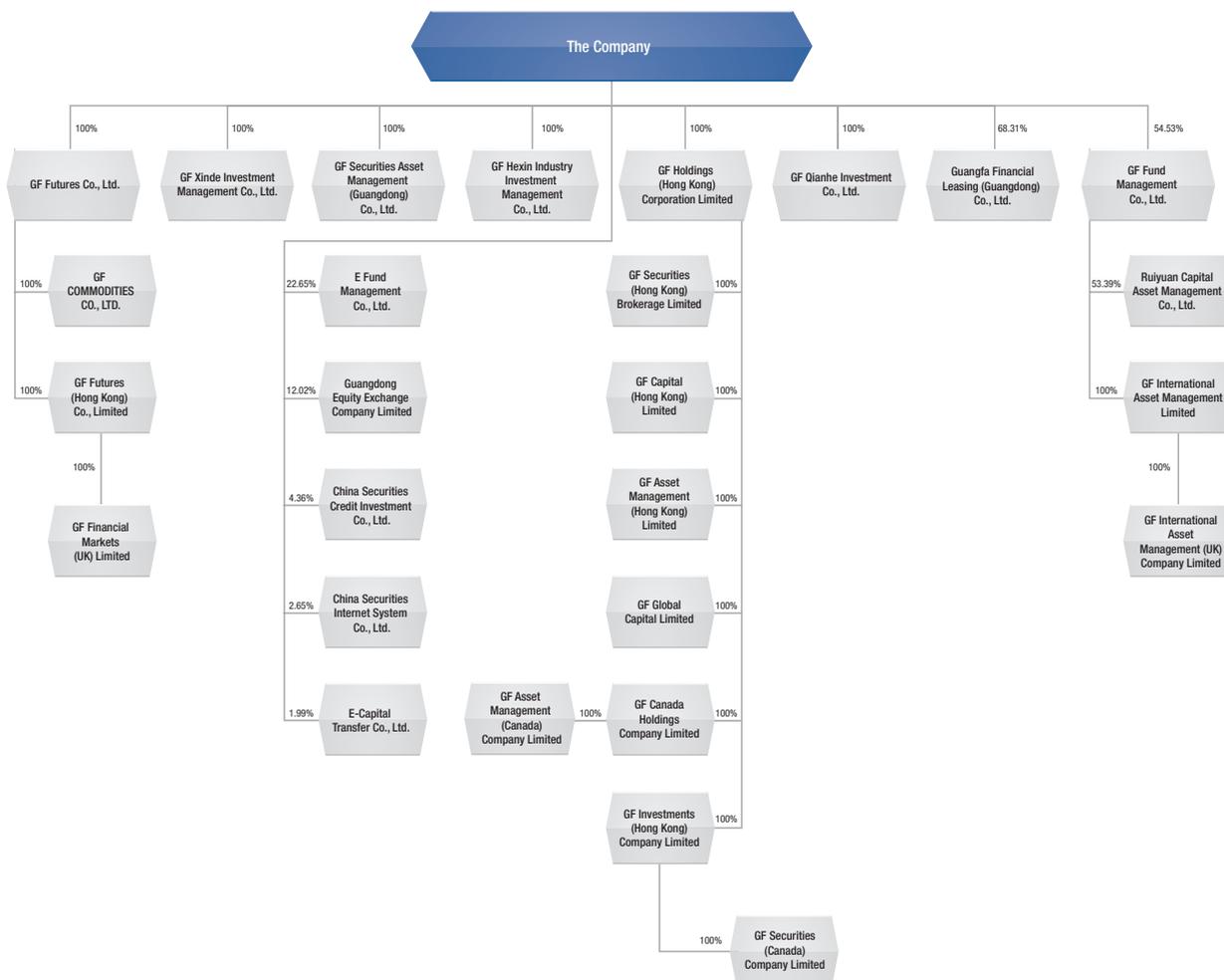
On April 10, 2015, the Company was listed for trading on the Main Board of the Hong Kong Stock Exchange. Upon full exercise of the over-allotment option, the Company issued a total of 1,701,796,200 H Shares and increased its share capital to RMB7,621,087,664.



# COMPANY PROFILE

## VII. STRUCTURE OF THE COMPANY

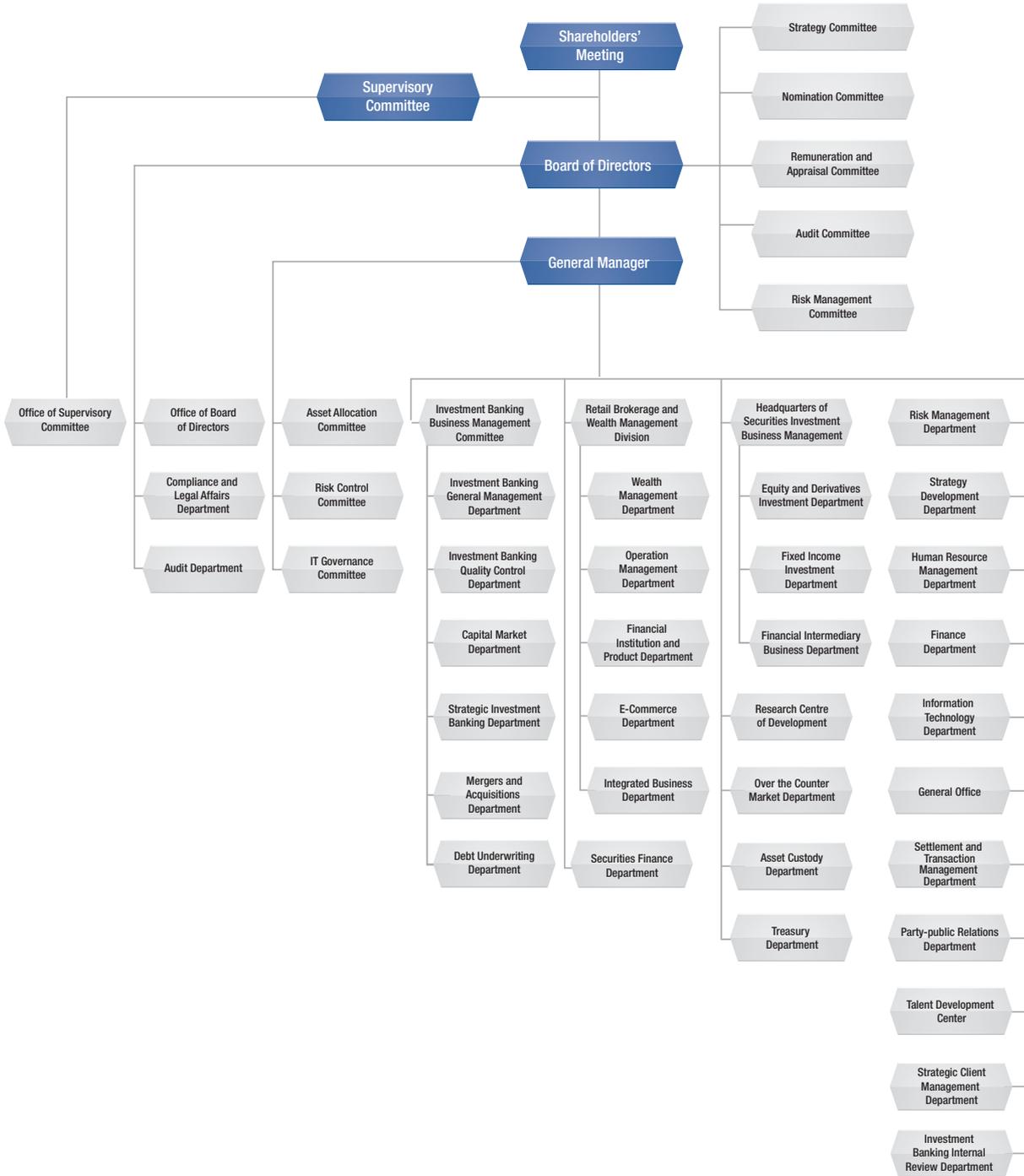
### 1. Organization Structure of the Company (As of December 31, 2020)



Note: As of December 31, 2020, the Company and GF Investments (Hong Kong) hold 68.31% and 31.69% equity interest in GFFL, respectively.



2. Organization Structure of the Company (As of the date of this report)





## COMPANY PROFILE

### 3. Domestic Branch Companies (as of December 31, 2020)

Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Shenzhen Branch	Level 20 and Room 01 & 16 of Level 25, Shum Yip Centre, 5045 Shennan East Road, Luohu District, Shenzhen	July 2009	Wu Yudong	0755-82083898
GF Securities Co., Ltd. Shanghai Branch	Unit 06A, 36th Floor (nominal floor, actually 33/F), 429 Nanquan North Road, Pudong New Area, Shanghai, China	July 2009	Mei Jiyuan	021-68818808
GF Securities Co., Ltd. Hebei Branch	Room 1403, 14th Floor, Wutong Business Center, 36 Zhongshan West Road, Qiaoxi District, Shijiazhuang, Hebei Province	July 2009	Huang Bin	0311-85278887
GF Securities Co., Ltd. Shandong Branch	West Wing of the 10th floor and rooms 905 and 908 of the 9th floor, 3 Luoyuan Street, Lixia District, Jinan	July 2009	Zhang Yuqiang	0531-86993666
GF Securities Co., Ltd. Hubei Branch	Rooms 6, 7 and 8, 34th floor, Office Tower of Huijin Plaza, 1268 Jinghan Avenue, Jiangan District, Wuhan	July 2009	Peng Tao	027-82800767
GF Securities Co., Ltd. Guangzhou Branch	North Wing of the 2nd Floor, Industrial Bank Plaza, 101 Tianhe Road, Tianhe District, Guangzhou	July 2009	Chen Liming	020-83863518
GF Securities Co., Ltd. Jiangsu Branch	272 Jiqingmen Avenue, Gulou District, Nanjing	August 2009	Liu Zhengyi	025-86899227
GF Securities Co., Ltd. Chengdu Branch	Room 1901, Level 19 and Room 2709, Level 27, Building 3, No. 1199, North Section of Tianfu Avenue, Chengdu High-tech Zone, China (Sichuan) Pilot Free Trade Zone	August 2009	Liu Jiezhou	028-85972529
GF Securities Co., Ltd. Zhejiang Branch	Rooms 3704 and 3705, Building 3, Qianjiang International Times Plaza, 290 Fuchun Road, Jianggan District, Hangzhou, Zhejiang Province	August 2009	Chen Xiaoyu	0571-86566651
GF Securities Co., Ltd. Xi'an Branch	Rooms 1204, 1205 and 506, COLI Building, 3 Furong South Road, Qujiang New District, Xi'an, Shaanxi Province	August 2009	He Xiaoshe	029-65655877
GF Securities Co., Ltd. Beijing Branch	Level 18, Yuetan Building, 2 Yuetan North Street, Xicheng District, Beijing	August 2009	You Haiyang	010-59136868
GF Securities Co., Ltd. Zhuhai Branch	Room 302, Hengqin Smart Finance Industrial Park, West Side of Building 17, Hengqin Creative Valley, 1889 Huandao East Road, Hengqin New District, Zhuhai	February 2011	Zhong Xiongying	0756-8286229



## COMPANY PROFILE

Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Foshan Branch	Flat A1, B, C, J and K, actually 18/F (nominally 20/F), Block 2, Youbang Financial Centre, No. 1, Denghu East Road, Guicheng Street, Nanhai District, Foshan, Guangdong Province	May 2011	Wu Yuemin	0757-83789698
GF Securities Co., Ltd. Changchun Branch	1272 Minkang Road, Nanguang District, Changchun	August 2011	Li Chao	0431-88634077
GF Securities Co., Ltd. Fujian Branch	Units 03 & 05, Level 34, Yuyang Zhongyang Jinzuo Office Building, 118 Shuguang Road, Taijiang District, Fuzhou, Fujian Province	April 2012	Zhuo Wen	0591-83055872
GF Securities Co., Ltd. Yuedong Branch	9 Yingbin Road, Shantou	June 2014	Zhang Haiou	0754-88280098
GF Securities Co., Ltd. Yuxi Branch	Second of 201, 45 Tianchang Road, Pengjiang District, Jiangmen, Guangdong Province	June 2014	Lin Qing	0750-3488001
GF Securities Co., Ltd. Dongguan Branch	Room 508, Building 1, The Innovation and Technology Park, Songshan Lake Hi-tech Industrial Development Zone, Dongguan	June 2014	Kang Shaohua	0769-28331886
GF Securities Co., Ltd. Hainan Branch	Room 203, Level 2, Building A, Incubator of Haikou National Hi-tech Zone, 266 Nanhai Avenue, Haikou	September 2015	Li Junhua	0898-66288660
GF Securities Co., Ltd. Liaoning Branch	17th Floor, 227 Qingnian Street, Shenhe District, Shenyang, Liaoning Province	November 2019	Chen Deming	0411-84355166

#### 4. Domestic and Overseas Wholly-owned and Non-wholly-owned Subsidiaries (as of December 31, 2020)

##### (1) Domestic Principal Wholly-owned and Non-wholly-owned Subsidiaries

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Fund	Room 105-49848 (Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2003.08	RMB14,097.80	54.53	Sun Shuming	020-83936666
GF Futures	Flat 1002, 12 Junxian Street, Huangpu District, Guangzhou, Guangdong Province	1993.03	RMB140,000	100	Luo Mansheng	020-88830896
GF Xinde	Room 45, Level 3, Office Building, Meilijiyuan, 545 Kashi West Road, Urumqi Economic and Technological Development Zone, Xinjiang	2008.12	RMB280,000	100	Zeng Hao	020-66336392



## COMPANY PROFILE

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Qianhe	Room 206, 3 Xingfu West Street, Beifang Town, Huairou District, Beijing	2012.05	RMB360,350	100	Cai Tiezheng	010-83948182
GF Asset Management	Room 105-285, 6 Baohua Road, Hengqin New District, Zhuhai	2014.01	RMB100,000	100	Kong Weicheng	020-66338260
GF Hexin	Room 105-5649, 6 Baohua Road, Hengqin New District, Zhuhai	2015.08	RMB10,000	100	Ouyang Xi	010-83948029
GFFL	Room 612, 36 Jintao West Street, Nansha District, Guangzhou	2015.06	RMB80,000	68.31	Zhang Wei	020-66335038
E Fund	Room 105-42891 (Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2001.04	RMB13,244.2	22.65	Liu Xiaoyan	020-38797888
Guangdong Equity Exchange Company Limited	Zibian Room 898, 333 Jiufu Jianshe Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong Province	2018.07	RMB31,098.31	12.02	Wang Wensheng	020-82116876
China Securities Credit Investment Co., Ltd.	513 Hedge Fund Center, Fund Town, 128 Guiwan 5th Road, Nanshan Subdistrict, Qianhai SZ-HK Cooperation Zone, Shenzhen	2015.05	RMB458,598	4.36	Niu Guanxing	0755-84362888
China Securities Internet System Co., Ltd.	8-10/F, Building 4, Financial Street, Xicheng District, Beijing	2013.02	RMB755,024.45	2.65	An Qingsong	010-83897816
ECT	Building 1, 27 Xinjinqiao Road, China (Shanghai) Pilot Free Trade Zone	2015.01	RMB251,875	1.99	Wang Guanrong	021-20538888

Note 1: As of December 31, 2020, GF Investments (Hong Kong) held the remaining 31.69% equity interest in GFFL;

Note 2: GF Fund completed the implementation of an employee stock ownership plan in December 2020, and as a result, the Company's shareholding in GF Fund has been reduced from 60.59% to 54.53%.

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

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
Ruiyuan Capital Asset Management Co., Ltd.	Room 105-49849 (Office Zone), 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province	2013.06	RMB7,500	53.39	Duan Xijun	020-89188990

GF Futures established GF COMMODITIES CO., LTD.

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF COMMODITIES CO., LTD.	Room A-805, 188 Yesheng Road, Lin-Gang Special Area, China (Shanghai) Pilot Free Trade Zone	2013.04	RMB20,000	100	Luo Mansheng	020-88800037



## COMPANY PROFILE

### (2) Overseas Principal Wholly-owned Subsidiaries

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GFHK	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.06	HK\$560,000	100	Shen Minggao	(852)37191111

GFHK has the following principal wholly-owned subsidiaries: GF Securities (Hong Kong), GF Capital (Hong Kong), GF Asset Management (Hong Kong), GF Investments (Hong Kong), GF Global Capital, GF Canada Holdings Company Limited, GF Wealth Management (Hong Kong) Limited and GF Asset Management (Canada) Company Limited.

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Securities (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$280,000	100	Wang Yue	(852)37191111
GF Capital (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$13,000	100	Yan Ming	(852)37191111
GF Asset Management (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$32,500	100	Ye Yong	(852)37191111
GF Investments (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2011.09	HK\$500	100	Sha Jianyuan	(852)37191111
GF Global Capital	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2015.11	HK\$160,000	100	Li Li	(852)37191111
GF Canada Holdings Company Limited	Suite 2270-1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2018.02	CAD300	100	Wen Huiqing	(778)2975888
GF Wealth Management (Hong Kong) Limited	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2014.11	HK\$1,500	100	Wang Yue	(852)37191111
GF Securities (Canada) Company Limited	Suite 2270-1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2014.03	CAD1,640	100	Liao Zhanhua	(778)2975888
GF Asset Management (Canada) Company Limited	Suite 2270-1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2018.02	CAD300	100	Liao Zhanhua	(778)2975888

The Company has related transactions with GFHK and its subsidiaries, which will be strictly carried out and regulated under the Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》).

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



## COMPANY PROFILE

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF International Investment Management Limited	Suite 3503-3505, 35th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	2010.12	HK\$50,000	100	Shangguan Peng	(852)36952868
GF International Asset Management (UK) Company Limited	First Floor 43 London Wall · London · EC2M 5TF · United Kingdom.	2014.11	GBP700.01	100	Zhang Jinghan	010-57312100

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

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures (Hong Kong)	Units 08, 28th Floor, The Center, 99 Queen's Road Central, Hong Kong	2006.05	HK\$77,700	100	Liu Boya	(852) 38937799
GF Financial Markets (UK) Limited	1 Finsbury Square, London, EC2A 1AE, United Kingdom.	1976.02	GBP5,596.9014	100	Zhao Guiping	(44) 2073301688

### 5. Numbers and Distribution of Securities Brokerage Branches

As of December 31, 2020, the Company had established 282 securities brokerage branches. The numbers and distribution of securities brokerage branches are set out below:

Province	Number of Brokerage Branches	Province	Number of Brokerage Branches	Province	Number of Brokerage Branches
Guangdong Province	121	Shaanxi Province	7	Guizhou Province	1
(of which: Shenzhen)	(12)	Henan Province	4	Hunan Province	1
Shanghai	22	Yunnan Province	3	Ningxia	1
Hubei Province	16	Hainan Province	3	Gansu Province	1
Liaoning Province	15	Chongqing	4	Inner Mongolia	2
Hebei Province	13	Jilin Province	3	Qinghai Province	1
Zhejiang Province	10	Sichuan Province	3	Shanxi Province	1
Jiangsu Province	12	Guangxi Province	2	Anhui Province	2
Fujian Province	9	Jiangxi Province	3	Xinjiang	1
Beijing	9	Tianjin	2	Tibet	1
Shandong Province	7	Heilongjiang Province	2		



## COMPANY PROFILE

### VIII. OTHER RELEVANT INFORMATION

(1) Auditors engaged by the Company

<b>PRC Auditor</b>	<b>Ernst &amp; Young Hua Ming LLP</b>
<b>Office Address of PRC Auditor</b>	<b>Level 16, Ernst &amp; Young Tower, Oriental Plaza, No.1 East Changan Ave. Dongcheng District, Beijing, PRC</b>
<b>Name of Signing Auditor</b>	<b>Chang Hua, He Yanyi</b>
<b>Name of International Auditor</b>	<b>Ernst &amp; Young (Certified Public Accountants and Registered Public Interest Entity Auditors)</b>
<b>Office Address of International Auditor</b>	<b>22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong</b>

(2) Legal Advisors

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

(3) Share Registrars

<b>A Share Registrar</b>	<b>China Securities Depository and Clearing Corporation Limited, Shenzhen Branch</b> 22-28/F, Shenzhen Stock Exchange Building, 2012 Shennan Blvd, Futian District, Shenzhen, Guangdong, PRC
<b>H Share Registrar</b>	<b>Computershare Hong Kong Investor Services Limited</b> Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

(4) 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.

(5) The sponsor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

Not applicable

(6) The financial advisor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

Not applicable

**KEY ACCOUNTING DATA AND  
FINANCIAL INDICATORS**

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## KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

### I. KEY ACCOUNTING DATA (CONSOLIDATED STATEMENTS)

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

Unit: RMB in millions

	2020	2019	Variance in comparison with last year	2018
Total revenue and other income	<b>35,983</b>	30,077	19.64%	22,817
Profit before income tax	<b>13,599</b>	10,276	32.34%	6,004
Net profit attributable to owners of the Company	<b>10,038</b>	7,539	33.15%	4,300
Net cash (used in) from operating activities	<b>(2,085)</b>	20,095	–	40,858
Basic earnings per share (RMB/share)	<b>1.32</b>	0.99	33.33%	0.56
Return on weighted average net assets (%)	<b>10.60</b>	8.48	increase of 2.12 percentage points	5.07

	December 31, 2020	December 31, 2019	Variance in comparison with the end of last year	December 31, 2018
Total assets	<b>457,464</b>	394,391	15.99%	389,106
Total liabilities	<b>355,190</b>	300,254	18.30%	300,477
Equity attributable to owners of the Company	<b>98,162</b>	91,234	7.59%	85,018
Total share capital	<b>7,621</b>	7,621	–	7,621
Equity per share attributable to owners of the Company (RMB/share)	<b>12.88</b>	11.97	7.60%	11.16
Gearing ratio (%)	<b>71.15</b>	70.09	increase of 1.06 percentage points	73.20

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



## KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

### II. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profits in the years of 2020 and 2019 and the net assets as of December 31, 2020 and December 31, 2019 as stated in the consolidated financial statements of the Company disclosed in accordance with International Financial Reporting Standards (IFRS) are consistent with those in accordance with China's Accounting Standards (CAS).

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

Unit: RMB

Item	December 31, 2020	December 31, 2019	Variance in comparison with the end of last year
Core net capital	<b>58,997,184,278.76</b>	55,763,537,942.04	5.80%
Supplementary net capital	<b>5,900,000,000.00</b>	5,100,000,000.00	15.69%
Net capital	<b>64,897,184,278.76</b>	60,863,537,942.04	6.63%
Net assets	<b>85,503,525,631.22</b>	80,830,878,464.88	5.78%
Total risk capital reserves	<b>32,838,996,825.21</b>	28,563,965,674.49	14.97%
Total on-and off-balance sheet assets	<b>328,701,972,736.40</b>	287,637,539,872.30	14.28%
Risk coverage ratio	<b>197.62%</b>	213.08%	decrease of 15.46 percentage points
Capital leverage ratio	<b>18.24%</b>	19.73%	decrease of 1.49 percentage points
Liquidity coverage ratio	<b>206.96%</b>	361.45%	decrease of 154.49 percentage points
Net stable funding ratio	<b>179.15%</b>	183.29%	decrease of 4.14 percentage points
Net capital/Net assets	<b>75.90%</b>	75.30%	increase of 0.60 percentage points
Net capital/Liabilities	<b>27.79%</b>	30.46%	decrease of 2.67 percentage points
Net assets/Liabilities	<b>36.61%</b>	40.46%	decrease of 3.85 percentage points
Proprietary equity securities and securities derivatives/Net capital	<b>35.33%</b>	27.51%	increase of 7.82 percentage points
Proprietary non-equity securities and securities derivatives/Net capital	<b>243.89%</b>	250.54%	decrease of 6.65 percentage points

Notes:

- 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.
- According to the announcement No. [2020] 10 "Regulations on the Calculation Standards for Risk Control Indicators of Securities Companies" issued by the CSRC, the relevant data at the end of 2019 in the above table have been recalculated and expressed according to the new standards.



## KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

At the end of the year, the parent company had net capital of RMB64,897 million and total risk capital reserves of RMB32,839 million. Risk coverage ratio, net capital/net assets ratio and net capital/liabilities ratio were 197.62%, 75.90% and 27.79%, well above the regulatory requirements of 100%, 20% and 8%. The Company has solid asset quality. Each risk control indicators is in compliance with the relevant requirements under the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》).

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

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

	2020	2019	2018	2017	2016
Total revenue and other income	35,983,218	30,076,891	22,816,996	28,614,334	27,487,923
Total expenses	23,247,144	20,265,060	17,435,709	17,431,273	17,185,727
Profit before income tax	13,599,297	10,276,222	6,004,338	11,644,026	10,705,060
Net profit attributable to owners of the Company	10,038,135	7,538,921	4,300,126	8,595,399	8,030,107

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

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Total assets	457,463,686	394,391,064	389,105,946	356,904,639	359,801,354
Total liabilities	355,190,100	300,254,468	300,476,772	268,279,057	278,448,018
Equity attributable to owners of the Company	98,162,197	91,233,985	85,018,016	84,854,203	78,530,210
Share capital	7,621,088	7,621,088	7,621,088	7,621,088	7,621,088

#### 3. Key financial indicators

	2020	2019	2018	2017	2016
Basic/diluted earnings per share (RMB/share)	1.32	0.99	0.56	1.13	1.05
Return on weighted average net assets (%)	10.60	8.48	5.07	10.55	10.29
Gearing ratio (%)	71.15	70.09	73.20	69.64	70.32
Equity per share attributable to owners of the Company (RMB/share)	12.88	11.97	11.16	11.13	10.30

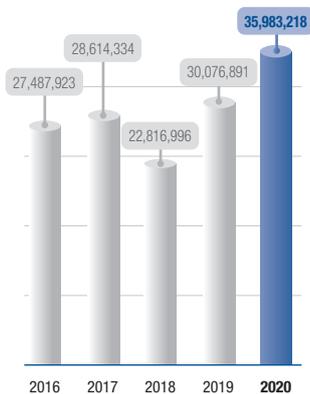
Notes: 1. Gearing ratio = (Total liabilities-Accounts payable to brokerage clients)/(Total assets-Accounts payable to brokerage clients)



## KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

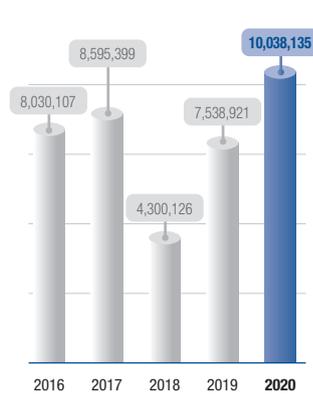
### Total revenue and other income

(Unit: RMB'000)



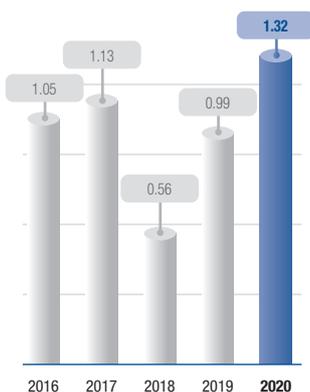
### Net profit attributable to owners of the Company

(Unit: RMB'000)

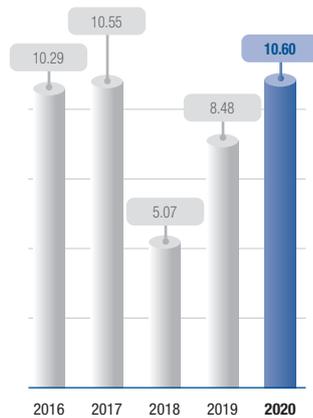


### Basic earnings per share

(RMB/share)

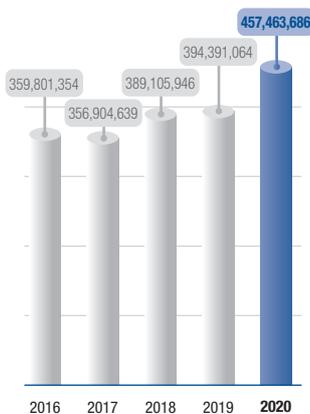


### Return on weighted average net assets (%)



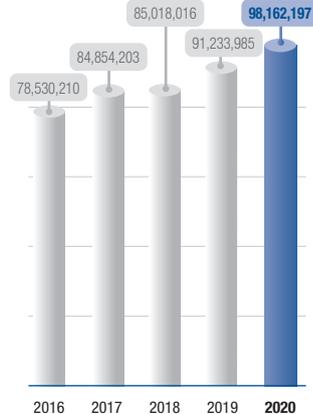
### Total assets

(Unit: RMB'000)



### Equity attributable to owners of the Company

(Unit: RMB'000)





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## CHAIRMAN'S STATEMENT



## CHAIRMAN' S STATEMENT

Year 2020 was an extraordinary year. Facing the unexpected outbreak of Coronavirus Disease 2019 (COVID-19) pandemic and the severe and complex international situation, under the strong leadership of the Central Committee of the Communist Party of China (CCCPC) and the State Council, Chinese nation rallied around and wrote a great epic of the fight against the pandemic with perseverance and tenacity and China achieved significant results in coordinating epidemic prevention and control with economic and social development. Over the year, China was the only major economy in the world to achieve positive growth with its GDP exceeding RMB100 trillion for the first time; the “13th Five-Year Plan” was accomplished in full, the “14th Five-Year Plan” was comprehensively formulated, the construction of a new development pattern with the domestic circulation as the mainstay and the mutual promotion of domestic and international circulations was accelerated; and historic achievements were made in building a moderately prosperous society in all respects and full victory was achieved in the fight against poverty. During the year, China’s capital market has gone through 30 years of development. Over the past 30 years, under the correct leadership of the CCCPC and the State Council and with the strong support of all sectors of society, China’s capital market has advanced through reforms and has grown through opening up, achieving historic breakthroughs and leaping development. During the year, the multi-level capital market system was further fostered, the new Securities Law was officially implemented, the reform of the registration-based IPO system was further advanced, the NEEQ transfer listing rules were officially implemented and 17 measures on further improving the quality of listed companies were proposed in the Notice on Further Improving the Quality of Listed Companies. China’s capital market has embarked on a road of high-quality development.

In 2020, GF Securities coordinated the epidemic prevention and control with business development. Under the correct leadership and decision-making of the Board, the management of the Company led all employees to move forward in a concerted and determined manner, focused on “strengthening internal control, resolutely transforming, improving the coordination mechanism and accelerating the development of new competitive advantages” and continued to build a customer-centric business model. With the aim of maintaining and increasing the value of customers’ assets and through product allocation, the Company accelerated the pace of wealth management transformation; continued to consolidate the foundation of its institutional business, enhanced its investment and trading capabilities of various sub-categories of products and continued to maintain industry’s leading edge of its research business; deepened collaborative management based on customers’ needs, carried out top-down research to build a multi-level collaborative mechanism and continuously improve the cross-departmental business coordination and resource allocation mechanism; comprehensively strengthened compliance and risk control management and established and improved long-term effective measures for risk prevention and control of investment banking business through organizational structure adjustment, supporting policies formulation, operation mode reshaping and team building, performance appraisal optimization and other efforts; progressively adopted the financial technology strategy, fully promoted digital transformation, improved technology-enabled business capabilities and enhanced the digitalisation level of internal control system to ensure the robust and efficient operation of the Company. Meanwhile, the Company responded immediately upon the outbreak of COVID-19 and fully participated in the fight against the pandemic by providing assistances such as financial support and material supplies and financial services and actively fulfilled its social responsibility as a corporate citizen.



## CHAIRMAN' S STATEMENT

In 2020, the Company continued to maintain a good momentum of development and recorded good operating results with substantial growth in key financial indicators such as revenue and net profit and continued to stand at the forefront of the industry in terms of its various major operating indicators. Such achievement is inseparable from the strong support of every customer, shareholder, business partner and all sectors of society, as well as the concerted efforts and hard work of all employees of the Company. As such, I, on behalf of the Board and the management of the Company, hereby express my heartfelt gratitude to you.

Year 2021 will see the 100th anniversary of the Communist Party of China (CPC). China will embark on a new journey of building a modern socialist country in an all-round way and march towards the second centenary goal. 2021 is also the first year of the “14th Five-Year Plan”. The top-level design framework with the “dual circulation” strategy as the main theme is gradually clarified and new requirements are put forward for the adaptability of the development of the financial industry and the reform and development of the capital market; leveraging and promoting the pivotal role of the high-level circulation of technology, capital and real economy and stimulating a powerful driving force for the construction of a new development pattern will become a new historic mission of the capital market. The business chain of the securities industry serving direct financing will continue to extend and meet the needs of different customers such as individuals, enterprises and institutions with more products variety and diversified services and the business volume and market position are expected to be significantly improved. In this context, GF Securities will adhere to the customer-centric orientation, focus on customer operations, upgrade business models, revolutionize management approaches, building the Company’s core competitive advantages and promote and achieve high-quality development with integrated customer service system, professional product capabilities, platform-based and digitalized operating models. At the same time, the Company will actively implement the industry culture construction requirements of “compliance, integrity, professionalism and soundness”, adhere to compliance and risk control first, effectively improve the quality of business practices and continue to strengthen the accountability, capability and professional ethics as the “gatekeeper” of the capital market and contribute to the high-quality development of the capital market in the new era.

Year 2021 is the 30th anniversary of the establishment of GF Securities and is also an important year for building on past achievements and striving for new progress. We will adhere to the guidance of Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, fully seize the dual historic opportunities of the reform and opening up of the capital market and the development of the Guangdong-Hong Kong-Macao Greater Bay Area and stand in awe of the market, the rule of law, professionalism and risks. The Company will always carry its original intention of “creating values to realize the dream of serving the country with financial services” in mind, adhere to the core values of “inquisitiveness, integrity, client focus and teamwork” and embark a new journey of GF Securities with full enthusiasm and more pragmatic measures to present celebrations to the 100th anniversary of the founding of the CPC and the 30th anniversary of the establishment of the Company.

# DIRECTORS' REPORT

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## DIRECTORS' REPORT

The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statement of the Company and the Group for the year ended December 31, 2020. Contents of relevant section in this report mentioned in the cross references in the Directors' Report forms part of the Directors' Report.

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

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

The Group is 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 each operating indicator has ranked among forefront of the industry.

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

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

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

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

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



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

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

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

The main businesses of the Group have developed steadily in light of various driving factors, which mainly include the following aspects: (1) The importance of the securities industry has been improved and shows a steady and developing trend. The report of the 19th National Congress of the Communist Party of China clearly put forward the need to strengthen financial services for the real economy, raise the proportion of direct financing, and promote the healthy development of the multi-level capital markets, which reflects that the highest decision-makers attach great importance to the development of capital markets. There has a remarkable space for the development of the industry. (2) Capital market is an important platform for market-oriented allocation of resources and is of great significance to revitalizing the real economy. The direct financing demand of enterprises is huge, and the market for merger and acquisition is developing. Benefited from the government's policy to strongly support the development of real economy and to vigorously encourage direct financing, as well as the introduction of major reform initiatives such as the comprehensive implementation of the registration system nationwide, China's capital market has a strong growth potential. Besides, assets reorganization and mergers and acquisitions will play an important role in the economic transformation of China. (3) The wealth of residents has been accumulated and allocation structure has changed, and there will be a huge room for development in wealth management business. With the continuous growth of China's economy and the wealth of residents, asset management industry of China has developed rapidly, which has become one of the sectors with most dynamic and growth potential in finance subarea. The percentage of the financial assets in the household asset allocation of China will increase, and there will be a huge room for development in wealth management business for the wealth of residents. (4) There are changes in investor structure, with continuously increase in the proportion of institutional investors. The institutional investors will become the mainstream of the market. With the robust development of public fund and private fund, the degree of participation of institutional investors, such as insurance funds, pensions and offshore funds, has increased, which will generate new income sources and diversified business opportunities for securities industry. (5) The internationalization of capital markets has accelerated. On the one hand, the restrictions on foreign investment in China's securities industry and asset management industry have been further loosened. On the other hand, the Group actively introduced overseas institutional investors by implementing various measures such as abolishing QFII quotas, lowering entry barriers and facilitating investments for overseas investment institutions and expanding cooperation with international indice agencies, and the internationalization of the capital market is accelerating. (6) The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area expressly stated establishing an international financial hub, putting great efforts on the development of the featured financial industry, orderly promoting the interconnectivity of the financial markets and providing support to optimize the modern financial service system, which will allow the Group to leverage on regional advantages to take a lead in the Guangdong-Hong Kong-Macao Greater Bay Area through forward-looking strategic arrangements.



## DIRECTORS' REPORT

The primary business of securities industry of the Group relies on China's economic growth, accumulation of household wealth and the development and performance of China's capital markets, including the issuance, investment and trading of financial products (such as stocks, bonds and wealth management products). These important factors are affected by the economic environment, regulatory environment, investor sentiment and the international market and other factors, which have shown an overall spiraling growth trend.

### II. BUSINESS REVIEW

Business operations and business review of the Group for the year ended December 31, 2020 are set out in "Discussion and Analysis of Operations", which forms part of the Directors' Report, in Section 5 of this report.

### III. 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, the top three shareholders of the Company have been Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all public listed companies) (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non-registered shareholders of H Shares). As of December 31, 2020, the shareholding percentages of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 18.06%, 17.77% and 10.34%, respectively, forming a stable shareholding 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's maintenance of its market operation mechanism in 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 highly stable management team and a core business team with low turnover rate of talent. The management team members have an average of approximately 27 years of managerial experience in securities and finance and relevant sectors and have served an average term of over 20 years. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees are approximately 2.4% and 2.5%, thus greatly boosting client confidence, the continuity and stability of the operation of various business lines.



### 3. Stable growth philosophy and 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 one of four major brokerages which has not received investment or restructuring due to operating losses among the first batch of brokers established from the end of the 80's to the early 90's. Under the philosophy of "stable growth", the Company has firmly conforming to the compliance base line and continued 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 been continually complying with the regulatory requirements, and the safety margin of leverage regulatory indicators is relatively huge, with a strong ability to resist risks.

### 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 rank among the top in the industry for consecutive years. From 2018 to 2020, the Company ranked the fourth, fifth and seventh in terms of total assets in the industry, respectively; ranked the fifth, fifth and sixth in terms of net assets in the industry, respectively; ranked the sixth, sixth and eighth in terms of net capital in the industry, respectively; ranked the fifth, fifth and sixth in terms of operating revenue in the industry, respectively; ranked the sixth, fifth and sixth in terms of net profit in the industry, respectively (among them, the indicative data of net capital represents the data for the parent company; the 2018 and 2019 indicators are based on audited statistical data in the consolidated statements; the 2020 indicators are based on unaudited statistical data for the parent company; Source: WIND Info, Securities Association of China, 2021).

While seeking economic benefits and market position, both reputation and brand of the Company have been enhancing persistently. From 2015 to 2020, the Company ranked top securities firms in China in "Hurun Brand List" for six consecutive years. The Company actively fulfilled the social responsibility, focusing on the two areas of helping the poor and providing student loan to promote education through "GF Securities Social Charity Foundation in Guangdong Province". The Company took initiative to fulfill its social responsibility with an aim of improving the reputation and brand influence of the Company.



**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 rank among the top in the industry for years in terms of main operating indicators. At present, the Group 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 through financial technology to promote its business development and enhance competitiveness. In 2020, the Group focused on the implementation of the strategic financial technology plan. In respect of wealth management, the Group constantly optimized the full-process wealth management platform with Yitaojin APP as the core; in respect of trading and institutional business, the Group continuously improved the quick trading system for the brokerage business and accelerated the digitization of institutional services. The self-developed “GF Touyitong(廣發投易通)” investment and trading terminal and “GF Zhihui(廣發智匯)” APP have been providing customized and integrated comprehensive services to our corporate and institutional clients; in respect of investment and trading, the fully self-developed GFQG quantitative strategy platform has facilitated the Company to obtain the highest AA rating for its three types of options traded on the SSE and SZSE, and the award of the SSE's Outstanding Option Market Maker for 2019; in respect of investment banking, the Group is one of the securities firms propping up the development of investment banking business with financial technology at an earlier time. The Group has newly upgraded the new generation of investment banking business management system, realizing the online management and digital management and control of key points for the entire product portfolio and life cycle of investment banking; in respect of internal control and management, while meeting the regulatory requirements with data and AI technology, the Group has established a “Digital Compliance and Risk Control and Monitoring System” (DCAR), providing real-time, continuous and penetration-style compliance and risk management for the whole Group and businesses; in respect of big data and artificial intelligence, the Group has actively promoted the technology strategies of data center and intelligent center, established the GF-SMART platform, developed such technical applications as intelligent warning, intelligent recommendation, intelligent calling and knowledge map, and created the first AI virtual anchor named “Xiaotian(小田)” in the industry which has the image of its real employee. As of the end of the Reporting Period, the Company has in aggregate applied for 39 invention patents, 3 utility model patents and 19 software copyrights; among them, the Company has obtained 1 invention patent, 1 utility model patent and 19 software copyrights.



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## DIRECTORS' REPORT

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### IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation details of the Company's cash dividends policy and the profit distribution proposal for 2020 are set out in "I. Profit Distribution of Ordinary Shares and Conversion of Capital Reserves into Share Capital of the Company" and "II. Profit Distribution and Conversion of Capital Reserves into Share Capital during the Reporting Period" of Section 6 "Significant Events" in this report.

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

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

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

For details on the issuance of corporate bonds, subordinated bonds, short-term financing bills and financial bond by the Company, please refer to Section 12 "Corporate Bonds" in this report.

### VI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

For details of the composition of the Directors, Supervisors and senior management of the Company, its changes and biographies during the Reporting Period, please refer to Section 10 "Particulars about Directors, Supervisors, Senior Management and Employees" in this report.

### VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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



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## DIRECTORS' REPORT

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

Please refer to "8. Directors, Supervisors and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" under "III. Shareholders and De Facto Controllers" of Section 7 "Changes in Shareholdings and Particulars about Shareholders" in this report.

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

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

### X. PERMITTED INDEMNITY PROVISION

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

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

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

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

Mr. Qin Li, our Executive Director, was nominated to act as a director of E Fund, which is a fund management company in China, in which we held 22.65% equity interest as of December 31, 2020. E Fund provides asset management services to insurance companies, finance companies, corporate annuities, other institutional investors, high net worth individuals and National Social Security Fund. Since E Fund is primarily engaged in fund management business, it competes or may compete, directly or indirectly, with certain aspects of our business.

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

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



## DIRECTORS' REPORT

### XIII. MANAGEMENT CONTRACTS

For the year ended December 31, 2020, no contract has been entered into for the management and administration of the entire business or any material part of the business of the Group.

### XIV. MAJOR CUSTOMERS

The Company provides diversified businesses and services to satisfy the diverse needs of customers, such as enterprises, individuals and institutional investors, financial institutions and the government. Our major customers are based in the PRC. With further progress in internationalization and the development of international business, the Company will provide services to more overseas customers. In 2020, income generated from the five largest customers of the Company contributed 0.92% to the total revenue and other income of the Company.

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

### XV. CHARITABLE DONATIONS

During the Reporting Period, the Group's total expenditure on social charity was RMB35.6095 million. The GF Securities Social Charity Foundation in Guangdong Province (廣東省廣發證券社會公益基金會) established by the Group actively organized activities for poverty relief and provided financial support for education. The total expenditure on social charity for the full year was RMB30.4261 million.

### XVI. RESERVES AND RESERVES FOR PROFIT DISTRIBUTION

For particulars about changes in reserves and reserves for profit distribution, please refer to the "Consolidated Statement of Changes in Equity" of Financial Statements and Notes 57 and 58 of the Notes to the Consolidated Financial Statements in this report.

### XVII. EMPLOYEES

Human resources is one of the greatest assets of the Group. The Company is committed to increase effort in building its talents pool by enhancing training and improving the quality of employees. Please refer to "V. Information of the Staff of the Company" in Section 10 "Particulars about Directors, Supervisors, Senior Management and Employees" in this report.



## DIRECTORS' REPORT

### XVIII. PRE-EMPTIVE RIGHT

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

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

Regarding the performance of social responsibilities of the Company, please see “XV. Social Responsibilities” of Section 6 “Significant Events” in this report. For environmental policy and performance, the Company cares about environmental and ecological development, promotes low carbon environmental protection, advocates green business and green office ideas, upgrades video conferencing system, paperless meeting system, teleconferencing system, conference room reservation system etc., continues printing and copying outsourcing development, minimizes energy consumption, optimizes resources allocation, and actively contributes to the sustainable development of the society. The Company has complied with the “comply or explain” provisions as set out in the Environmental, Social and Governance Reporting Guide during the year, for details, please see “GF Securities Co., Ltd. 2020 Social Responsibility Report” published by the Company.

Regarding the governance of the Company, please see Section 11 “Corporate Governance” in this report. The Company has been improving the internal control management system and gradually enhancing the maturity, reasonability and effectiveness of internal control; the Company has further established and refined its rules and regulations, and each governance department of the Company has been fully performing their duties, complying with all provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules and achieving most of the requirements of recommended best practices provided in the aforesaid rules.

### XX. REVIEW OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The financial statements of the Company for the year ended December 31, 2020 have been reviewed by the Audit Committee of the Board of Directors of the Company.

### XXI. EVENTS AFTER THE END OF THE REPORTING PERIOD

Please refer to Note 73 of the Notes to the Consolidated Financial Statements in this report for details of significant events after the Reporting Period.

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

Guangzhou  
March 29, 2021



## DISCUSSION AND ANALYSIS OF OPERATIONS

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## DISCUSSION AND ANALYSIS OF OPERATIONS

### I. OVERVIEW

Since 2020, facing the severe challenges arising from the global spread of COVID-19 epidemic and the complex situation, the capital market has generally maintained a sound momentum of development. The reform and openness of the capital market has been deepening comprehensively and progressing steadily, the new Securities Law has been fully implemented, and the ChiNext Market reform and the pilot registration-based IPO system, the NEEQ reform, the sound delisting mechanism and other reforms have been implemented. The State Council issued opinions on further improving the quality of listed companies, thus the structure of listed companies and investors has undergone positive changes and the market resilience has significantly increased.

In 2020, under the guidance of the Board, the management of the Company led all employees in a cohesive way and endeavored to overcome various challenges. By focusing on “enhancement of internal control, solid transformation, improvement of synergy mechanism and accelerating establishment of new competitive strength”, the Company further strengthened the internal control system and strived to build a “customer-centric” business model, and eventually achieving good operating performance even in the increasingly competitive market environment.

### II. ANALYSIS ON PRINCIPAL BUSINESS

#### (I) Overview

In 2020, facing the severe and complex domestic and international environment, especially the serious impact of the COVID-19 epidemic, the domestic overall plan for epidemic prevention and control and the economic and social development achieved substantial results, the employment and people’s livelihood were effectively guaranteed and the national economy continued to recover steadily. China was the first major economy in the world to achieve positive economic growth with its annual GDP increasing by 2.3% over the previous year and its economic output reached a new level of RMB100 trillion. (Source: National Bureau of Statistics, 2021).

Based on the statistics from the Securities Association of China (unaudited financial statements), the total assets, net assets, net capital, customers’ transaction settlement fund amount and the total principal sum of funds under management in the securities industry were RMB8.90 trillion, RMB2.31 trillion, RMB1.82 trillion, RMB1.66 trillion and RMB10.51 trillion as of the end of 2020, representing a year-on-year increase of 22.50%, 14.10%, 12.35%, 27.69% and a year-on-year decrease of 14.48%, respectively. In 2020, 127 securities firms in the industry were profitable with total operating revenue in the industry of RMB448.479 billion, representing a year-on-year increase of 24.41%. Specifically, net income from the securities trading agency service business was RMB116.11 billion, representing a year-on-year increase of 47.42%; net income from the investment banking business was RMB67.211 billion, representing a significant year-on-year increase of 39.26%; net income from the investment advisory service business was RMB4.803 billion, representing a year-on-year increase of 26.93%; net income from the asset management business was RMB29.96 billion, representing a year-on-year increase of 8.88%; net profit for the year was RMB157.534 billion, representing a year-on-year increase of 27.98% (Source: Securities Association of China, 2021).



## DISCUSSION AND ANALYSIS OF OPERATIONS

As of December 31, 2020, total assets of the Group amounted to RMB457,464 million, representing an increase of 15.99% as compared to the end of 2019, and equity attributable to owners of the Company was RMB98,162 million, representing an increase of 7.59% as compared to the end of 2019. During the Reporting Period, the total revenue and other income of the Group was RMB35,983 million, representing a year-on-year increase of 19.64%; the total expenses were RMB23,247 million, representing a year-on-year increase of 14.72%; the net profit attributable to owners of the Company was RMB10,038 million, representing a year-on-year increase of 33.15%.

### (II) Analysis of Principal Businesses

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

#### 1. Investment banking business segment

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

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. (Letter of 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. 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.

Due to the impact of risk events, the investment banking business of the Company experienced a significant decline in 2020. The Company learned the lessons seriously, and carefully reflected, strictly effected the rectification requirements, and internally held relevant personnel accountable in accordance with the internal accountability system. Meanwhile, the Company adjusted the organizational structure of investment banking business to further strengthen its internal control mechanism of such business, which featured reasonable division of labor, clearly defined powers and responsibilities, mutual checks and balances and effective supervision, while enhancing the overall compliance management and comprehensive risk management of investment banking business to ensure compliance with the bottom-line requirements of honesty and faithfulness, diligence and responsibility. The Company will always adhere to a business philosophy of being "customer-centric", and build a first-class resource allocation modern investment bank with full life cycle towards platformization, specialization, refinement and digitalization, effectively improving the quality of investment banking business. The Company will continue to strengthen its responsibility, capability and professional ethics as an intermediary institution in the capital market, and enhance its ability to serve the real economy, thereby contributing to the high-quality development of the capital market in the new era.



**(1) Equity financing business**

In 2020, with the introduction and implementation of the new Securities Law, the smooth operation of the STAR Market, the implementation of the reform of the registration-based IPO system of the ChiNext Market and the implementation of the new refinancing policy, the equity financing business ushered in a new round of development opportunities. A total of 990 equity financing projects (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance included acquisitions of assets by issuing shares)) were issued in A-share market in 2020, with a total amount of RMB1,621.658 billion, representing a year-on-year increase of 73.08% and 11.90%, respectively. The number and scale of financing of IPOs amounted to 396 and RMB469.963 billion respectively, representing an increase of 95.07% and 85.57% respectively, while the number of refinancing projects amounted to 594, representing a year-on-year increase of 60.98%, and the scale of refinancing amounted to RMB1,151.694 billion, representing a year-on-year decrease of 3.70% (Source: WIND, 2021).

In 2020, the Company constantly improved the internal control system of the investment banking business by enhancing project management and strictly controlling project risks; continuously optimized the operation mechanism of the investment banking business, leveraged the advantages of platform, strengthened the customer cultivation and consolidated the business development. During the Reporting Period, the Company completed 8 IPOs for which the Company acted as a lead underwriter, and the lead underwritten amount was RMB4.394 billion. Details of the Company's equity underwriting and sponsorship business in 2020 are set forth in the table below:

Item	2020		2019	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial public offering (IPO)	43.94	8	89.6	16
Refinancing offering	—	—	176.54	18
<b>Total</b>	<b>43.94</b>	<b>8</b>	<b>266.14</b>	<b>34</b>

Source: Statistics of the Company, 2021.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### (2) Debt financing business

In 2020, against the background of the COVID-19 epidemic, the regulatory authorities introduced several initiatives to support the epidemic areas and epidemic prevention and control companies to issue bonds and raise funds. Meanwhile, the implementation of the new Securities Law marked the full implementation of registration system in the bond market, and the scale of bond issuance increased year-on-year. In 2020, the issuance scale in the market of major credit bonds<sup>1</sup> was RMB15,734.503 billion, representing a year-on-year increase of 30.67%. The main bond varieties have experienced different degrees of growth. Among them, the issuance scale of non-policy financial bonds and corporate bonds have increased significantly, with issuance scale of RMB3,872.951 billion and RMB3,369.745 billion, respectively, representing an increase of 39.42% and 32.47%, respectively. (Source: WIND, 2021).

During the Reporting Period, the Company continued to strengthen its internal management, improved the quality control of bond projects and the follow-up supervision and management, prudently handled the credit risk events, strived to build a talent team and enhanced the customer retaining and services. In 2020, the Company acted as the lead underwriter for 104 bonds, with a lead underwritten amount of RMB73.49 billion.

Item	2020		2019	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	117.30	22	280.33	40
Corporate bonds	165.47	46	423.34	73
Debt financing instruments of non-financial enterprises	72.96	13	145.78	28
Financial bonds	379.18	23	504.84	24
Exchangeable bonds	—	—	5.00	1
<b>Total</b>	<b>734.90</b>	<b>104</b>	<b>1,359.29</b>	<b>166</b>

Source: Statistics of the Company, 2021.

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



### **(3) Financial advisory business**

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

In 2020, affected by the COVID-19 epidemic and the slowdown in economic growth, the M&A market activity declined. In 2020, 118 listed companies disclosed that their major asset restructuring had been completed and settled, representing a decrease of 18.62% as compared to 2019, and the trading size was RMB810.875 billion, representing an increase of 16.54% as compared to 2019. There were 72 M&A and restructuring projects approved by the CSRC's Committee for M&A and Restructuring, representing a decrease of 30.10% as compared to 2019. During the Reporting Period, guided by the industrial policies, financial policies and regional development policies of the PRC, the Company actively participated in the M&A and restructuring activities of high-quality enterprises.

In 2020, the deepening reform of the NEEQ was fully launched and the selective layer was officially introduced. As of the end of December 2020, the companies listed on the NEEQ had raised RMB33.85 billion by issuing shares, among which, 41 companies listed on the NEEQ had completed public offerings and listed on the selective layer. In terms of market liquidity, the activity level of the NEEQ market increased significantly in 2020, with an annual turnover of RMB129.464 billion, representing a year-on-year increase of 56.79% (Source: NEEQ, 2021). The official introducing of the NEEQ selective layer and the subsequent announcement of the transfer system have brought new opportunities for the NEEQ market and the Company's investment banking business.

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 December 2020, the Company sponsored a total of 44 companies listed on the NEEQ as the lead brokerage (Source: NEEQ, Statistics of the Company, 2021).

In addition, in respect of the overseas investment banking business, the Company carried out such business primarily through its indirect wholly-owned subsidiary, GF Capital (Hong Kong). During the Reporting Period, GFHK completed 42 projects in which it acted as lead underwriter (including IPO, refinancing and bond offering) and financial adviser.



### 2. Wealth management business segment

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

#### (1) *Retail brokerage and wealth management business*

The Group provides brokerage services for the customers to buy and sell stocks, bonds, mutual fund products, warrants, futures and other tradable securities.

At the end of December 2020, the SSE Composite Index, SZSE Component Index and the ChiNext Index increased by 13.87%, 38.73% and 64.96%, respectively as compared to the end of 2019, while the trading volume of stocks and funds in the market was RMB220.45 trillion, representing a year-on-year increase of 61.40% (Source: WIND, 2021).

In 2020, taking wealth management, institutional brokerage, technological finance and integration as the four driving forces, the Company comprehensively deepened compliance risk control and firmly promoted the change and transformation of retail business. During the Reporting Period, the Company achieved good results in building the investment advisory brand; made several breakthroughs in the expansion of institutional clients; fully expanded into all stages of the quantitative private placement process and accelerated the business operations; stood at the top of the industry in terms of the securities firm's transaction settlement business, which enhanced the Company's competitiveness. In 2020, the Company optimized its customer structure by accelerating the pace of wealth management transformation, enhancing the ability to sell financial products on an agency basis and diversifying the types of agency products. As of the end of 2020, the balance maintained by the agency sales of financial products of the Company recorded a year-on-year increase of 47.50%.

In 2020, the Company achieved good results by continuing to deepen 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 32.00 million, representing an increase of approximately 18% as compared to the end of last year; the number of subscribers of the Company's WeChat account was 3.11 million; during the Reporting Period, the sales and transfer amount of financial products of the Yitaojin E-commerce platform amounted to RMB372.0 billion.

From January to December 2020, the trading volume of stocks and funds of the Company was RMB17.34 trillion (bilateral statistics), representing a year-on-year increase of 56.59%.



## 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 December 2020		January to December 2019	
	Trading volume as agent (RMB100 million)	Market share (%)	Trading volume as agent (RMB100 million)	Market share (%)
Stocks	164,286.42	3.97	105,462.14	4.14
Funds	9,083.31	3.33	5,253.60	2.87
Bonds	264,017.33	4.30	207,845.60	4.22
Total	<u>437,387.05</u>	<u>4.15</u>	<u>318,561.35</u>	<u>4.16</u>

Note 1: The data is from the statistics of SSE, SZSE and WIND, 2021;

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 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	734.43	425.68
Trust products	106.05	94.79
Other financial products	6,247.67	6,265.87
Total	<u>7,088.15</u>	<u>6,786.34</u>

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



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

In regions outside of the PRC, the Group provides brokerage services for high-net-worth individuals and retail customers primarily through its indirectly wholly-owned subsidiary, GF Securities (Hong Kong), covering financial products such as stocks and bonds listed on the Hong Kong Stock Exchange and overseas exchanges, using self-developed Yitaojin(易淘金)international version of trading system to focus on development of overseas wealth management business. In 2020, the transformation from brokerage business to wealth management achieved remarkable results and the operating income, product sales and number of customers covered by the product achieved substantial year-on-year growth.

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

In 2020, the A-share market experienced a decrease and then an increase in share prices, and the level of the market activities also increased significantly in the second half of the year. Meanwhile, the scale of securities lending experienced an explosive growth due to favorable policies such as the registration-based IPO system of the ChiNext Market, thereby promoting a significant increase in the overall scale of margin financing and securities lending business. As of the end of December 2020, the balance of margin financing and securities lending in SSE and SZSE was RMB1,619.008 billion, representing an increase of 58.84% as compared to the end of 2019 (Source: WIND, 2021).

In 2020, the Company continuously strengthened refined management of margin financing and securities lending business and, leveraging the tiered service system, provided high-quality, efficient and valuable differentiated margin financing and securities lending services for different types of customers. As of the end of December 2020, the closing balance of the Company's margin financing and securities lending business was RMB84.31 billion, representing an increase of 68.61% as compared to the end of 2019; and the market share was 5.21%.

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

In 2020, the overall stock pledged business in the market showed a contraction. The scale of stock pledged business of the Company maintained a dynamic balance under the constant strengthening of risk control access of stock pledged business and optimizing of the project structure. As of the end of December 2020, the balance of the exchange traded Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB12.489 billion, substantially flat with that at the end of 2019.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### **(4) Financial leasing business**

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

In 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 December 2020, the net financial leasing and sale and leaseback receivables amounted to RMB1.762 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 second half of 2020, the A-share market continued to fluctuate and surge despite of the large volatility in the first half of the year. As of the end of 2020, the SSE Composite Index, SZSE Component Index and the ChiNext Index rose by 13.87%, 38.73% and 64.96%, respectively as compared to the end of 2019. In the derivatives market, the liquidity 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 2019, and the Company maintained the market liquidity, reduced the severe market volatility, improved the pricing efficiency and satisfied the investment needs of public investors by providing market maker services. The Company has been granted the "Award for Outstanding ETF Liquidity Service Provider of the Year 2020" by the SZSE, and has obtained the AA rating (the highest one) for the year of 2020 in terms of the SSE's ETF market-making business, the SSE's 50ETF Option and 300ETF Option.



### **(2) Fixed income sales and trading business**

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

The Company conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market making services, such as government bonds, policy-based financial bonds, medium term notes, short-term financing bonds, enterprise bonds, company bonds, government bond futures, interest rate swaps and standard bond forward. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the risk arising from trading transactions and market-making business. In addition, the Company carried out the overseas FICC business mainly through GF Global Capital, an indirect wholly-owned subsidiary. At the end of 2020, the Company ranked No. 8 among securities firms in terms of the trading volume of bonds in China (Source: [www.chinabond.com.cn](http://www.chinabond.com.cn), 2021).

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

### **(3) OTC sales and trading business**

The Company designs and sells a variety of OTC products, including non-standard products, 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 December 2020, the Company has issued 19,008 OTC products in aggregate with an aggregate amount of approximately RMB844.481 billion. The market value of the products as at the end of the Reporting Period was approximately RMB69.718 billion. Specifically, the Company issued 3,928 new OTC products with an aggregate amount of RMB116.533 billion in 2020. As of the end of December 2020, the Company provided market-making services for 81 companies listed on the NEEQ. In 2020, the Company was recognized as "Excellent Market Maker of the Year in Market-making Size(年度優秀做市規模做市商)" by NEEQ.



## DISCUSSION AND ANALYSIS OF OPERATIONS

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

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

In 2020, GF Qianhe focused on advanced manufacturing, semiconductors, healthcare, new consumption, TMT and other major fields. During the Reporting Period, GF Qianhe completed 25 new equity investment projects with a total investment of RMB0.841 billion. As of the end of 2020, GF Qianhe has completed 142 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 nearly 700 A shares listed companies in the PRC in 28 industries, and nearly 150 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: 1st in the "Domestic Best Research Teams(本土最佳研究團隊)" by the best analyst of New Fortune for consecutive years from 2017 to 2020, "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 seventh consecutive year and other awards. 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 for the provision of such services include commercial banks and their wealth management subsidiaries, securities companies and their subsidiaries, fund companies and their subsidiaries, futures companies and their subsidiaries, private equity fund managers and various other asset management institutions.



In 2020, the private equity fund industry actively adapted to the new changes posed by the epidemic, and continued to develop in a standardized manner with market resources continuously aggregating 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 infrastructure construction, improved comprehensive service capabilities and enhanced risk control system to consistently improve customer satisfaction. As of the end of December 2020, the total asset scale of asset custody and fund service business provided by the Company was RMB326.832 billion, representing a year-on-year increase of 50.36%, of which the scale of trust products was RMB156.503 billion, and the scale of fund service products provided was RMB170.329 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 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.



## 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. The Company conducted an orderly rectification of the large collective products and accumulatively completed the public offerings of six large collective products as of the end of 2020. During the Reporting Period, GF Asset Management continued to develop new businesses and new products, further improving the layout of its product lines.

As of the end of 2020, the net value of collective asset management schemes and single asset management schemes of GF Asset Management increased by 11.18% and 6.88%, respectively, and that of its specific asset management schemes decreased by 51.64% as compared with the end of 2019, and its total scale increased by 2.28% as compared with the end of 2019. The asset management scale of GF Asset Management as of the end of 2020 is as follows:

	Net value of asset management (RMB100 million)	
	December 31, 2020	December 31, 2019
Collective asset management business	1,368.63	1,230.97
Single asset management business	1,514.35	1,416.85
Specific asset management business	156.84	324.32
Total	<u>3,039.82</u>	<u>2,972.14</u>

Source: Statistics of the Company, 2021; the sum of the sub-items may be deviated from the aggregated data, which is caused by rounding.

As of the end of December 2020, the scale of regulatory entrusted fund of GF Asset Management ranked 9th (source: the Securities Association of China, 2021), and as of the end of December 2020, the average monthly scale of active asset management ranked 6th (source: the Asset Management Association of China, 2021) in the securities industry.



## DISCUSSION AND ANALYSIS OF OPERATIONS

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

### **(2) Public fund management service**

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

In 2020, the public fund industry continued its good growth momentum and developed rapidly. The main players in the industry exerted their active management capabilities and achieved good returns for holders. The scale of the industry hit a record high, the proportion of equity funds increased significantly and the funds also further concentrated on the leading fund companies and outstanding fund managers. Meanwhile, the fund industry actively innovated, embraced changes, and 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 of the end of 2020, the Company held 54.53% interest in GF Fund. GF Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, other institutional investors and high-net-worth individuals. In addition, GF Fund can invest the capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII through GF International Investment Management Limited, its wholly-owned subsidiary. As of the end of 2020, the publicly offered funds managed by GF Fund in aggregate reached RMB763.425 billion, representing an increase of 51.91% 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 RMB505.776 billion, ranking fourth in the industry (Source: Statistics of the Company, China Galaxy Securities Fund Research Center, 2021).



## DISCUSSION AND ANALYSIS OF OPERATIONS

As of the end of 2020, the Company held 22.65% interest in E Fund, was one of the three parallel largest shareholders. E Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, enterprise annuity and other institutional investors as well as high-net-worth individuals. In addition, E Fund can invest capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII. As of the end of 2020, the publicly offered funds managed by E Fund in aggregate reached RMB1,225.167 billion, representing an increase of 67.63% as compared to the end of 2019, and the total fund size excluding money market funds and short-term wealth management bond funds was RMB805.272 billion, ranking first in the industry (Source: Statistics of the Company, China Galaxy Securities Fund Research Center, 2021).

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

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

In 2020, GF Xinde focused on such industries as biomedicine, intelligent manufacturing and corporate services. As of the end of 2020, GF Xinde set up and managed over 40 private funds, the total size of customers' assets under management was more than RMB10 billion.

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



## DISCUSSION AND ANALYSIS OF OPERATIONS

### III. ANALYSIS ON FINANCIAL STATEMENTS

#### (1) Analysis on Consolidated Statement of Profit or Loss

##### 1. Revenue composition

Unit: RMB' 000

Item	2020	2019	Amount of increase/decrease	Percentage of increase/decrease
Commission and fee income	14,452,010	10,044,403	4,407,607	43.88%
Interest income	11,698,181	10,844,582	853,599	7.87%
Net investment gains	8,262,037	6,873,042	1,388,995	20.21%
Other income and gains	1,570,990	2,314,864	-743,874	-32.13%
Total revenue and other income	<u>35,983,218</u>	<u>30,076,891</u>	<u>5,906,327</u>	<u>19.64%</u>

In 2020, total revenue and other income of the Group was RMB35,983 million, representing an increase of 19.64% as compared with RMB30,077 million for 2019.



### Commission and fee income

Item	Unit: RMB'000			
	2020	2019	Amount of increase/decrease	Percentage of increase/decrease
Securities brokerage business commission and fee income	6,460,467	4,099,301	2,361,166	57.60%
Asset management and fund management fee income	6,598,048	3,910,623	2,687,425	68.72%
Underwriting and sponsorship fee income	557,551	1,296,418	-738,867	-56.99%
Futures brokerage business commission and fee income	418,307	320,380	97,927	30.57%
Consultancy and financial advisory fee income	273,897	250,775	23,122	9.22%
Others	143,740	166,906	-23,166	-13.88%
<b>Total commission and fee income</b>	<b>14,452,010</b>	<b>10,044,403</b>	<b>4,407,607</b>	<b>43.88%</b>

The change in total revenue and other income was reflected in the commission and fee income of RMB14,452 million in 2020 which has increased by RMB4,408 million or 43.88% as compared with 2019, mainly due to (1) increased trading volume of stock and fund by our brokerage clients which resulted in an increase in securities brokerage business commission and fee income of RMB2,361 million in 2020 over 2019; (2) the decrease in the size of investment banking business which resulted in a decrease in underwriting and sponsorship fee income of RMB739 million in 2020 over 2019; and (3) the increase in the size of fund management business which resulted in an increase in asset management and fund management fee income of RMB2,687 million in 2020 over 2019.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### Interest income

Unit: RMB'000

Item	2020	2019	Amount of increase/decrease	Percentage of increase/decrease
Margin financing and securities lending	4,852,447	3,575,485	1,276,962	35.71%
Debt instruments at fair value through other comprehensive income	3,242,108	3,233,746	8,362	0.26%
Deposits with exchanges and financial institutions	2,473,596	2,155,897	317,699	14.74%
Financial assets held under resale agreements	827,638	1,282,742	-455,104	-35.48%
Debt instruments at amortized cost	65,251	241,699	-176,448	-73.00%
Others	237,141	355,013	-117,872	-33.20%
<b>Total interest income</b>	<b>11,698,181</b>	<b>10,844,582</b>	<b>853,599</b>	<b>7.87%</b>

The change in total revenue and other income was also reflected in the interest income of RMB11,698 million in 2020 which has increased by RMB854 million or 7.87% as compared with 2019, mainly attributable to an increase in the interest income from margin financing and securities lending business of RMB1,277 million in 2020 over 2019.



## NET INVESTMENT GAINS

Item	Unit: RMB' 000			
	2020	2019	Amount of increase/decrease	Percentage of increase/decrease
Net realized gains from disposal of financial instruments at fair value through other comprehensive income	230,824	121,965	108,859	89.25%
Net realized gains from disposal of financial instruments at fair value through profit or loss	3,846,207	1,956,385	1,889,822	96.60%
Dividend income and interest income from financial instruments at fair value through profit or loss	2,247,440	2,780,029	-532,589	-19.16%
Dividend income from financial instruments at fair value through other comprehensive income	8,662	685,544	-676,882	-98.74%
Net realized gains from derivatives and others	-191,830	-3,612	-188,218	—
Unrealized fair value changes of financial instruments at fair value through profit or loss	2,120,734	1,332,731	788,003	59.13%
<b>Total net investment gains</b>	<b>8,262,037</b>	<b>6,873,042</b>	<b>1,388,995</b>	<b>20.21%</b>

The change in total revenue and other income was reflected in the net investment gains in 2020 of RMB8,262 million, representing an increase of RMB1,389 million or 20.21% as compared with 2019, mainly attributable to the increase in unrealized fair value changes of financial instruments at fair value through profit or loss and the increase in net realized gains from disposal of financial instruments.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### 2. Expenses composition

Unit: RMB'000

Item	2020	2019	Amount of increase/decrease	Percentage of increase/decrease
Depreciation and amortization	786,744	650,193	136,551	21.00%
Staff costs	9,029,829	6,418,921	2,610,908	40.68%
Commission and fee expenses	337,561	283,635	53,926	19.01%
Interest expenses	7,346,362	7,434,170	-87,808	-1.18%
Other operating expenses	4,891,055	4,796,930	94,125	1.96%
Credit loss expense	853,695	679,676	174,019	25.60%
Impairment losses	1,898	1,535	363	23.65%
<b>Total expenses</b>	<b>23,247,144</b>	<b>20,265,060</b>	<b>2,982,084</b>	<b>14.72%</b>

In 2020, total expenses of the Group was RMB23,247 million, representing an increase of 14.72% as compared with RMB20,265 million in 2019. The change in total expenses was mainly reflected in the increase in staff costs of RMB2,611 million in 2020 over 2019, primarily attributable to the increase in the provision on salaries, bonuses and allowances for the year.

In 2020, the Group realized net profit attributable to owners of the Company of RMB10,038 million, representing a year-on-year increase of 33.15%; basic earnings per share were RMB1.32, representing a year-on-year increase of 33.33%; return on weighted average net assets was 10.60%, representing a year-on-year increase of 2.12 percentage points.

## DISCUSSION AND ANALYSIS OF OPERATIONS



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

Unit: RMB' 000

	December 31, 2020	Composition	December 31, 2019	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
<b>Non-current assets</b>	<b>34,975,939</b>	<b>7.65%</b>	<b>32,766,922</b>	<b>8.31%</b>	<b>2,209,017</b>	<b>6.74%</b>
Of which: Equity instruments at fair value						
through other comprehensive						
income	11,625,078	2.54%	11,386,054	2.89%	239,024	2.10%
Investments in associates	4,930,337	1.08%	4,173,537	1.06%	756,800	18.13%
Property and equipment	3,164,197	0.69%	2,044,528	0.52%	1,119,669	54.76%
Financial assets held under resale						
agreements	1,858,547	0.41%	382,617	0.10%	1,475,930	385.75%
Investment in joint ventures	2,311,812	0.51%	2,745,489	0.70%	-433,677	-15.80%
Financial assets at fair value through						
profit or loss	6,617,326	1.45%	6,821,485	1.73%	-204,159	-2.99%
Financial leasing receivables	558,599	0.12%	1,537,281	0.39%	-978,682	-63.66%
Debt instruments at amortized cost	116,610	0.03%	332,004	0.08%	-215,394	-64.88%
<b>Current assets</b>	<b>422,487,747</b>	<b>92.35%</b>	<b>361,624,142</b>	<b>91.69%</b>	<b>60,863,605</b>	<b>16.83%</b>
Of which: Bank balances	102,766,204	22.46%	80,707,188	20.46%	22,059,016	27.33%
Advances to customers	86,152,816	18.83%	54,786,938	13.89%	31,365,878	57.25%
Financial assets at fair value through						
profit or loss	61,080,068	13.35%	74,091,687	18.79%	-13,011,619	-17.56%
Debt instruments at fair value through						
other comprehensive income	120,182,381	26.27%	98,597,038	25.00%	21,585,343	21.89%
Clearing settlement funds	20,515,405	4.48%	19,548,482	4.96%	966,923	4.95%
Financial assets held under resale						
agreements	14,935,302	3.26%	20,305,993	5.15%	-5,370,691	-26.45%
Deposits with exchanges and non-						
bank financial institutions	11,045,546	2.41%	6,646,320	1.69%	4,399,226	66.19%
Debt instruments at amortized cost	345,705	0.08%	1,948,128	0.49%	-1,602,423	-82.25%
<b>Total assets</b>	<b>457,463,686</b>	<b>100.00%</b>	<b>394,391,064</b>	<b>100.00%</b>	<b>63,072,622</b>	<b>15.99%</b>

## DISCUSSION AND ANALYSIS OF OPERATIONS

	December 31, 2020	Composition	December 31, 2019	Composition	Amount of increase/ decrease	Percentage of increase/ decrease
<b>Current liabilities</b>	<b>282,105,575</b>	<b>79.42%</b>	243,187,534	80.99%	38,918,041	16.00%
Of which: Accounts payable to brokerage clients	102,941,105	28.98%	79,680,645	26.54%	23,260,460	29.19%
Financial assets sold under repurchase agreements	94,611,621	26.64%	95,396,421	31.77%	-784,800	-0.82%
Short-term financing payables	35,008,179	9.86%	14,880,673	4.96%	20,127,506	135.26%
Other liabilities	1,174,030	0.33%	5,704,495	1.90%	-4,530,465	-79.42%
Due to banks and other financial institutions	6,121,286	1.72%	2,984,030	0.99%	3,137,256	105.13%
Bonds payable	22,009,246	6.20%	32,353,680	10.78%	-10,344,434	-31.97%
<b>Net current assets</b>	<b>140,382,172</b>		118,436,608		21,945,564	18.53%
<b>Non-current liabilities</b>	<b>73,084,525</b>	<b>20.58%</b>	57,066,934	19.01%	16,017,591	28.07%
Of which: Bonds payable	67,740,617	19.07%	50,325,973	16.76%	17,414,644	34.60%
Long-term loans	365,129	0.10%	2,025,776	0.67%	-1,660,647	-81.98%
<b>Total liabilities</b>	<b>355,190,100</b>	<b>100.00%</b>	300,254,468	100.00%	54,935,632	18.30%
<b>Total equity</b>	<b>102,273,586</b>		94,136,596		8,136,990	8.64%

As of December 31, 2020, total assets of the Group were RMB457,464 million, representing an increase of RMB63,073 million or 15.99% over the end of 2019; total liabilities were RMB355,190 million, representing an increase of RMB54,936 million or 18.30% over the end of 2019. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 26.94%, 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 43.61%, the proportion of advances to customers to total assets was 18.83%, and the proportion of financial assets held under resale agreements to total assets was 3.67%.

As of December 31, 2020, non-current assets were RMB34,976 million, representing an increase of 6.74% over the end of 2019, which was mainly attributable to an increase in financial assets held under resale agreements and property and equipment; current assets were RMB422,488 million, representing an increase of 16.83% over the end of 2019, which was mainly attributable to an increase in advances to customers, bank balances and debt instruments at fair value through other comprehensive income; current liabilities were RMB282,106 million, representing an increase of 16.00% over the end of 2019, which was mainly attributable to an increase in accounts payable to brokerage clients and short-term financing payables; non-current liabilities were RMB73,085 million, representing an increase of 28.07% over the end of 2019, which was mainly attributable to the newly issued bonds.



## DISCUSSION AND ANALYSIS OF OPERATIONS

The Group's equity attributable to owners of the Company as of December 31, 2020 were RMB98,162 million, representing an increase of RMB6,928 million or 7.59% over the end of 2019. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of December 31, 2020 was 71.15%, representing an increase of 1.06 percentage points as compared with the gearing ratio of 70.09% at the end of 2019, while the Group's assets and liabilities structure remained relatively stable.

### Borrowings and debt financing

As of December 31, 2020, total borrowings and debt financing of the Group amounted to RMB129,494 million. The following table sets forth details of the Group's borrowings and debt financing:

	Unit: RMB' 000	
	December 31, 2020	December 31, 2019
Short-term borrowings	2,552,786	1,038,013
Short-term financing payables	35,008,179	14,880,673
Bonds payable	89,749,864	82,679,653
Long-term loans	2,183,069	3,533,362
<b>Total</b>	<b>129,493,898</b>	<b>102,131,701</b>

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 43, 44, 53 and 54 to the Financial Statements attached below.

Apart from borrowings and debt financing instruments, the Company also raised funds through inter-bank lending, brokers lending as well as on-market and OTC repurchase, with balance due to banks and other financial institutions and financial assets sold under repurchase agreements amounting to RMB6,121 million and RMB94,612 million, respectively at the end of the Reporting Period.

The aforesaid debts totaled RMB230,227 million, of which, debts with financing terms less than one year (inclusive) were RMB138,294 million and debts with financing terms more than one year were RMB91,933 million, representing 60.07% and 39.93% of the aforesaid total debts, respectively.

Save as disclosed in this report, as of December 31, 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.



### (3) Analysis on the Consolidated Statement of Cash Flow

As of December 31, 2020, cash and cash equivalents of the Group amounted to RMB19,907 million, representing a decrease of 6.55% as compared with RMB21,303 million as at the end of 2019. Of which, net cash used in operating activities in 2020 was RMB2,085 million, compared with net cash from operating activities in 2019 of RMB20,095 million, and the change was mainly due to the increase of net cash outflow from advances to customers and repo business; net cash used in investing activities in 2020 was RMB19,450 million, representing an increase of 92.03% as compared to RMB10,128 million in 2019, mainly due to the increase of net cash outflow from debt instruments at amortized cost and financial instruments at fair value through other comprehensive income; and net cash from financing activities in 2020 was RMB20,256 million, compared with net cash used in financing activities in 2019 of RMB9,977 million, and the change was mainly due to the increase in net cash inflow from the issuance of bonds.

### (4) Explanation of Changes in the Consolidation Scope of Financial Statements

#### 1. *Subsidiaries excluded from the scope of consolidation during the Reporting Period*

GF Hexin (Shandong) Industry Investment Management Co., Ltd. (廣發合信(山東)產業投資管理有限公司), a subsidiary of GF Hexin, was deregistered during the year, therefore it was not included in the scope for consolidation as at the end of the year.

SF Project (Cayman) Limited, a subsidiary of GFHK, was deregistered during the year, therefore it was not included in the scope for consolidation as at the end of the year.

Zhuhai Qianxin Investment Partnership Enterprise L.P. (珠海乾鑫投資合夥企業(有限合夥)), Zhuhai Qianming Investment Partnership Enterprise L.P. (珠海乾明投資合夥企業(有限合夥)) and Zhuhai Hengqin Jintou GF Xinde Houzhi Equity Investment Partnership L.P. (珠海橫琴金投廣發信德厚摯股權投資合夥企業(有限合夥)), subsidiaries of GF Xinde, were deregistered during the year, therefore they were not included in the scope for consolidation as at the end of the year.

#### 2. *During the current period, 11 structured entities were newly included in the scope of consolidation, and 12 structured entities were excluded from the scope of consolidation.*



## DISCUSSION AND ANALYSIS OF OPERATIONS

### (5) Change in Principal Accounting Policies and Accounting Estimates

The changes in the Company's principal accounting policies and accounting estimates during the Reporting Period, are set forth in details in the note "2.3 Changes in Accounting policies and disclosures" of the consolidated financial statements; there were no significant accounting errors requiring rectification occurred in the Company.

### (6) Restricted Asset Rights as of the End of the Reporting Period

	December 31, 2020 RMB	December 31, 2019 RMB
Financial assets at fair value through profit or loss pledged for pledge-style repo business	7,347,938,043.77	9,441,607,346.03
Of which: Financial assets at fair value through profit or loss pledged for bond pledged quoted-repo business	400,280,702.10	203,810,430.29
Financial assets at fair value through other comprehensive income (FVTOCI) pledged for pledge-style repo business	69,085,794,222.98	71,814,113,880.04
Of which: Financial assets at FVTOCI pledged for bond pledged quoted-repo business	24,212,776.60	28,714,804.80
Debt instruments at amortized cost pledged for pledge-style repo business	153,037,830.68	800,521,966.12
Financial assets held under resale agreements pledged for pledge-style repo business	363,002,280.00	102,938,300.00
Financial assets at fair value through profit or loss transferred for buyout repo business	2,673,861,847.20	497,913,207.00
Financial assets at FVTOCI transferred for buyout repo business	4,195,327,538.92	3,594,147,939.75
Financial assets held under resale agreements transferred for buyout repo business	194,836,695.81	1,392,511,046.41
Financial assets at fair value through profit or loss transferred for margin financing and securities lending business	377,158,002.68	276,959,909.74
Financial assets at FVTOCI transferred for margin financing and securities lending business	83,997.00	42,978.00
Financial assets at FVTOCI pledged for refinancing business	510,771,526.92	700,479,181.08
Financial assets at fair value through profit or loss pledged for bond lending business	1,129,361,849.30	4,181,260,040.26
Financial assets at FVTOCI pledged for bond lending business	8,606,106,017.98	4,060,664,522.40



## DISCUSSION AND ANALYSIS OF OPERATIONS

	<b>December 31, 2020</b>	December 31, 2019
	<b>RMB</b>	RMB
Debt instruments at amortized cost pledged for bond lending business	–	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	<b>1,624,346,462.04</b>	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 fair value through profit or loss pledged for due to banks and other financial institutions business	<b>2,299,535,478.35</b>	383,056,709.85
Financial assets at FVTOCI pledged for due to banks and other financial institutions business	<b>196,965,558.82</b>	293,306,397.26
Total	<b>98,758,127,352.45</b>	100,982,286,022.08

### IV. ANALYSIS ON FINANCING CHANNELS AND SHORT-TERM AND LONG-TERM LIABILITY STRUCTURE

#### (1) Financing channels of the Company

Financing instruments of the Company include equity financing instruments and debt financing instruments. The debt financing instruments is divided into short-term and mid-and-long term instruments. The short-term debt financing instruments include credit lending in the interbank market, and bond repurchases, margin refinancing of securities and financial companies, short-term financing bonds, short-term corporate bonds and income certificates and other types of financing in interbank and exchange markets. The mid-and-long term debt financing instruments include corporate bonds, non-public corporate bonds, subordinated bonds and financial bonds.

In 2020, the Company raised funds by means of various financing instruments, including but not limited to credit lending, bond repurchase, issuance of 11 tranches of non-public corporate bonds, one tranche of subordinated bonds and nine tranches of short-term financing bonds.



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## DISCUSSION AND ANALYSIS OF OPERATIONS

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### (2) Liability structure of the Company

At the end of the Reporting Period, the ratio of net assets to liabilities of the Company was 36.61% and the ratio of net capital to liabilities of the Company was 27.79%.

The Company had no outstanding debts that were due, with good operating conditions, strong profitability, abundant cash flow and relatively low financial risks. For details of liability structure, please refer to “(II) Analysis on Consolidated Statement of Financial Position – Borrowings and Debt Financing” in “III. Analysis on Financial Statements” in this section.

### (3) Liquidity management measures and policies

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

### (4) Analysis on financing capacity

The Company operates its business healthily and has good creditworthiness. In recent years, the Company has constantly increased the number of financing channels and counterparties with sufficient liquidity resources available to use. The Company has strong financing capability as it maintains good cooperative relationship with multiple financial institutions, and the financing counterparties have large credit scale. As an A+H dual listed securities company, the Company has smooth equity financing and debt financing channels within the PRC and abroad and is able to raise money from domestic and global markets.

### (5) Contingencies and their influence

During the Reporting Period, the Company continued to provide net capital guarantee undertakings to its wholly-owned subsidiary, GF Asset Management, to provide guarantee for overseas loans of its indirectly wholly-owned subsidiary, GF Financial Markets (UK) Limited. For details, please refer to “XIV. Major Contracts and Their Performance – 2. Material Guarantees – (1) Guarantees” of Section 6 “Significant Events” in this report. Save as disclosed in this report, the Company has no contingencies such as the provision of assets guarantee, mortgage, pledge to any related party or third party, nor any financial commitments.



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## DISCUSSION AND ANALYSIS OF OPERATIONS

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### V. INVESTMENT CONDITIONS

#### 1. General

<b>Investment in the Reporting Period (RMB)</b>	<b>Investment of the same period of last year (RMB)</b>	<b>Change</b>
–	1,890,000,000.00	-100.00%

#### 2. Material equity investments made during the Reporting Period

N/A

#### 3. Material ongoing non-equity investments during the Reporting Period

N/A

# DISCUSSION AND ANALYSIS OF OPERATIONS

## 4. Financial asset investment

### (1) Security investment

Unit: RMB'0,000

Securities type	Securities code	Securities short name	Investment cost	Accounting Measurement mode	Book value at the beginning of the period	Profit and loss from the fair value changes of the period	Accumulative fair value change accounted into equity	Purchase amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Fund source
Fund	00281	Guangfa Huoqiao B	654,004.69	Measured at fair value	351,267.48	-	-	1,079,688.66	782,715.69	6,730.57	654,114.62	Held for trading	Self-owned
Fund	00283	GF Tianhang B	233,423.46	Same as above	333,832.89	-	-	487,902.54	591,328.98	3,302.84	233,471.25	Held for trading	Self-owned
Bond	11209531	20 SPD Bank CDS31	145,744.20	Same as above	-	-	-28.65	145,744.20	-	-	145,715.55	Other debt investments	Self-owned
Stock	Stock A	Stock A	22,107.79	Same as above	48,277.39	23,450.95	-	-	25,308.27	32,236.27	126,182.03	Held for trading	Self-owned
Bond	20009	20 Interest-bearing Treasury Bond 09	113,432.41	Same as above	-	147.46	75.32	278,828.75	184,679.23	785.60	115,008.44	Held for trading / other debt investments	Self-owned
Bond	20005	20 Interest-bearing Treasury Bond 05	110,323.00	Same as above	-	583.51	-	398,168.48	284,410.09	1,430.35	113,180.74	Held for trading	Self-owned
Bond	20002	20 Interest-bearing Treasury Bond 02	100,582.53	Same as above	-	-0.21	-1,067.92	505,605.67	404,401.78	1,312.80	101,448.98	Held for trading / other debt investments	Self-owned
Bank wealth management product	JZLC 2301182210	SPD Bank Pu Tian Tong Ying No.1 Wealth Management Plan	108,526.29	Same as above	-	6.94	-	421,898.17	314,282.31	887.37	108,533.24	Held for trading	Self-owned
Bond	19003	19 Interest-bearing Treasury Bond 03	97,889.61	Same as above	-	-	-826.67	1,004,041.21	905,378.80	1,372.68	99,210.43	Held for trading / other debt investments	Self-owned
Bond	19005	19 EBC Bond 05	90,673.49	Same as above	44,294.77	-	747.47	3,500,202.64	3,452,914.41	2,000.22	94,061.96	Other debt investments	Self-owned
Other securities investments held at the end of the period			17,813,321.80	-	18,566,402.10	42,403.24	80,667.60	N/A	N/A	961,389.50	18,230,644.59	-	-
Total			19,480,699.27	-	19,344,081.83	66,591.89	79,567.15	N/A	N/A	1,011,458.10	20,021,579.83	-	-





## DISCUSSION AND ANALYSIS OF OPERATIONS

Notes:

1. In the table above, profit and loss from the fair value change of the period and profit and loss in the Reporting Period include the relevant profit and loss of financial liabilities held for trading.
2. 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 RMB10.31 billion 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 RMB10.814 billion.

### **(2) Derivative investment conditions**

N/A

### **5. Use of proceeds**

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

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

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

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



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## DISCUSSION AND ANALYSIS OF OPERATIONS

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As of December 31, 2020, RMB12.504 billion out of the proceeds raised from the issuance of H Shares was used for the wealth management business to mainly develop margin financing and securities lending business and build a strategic Internet financial platform and wealth management platform; RMB4.986 billion was used for the investment management business, investment banking business and transaction and institution business to mainly increase the asset size under the investment management, increase input into the seed funds, innovate and develop investment management products, and participate in various financial products markets as a market maker and provide liquidity support; RMB3.443 billion was used for the international business to mainly increase input into the investment management, transaction and institution businesses in Hong Kong; the remaining RMB4.126 billion was temporarily used to replenish the working capital and develop short-term investment business. Upon approval from relevant regulatory authorities, the Company will apply the remaining proceeds raised from the H Share issuance to the businesses including the international business of the Company in accordance the use of proceeds as disclosed in the Company's H Share prospectus.

DISCUSSION AND ANALYSIS OF OPERATIONS

VI. SALE OF MAJOR ASSETS AND EQUITY

1. Sale of major assets

N/A

2. Sale of major equity

N/A

VII. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND PARTICIPATING STOCK COMPANIES

The status of 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	25,357,018,906.60	2,547,602,563.19	243,949,997.66
GF Xinde	Subsidiary	Equity investment; providing financial advisory services on equity investment to clients and other businesses approved by CSRC.	RMB2,800,000,000	7,274,435,558.04	5,629,134,943.83	921,203,672.05
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	19,227,787,453.66	4,572,582,404.28	237,390,938.06
GF Qianhe	Subsidiary	Project investment; investment management.	RMB3,603,500,000	5,764,508,688.50	5,347,552,967.42	583,475,427.29
GF Asset Management	Subsidiary	Securities asset management business.	RMB1,000,000,000	6,709,457,710.94	6,105,655,949.83	924,208,210.04
GFFL	Subsidiary	Medical equipment leasing services; commercial factoring 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 operation).	RMB800,000,000	2,404,301,140.27	720,138,496.65	-198,161,358.49
GF Hexin	Subsidiary	Investment management, asset management, fund management, equity investment, investment consulting.	RMB100,000,000	136,973,907.29	122,869,708.95	11,113,051.11
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB140,978,000	12,520,401,952.73	8,798,417,447.44	1,823,944,061.89
E Fund	Participating stock company	Publicly offered securities investment fund management, fund sale, asset management for specific customers.	RMB132,442,000	18,434,196,055.45	11,018,314,858.23	2,749,520,550.16



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## DISCUSSION AND ANALYSIS OF OPERATIONS

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

For details, please refer to “(4) Explanation of Changes in the Consolidation Scope of Financial Statements” in “III. Analysis on Financial Statements” of this section.

Explanation on the status of principal subsidiaries

GF Fund recorded net profit of RMB1,824 million, representing a year-on-year increase of 53.76%, which was mainly due to the increase in income of fund management fee. GF Xinde recorded net profit of RMB921 million, representing a year-on-year increase of 320.80%, which was mainly due to the increase in investment gains arising from disposal of financial instruments held for trading.

### **VIII. SIGNIFICANT ISSUES OF THE COMPANY ABOUT BANKRUPTCY REORGANIZATION, MERGER, SEPARATION, ESTABLISHMENT AND DISPOSAL OF SUBSIDIARIES, BRANCH COMPANIES AND BUSINESS DEPARTMENTS, ETC.**

#### **1. Relevant matters about bankruptcy reorganization**

There were no relevant matters about bankruptcy reorganization during the Reporting Period.

#### **2. Merger or separation of the Company**

N/A



## DISCUSSION AND ANALYSIS OF OPERATIONS

### 3. Establishment and disposal of subsidiaries, branch companies and business departments

#### (1) Relocation of business departments

As of December 31, 2020, the Company has 20 branch companies and 282 securities brokerage branches, covering 31 provinces, municipalities directly under the Central Government and autonomous regions in Mainland China. In 2020, the relocation of 24 securities brokerage branches of the Company and five branch companies in the same cities has been completed.

No.	Name of Securities Brokerage Branches after Relocation	Name of Securities Brokerage Branches before Relocation
1	Securities Business Department of GF Securities Co., Ltd. in Xiashan, Chaonan, Shantou	Remained unchanged by relocation
2	Securities Business Department of GF Securities Co.,Ltd. at Dali Road, Tangshan	Securities Business Department of GF Securities Co.,Ltd. at Youyi Road, Tangshan
3	Securities Business Department of GF Securities Co.,Ltd. at Guizhong Avenue, Liuzhou	Securities Business Department of GF Securities Co.,Ltd. at Guangchang Road, Liuzhou
4	Securities Business Department of GF Securities Co.,Ltd. at Yuhua Road, Chengde	Securities Business Department of GF Securities Co.,Ltd. at Xinhua Road, Chengde
5	Securities Business Department of GF Securities Co.,Ltd. at Century Place, Shenzhen	Securities Business Department of GF Securities Co.,Ltd. at Nanyuan Road, Shenzhen
6	Hebei Branch of GF Securities Co.,Ltd.	Remained unchaned by relocation
7	Securities Business Department of GF Securities Co.,Ltd. at Zijing Road, Zhuhai	Securities Business Department of GF Securities Co.,Ltd. at Yinhua Road, Zhuhai
8	Xi'an Branch of GF Securities Co.,Ltd.	Remained unchaned by relocation
9	Securities Business Department of GF Securities Co.,Ltd. Jinyu First Street, Guangzhou	Securities Business Department of GF Securities Co.,Ltd. at Huadi Avenue North, Guangzhou
10	Securities Business Department of GF Securities Co.,Ltd. at Haibin Road, Shantou	Remained unchaned by relocation
11	East Guangdong Branch of GF Securities Co.,Ltd.	Remained unchaned by relocation
12	Securities Business Department of GF Securities Co.,Ltd. at Xinye Avenue, Daye	Remained unchaned by relocation
13	Securities Business Department of GF Securities Co.,Ltd. at Zhongbei Road, Wuhan	Securities Business Department of GF Securities Co.,Ltd. at Luoshi Road, Wuhan



## DISCUSSION AND ANALYSIS OF OPERATIONS

No.	Name of Securities Brokerage Branches after Relocation	Name of Securities Brokerage Branches before Relocation
14	Securities Business Department of GF Securities Co.,Ltd. at East Xinhua Street, Hohhot	Securities Business Department of GF Securities Co.,Ltd. at Zhaowuda Road, Hohhot
15	Shanghai Branch of GF Securities Co.,Ltd.	Remained unchaned by relocation
16	Securities Business Department of GF Securities Co.,Ltd. at Hanzhong Road, Nanjing	Securities Business Department of GF Securities Co.,Ltd. at Hongwu Road, Nanjing
17	Securities Business Department of GF Securities Co.,Ltd. at Chongde Road, Jinjiang	Securities Business Department of GF Securities Co.,Ltd. at Changxing Road, Jinjiang
18	Securities Business Department of GF Securities Co.,Ltd. at East Huancheng Road, Panyu, Guangzhou	Remained unchaned by relocation
19	Securities Business Department of GF Securities Co.,Ltd. at Jingnan Avenue, Jianli	Securities Business Department of GF Securities Co.,Ltd. at Jiangcheng Road, Jianli
20	Securities Business Department of GF Securities Co.,Ltd. at Siyouxinma Road, Guangzhou	Securities Business Department of GF Securities Co.,Ltd. at West Linhe Road, Guangzhou
21	Securities Business Department of GF Securities Co.,Ltd. at Wenling Road, Quanzhou	Securities Business Department of GF Securities Co.,Ltd. at Tumen Street, Quanzhou
22	Securities Business Department of GF Securities Co.,Ltd. at Jingsan Street, Daqing	Securities Business Department of GF Securities Co.,Ltd. at Weiliu Road, Daqing
23	Securities Business Department of GF Securities Co.,Ltd. in Ronggui, Shunde, Foshan	Securities Business Department of GF Securities Co.,Ltd. at West Wenhai Road, Shunde, Foshan
24	Securities Business Department of GF Securities Co.,Ltd. at Central Huanshi Road, Taishan, Jiangmen	Securities Business Department of GF Securities Co.,Ltd. at West Nanmen Road, Taishan, Jiangmen



## DISCUSSION AND ANALYSIS OF OPERATIONS

No.	Name of Securities Brokerage Branches after Relocation	Name of Securities Brokerage Branches before Relocation
25	Securities Business Department of GF Securities Co.,Ltd. at Fuhua First Road, Shenzhen	Securities Business Department of GF Securities Co.,Ltd. at Mintian Road, Shenzhen
26	Zhejiang Branch of GF Securities Co.,Ltd.	Remained unchanged by relocation
27	Securities Business Department of GF Securities Co.,Ltd. at Fuchun Road, Hangzhou	Securities Business Department of GF Securities Co.,Ltd. at Qianjiang Road, Hangzhou
28	Securities Business Department of GF Securities Co.,Ltd. in Boluo, Huizhou	Remained unchanged by relocation
29	Securities Business Department of GF Securities Co.,Ltd. at Nanfeng Avenue, Sanshui, Foshan	Securities Business Department of GF Securities Co.,Ltd. at Guanghai Avenue, Sanshui, Foshan

**(2) Establishment of branch companies and securities brokerage branches during the Reporting Period**

In 2020, the Company intended to establish seven new securities brokerage branches, relevant procedures of which are in progress at present.

**(3) For the change in subsidiaries, please see “(IV) Explanation of Changes in the Consolidation Scope of Financial Statements” in “III. Analysis on Financial Statements” of this section.**

#### 4. 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 December 31, 2020, except for the structured entities in the note “69. Particulars of principal subsidiaries of the Company” to the consolidated financial statements, there were a total of 18 products consolidated into the financial statements of the Group.

As at December 31, 2020, the net assets of the consolidated structured entities were RMB6,898,170,741.54 (as at the beginning of the year: RMB11,568,043,861.71). The book value of the Group’s interests was RMB4,912,258,834.88 (as at the beginning of the year: RMB5,066,657,735.58). The book value of the interests held by various parties outside the Group was RMB1,985,911,906.66 (as at the beginning of the year: RMB6,501,386,126.13).



## DISCUSSION AND ANALYSIS OF OPERATIONS

### 5. Major asset disposal, acquisition, replacement and divestment

On January 22, 2020, as considered and approved at the 25th meeting of the 9th session of the Board of the Company, GF Fund (a controlled subsidiary of the Company) was allowed to acquire a land parcel situated at AH040248, Zone A, Pazhou, Haizhu District, Guangzhou and a land parcel situated at No. ⑩-2 Joint Buildings at intercrossed municipal roads, Pazhou Internet Innovation Industry Cluster, 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 Industry Investment Co., Ltd (“Kangmei Healthcare”), a wholly-owned subsidiary of Kangmei Pharmaceutical Co., Ltd. (“Kangmei Pharmaceutical”) at a consideration of no more than RMB1.13 billion. Please refer to “XIII. Major Related Transactions” in Section 6 headed “Significant Events” of this report for details.

### 6. Restructuring of other companies

N/A

## IX. OUTLOOK OF THE COMPANY

### (I) Development trend and competitive landscape of the securities industry

#### 1. *Serving real economy and developing direct financing market will bring a favorable strategic development period for the securities industry*

With the PRC economy entering a new era of high-quality growth, the real economy’s demands for financial services have been experiencing a fundamental change and the development and expansion of the direct financing market will become the key to the supply-side reform of the financial industry. It is emphasized in the report of the 19th National Congress that the reform of the financial system shall be deepened to increase the proportion of direct financing and promote the sound development of the multi-level capital market. The “14th Five-Year Plan” proposes to fully implement the registration-based IPO system, establish a normalized delisting mechanism, increase the proportion of direct financing, promote two-way openness of the financial sector and improve the modern supervision system of the sector, so as to improve the level of transparency and legality of financial regulation. With the successive launch of major initiatives such as the reform of registration-based IPO system on the STAR Market and the ChiNext Market and the transfer of companies listed on the NEEQ to SSE or SZSE, the continuous development and growth of institutional investors and the gradual increase in the inflow of overseas funds, the development potential of China’s capital market is getting stronger and stronger. Under the background of major changes unseen in the current century, the establishment of a new development pattern based on domestic circulation, along with the mutual promotion of domestic and international dual circulation, is accelerating. The financial industry is required to adhere to the direction of serving the real economy, and vigorously increase the proportion of direct financing. The capital market plays a pivotal role in promoting the high-level circulation of technology, capital and the real economy, and can enhance the level of financial technology. In the context of this policy, the securities industry will shoulder greater responsibilities and missions and usher in a favorable period of strategic development.



**2. *The two-way openness of the capital market will bring new opportunities for the development of the securities industry***

The “14th Five-Year Plan” proposes to open up more sectors of the economy in a more thorough fashion and to promote international cooperation by relying on the advantages of big domestic market to achieve mutual benefit and win-win results. This means that during the “14th Five-Year Plan” period, the implementation of high-level two-way openness is not only an inevitable requirement for building a new pattern of economic development in China, but also a new opportunity to expand the high-level two-way openness of the capital market. In recent years, the two-way openness of China’s capital market has continued to deepen. For example, MSCI has expanded its weightiness on A shares by increasing the percentage of the large cap China A shares in the MSCI Emerging Markets Index to 10% from 5%; Shanghai-London Stock Connect has commenced operation; FTSE Russell has announced the inclusion of A shares in its Global Equity Index Series; QFII and RQFII quota limit has been cancelled; Chinese government bonds have been officially included in the J.P. Morgan Global Emerging Market Government Bond Index; the restriction on the proportion of foreign investment of securities companies has been lifted and the QFII system has experienced a comprehensive upgrade. At the 12th Shanghai Lujiazui Forum, Yi Huiman, the Chairman of the CSRC, said that the opening up of China’s capital market has not slowed down due to the epidemic, but further accelerated. In the future, we will continue to support stock exchanges to strengthen cooperation with overseas markets in various forms to further enhance their international service capacity. Therefore, under the trend of two-way openness of the capital market, the internationalization level of the securities industry will continue to improve. The improvement of business capability and the development of overseas markets will provide new opportunities for the development of the securities industry.

**3. *Implementation of the new Securities Law and the construction of the basic institutions in the capital market will guide stable and healthy development of the securities industry in the long run***

The amendments to the new Securities Law have optimized the system for the issuance of securities and significantly increased the costs for non-compliance. The new Securities Law also has a specific chapter on protection of investors, further intensified requirements for information disclosure and optimized the system for securities trading by abolishing various administrative permissions, regulating the performance of obligation of intermediary institutions and establishing a multi-level capital market system, providing institutional foundation for the promotion of long-term stable and healthy development of the capital market and securities industry of China.



## DISCUSSION AND ANALYSIS OF OPERATIONS

The regulatory authorities stated that the construction of the basic institutions in the capital market will be strengthened from six aspects in the next stage: take the reform of registration-based IPO system as the starting point to promote key institutional innovations in the capital market; improve a more inclusive and adaptable multi-level capital market system, and continue to strengthen direct financing to support the real economy; optimize the institutional mechanisms that promote the high-quality development of various market entities; strengthen the construction of investment-side institutions; improve the legal protection and supporting mechanisms for the capital market; steadily promote the institutional opening up of the capital market. Through adhering to the direction of marketization, legalization and internationalization and speeding up the construction of a more mature and more established capital market basic institutional system, securities companies and other financial institutions will be guided to achieve long-term stable, healthy and high-quality development and better serve the real economy.

#### **4. *Business institutionalization and concentration trend is becoming more obvious***

In recent years, the shareholding ratio of institutional investors in the free float market capitalization has continued to increase, among which, foreign investments, public funds and private equity funds have become important sources of incremental funds in the market. In the future, as the concept of value investment continues to deepen, professional institutional investors such as public funds, private equity funds, wealth management subsidiaries of banks, pension funds and overseas funds will continue to increase their allocation. The investor structure will continue to develop towards an institutionalized trend, and the investment demand will also become more complex and diversified. It provides a huge potential for the development of securities companies' businesses, such as transaction, custody, operation outsourcing, investment and research, wealth management and capital intermediary. The business institutionalization trend will become more obvious. At the same time, under the classified regulatory rating system and the circumstance that the percentage of heavy assets is increasing, the competition in the industry will show a concentration trend. The regulatory authorities stated that they will continue to encourage and guide securities companies to replenish capital, enrich service functions, optimize incentive and restraint mechanisms, increase investment in technology and innovation, improve international layout and strengthen compliance risk control, actively promoting the building of leading securities companies and facilitating the sustainable and healthy development of the securities industry. The regulating intention of "supporting the stronger and restricting the weaker" and the competition landscape of "the stronger remains stronger" have become more obvious.



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

- 1. Due to severe business homogenization of securities firms, continuous decline in the charge level of traditional businesses and the rapid development of fintech, more requirements are imposed on securities firms to provide comprehensive service and achieve business transformation and upgrading***

At present, the agency services for sale and purchase of securities, investment banking business and asset management business of securities firms still have a very high degree of homogeneity and they do not have sufficient innovative service capacity for customers, resulting in a declining trend on the charge level of securities firms. Under the impact of Internet account opening and the policy of one client with multiple accounts, the industry commission rate is still showing a slow downward trend. In the process of transformation from agency service to wealth management service, the comprehensive capability of securities firms, including their products, investing advisory and platforms, shall be further enhanced. In the underwriting business, especially the bond underwriting business, many securities firms adopt low-price competitive strategy, which brings pressure on the commission rate of underwriting. With the implementation of the registration-based IPO system by step, investing banking business raises more requirements for the comprehensive service capability, capital capability, pricing capability, research capability and institution sales capability of securities firms. In recent years, with the rapid development of fintech and continuous growth of Internet securities firms, the brokerage services, wealth management, asset management and other business sectors of securities companies have suffered certain impacts from various new types of financial services. Securities companies shall keep pace with the times, and continue to cultivate in the field of fintech and accelerate business transformation and upgrading, so as to cope with the impact from technological innovation on the securities industry and adapt to new competition landscape.

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

Although with many years of international development and layout, domestic securities companies' source of income relies mostly on local business, and the revenue changes arising therefrom are highly related to the secondary market activities in China, so they are low in the international degree. On one hand, the impact on the performance will be much more apparent once the domestic market experiences a substantial adjustment, and the fluctuations in performance cannot be balanced by the income from the international market. On the other hand, under the effect of overseas regulatory environment, capital market rules and culture differences, securities companies also face challenge when tapping into the overseas developed market.



**3. *The opening up of securities industry will bring about a new round of competition***

On March 13, 2020, the CSRC announced that restriction on proportion of foreign investment in securities firms will be removed from April 1, 2020. Up to now, several sino-foreign jointly-owned securities firms have been approved by the CSRC to increase the shareholding of foreign investment to a percentage of more than 51%. Large international banks are entering China's financial market by establishing jointly-owned securities firms. Despite China's capital markets and customer demand are gradually developing towards maturity and internationalization, most of the securities firms in China are still not well prepared for these changes in terms of risk management, IT system construction, management structure serving institutional clients and business internationalization. The breakthrough points for foreign-invested securities firms entering the domestic market to carry out business are wealth management business, one-stop service for institutional clients and international service capability for corporate clients, which will bring huge pressure on the wealth management business for high-net-worth clients, institutional client service and cross-board business for corporate customers of domestic securities firms. As the traditional business is gradually shrinking and domestic securities firms have been seeking transformation and upgrading, the entering of foreign-controlled brokerages will bring about greater competitive pressure in the industry.

**4. *The competition environment of securities industry will be changed by the trend of integrated operation of financial institutions***

At present, there is an increasingly manifest trend of clients' need for integrated financial service. Commercial banks, fund management companies, trust companies, insurance companies and other financial institutions, with their advantages in customer resources, network channels and capital strength, also march into business sectors traditionally conducted by securities companies, such as asset management, wealth management services and investment banks, aiming to provide their customers with integrated, diversified and comprehensive financial services. Securities companies are now facing increasingly competitive challenges from other financial industries and financial institutions.



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

With China's economy entering a new era, the Company has formulated a five-year strategic plan for 2017-2021 under the main theme of serving the real economy, preventing financial risks and deepening financial reform. The summary is as follows: the Company has established a strategic goal for the next five years to strive to "achieve the overall improvement of the status of the Company in the industry" by upholding its core values of "inquisitiveness, integrity, client focus and teamwork" under the vision of "becoming a modern investment bank with international competitiveness, brand influence and system importance". The Company will adhere to the strategic plan of "customer-centric" throughout, and insight into customer needs based on the collaborative principles and innovative spirit; the Company will comprehensively promote the transformation and upgrading of the four major business strategies, including investment banking business, wealth management business, trading and institutional business and investment management business, from the five key directions of the leading strategy, technology and finance strategy, internationalization strategy, collectivization strategy and platform strategy; the Company will establish six supportive strategies for strategic management, research platform, comprehensive risk management, financial resource management, human resource management and information technology construction, which provide strong support for the implementation of the four major business strategies to achieve the overall objective of the new strategic plan through the implementation of strategy in the next 5 years.

### (IV) Annual business plan in 2021

In 2021, the Company will continue to transform to the operation method of customer-centric service. It will promote the platform construction, foster its strengths while circumventing its weaknesses, optimize its business structure, enhance its fintech capabilities and strengthen compliance management, so as to build its core competitiveness as a modern investment bank. Top priorities in the Company's agenda for 2021 are to reform actively, focusing on the building of core competitiveness and promoting high-quality enterprise development.

### (V) Fund demand of the development

In 2020, various services of the Company were carried out in an orderly manner, of which capital intermediary services such as margin financing and securities lending services required a large amount of funds. The Company will continue to enhance capital management and improve efficiency of its asset allocation. Meanwhile, the Company will timely seize the market opportunities to raise equity capital or debt capital in various ways based on business development needs so as to optimize its capital structure and meet fund requirement for development by constantly exploring new financing products and methods.



## DISCUSSION AND ANALYSIS OF OPERATIONS

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

- (2) Liquidity risk*

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



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## DISCUSSION AND ANALYSIS OF OPERATIONS

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### (3) *Market Risk*

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

### (4) *Credit risk*

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

### (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.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### (6) *Operational risk*

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

### (7) *Risk of information technology*

Securities firms rely on the high-tech represented by information technology, which has greatly enhanced their operational efficiency and core competitiveness. 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 information system; information technology has played a key role in promoting the Company's business. In promoting the development of the securities industry, the information technology has also brought a considerable risk. System establishment and operation will be greatly affected by the quality of electronic equipment and system software, the operation and maintenance of corporate systems, performance of application software business operation, the level of industry service providers, virus and hacker attacks, data loss and leakage, abnormal access to operating authorization, infrastructure, natural disasters, etc.

## 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.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### (2) *Specific management for various risks*

#### ① Policy risk management

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

#### ② Liquidity risk management

The Company implements prudent liquidity risk preference management strategy to ensure that the Company will have adequate liquidity reserve and fundraising capability under normal situation and stress state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency response and monitoring and pre-warning about liquidity risk index and includes the liquidity risk of the subsidiaries in the Group for centralized management and control to prevent liquidity risk of the Group. 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 guarantee that the Company has sufficient daytime liquidity cash; 3) The Company implements multilevel liquidity reserve management, clarifies investment scope of liquidity asset reserves and 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 urges and guides the relevant subsidiaries to establish and strictly implement liquidity risk management mechanism including risk limit, monitoring and reporting, stress testing, emergency response, etc.; 7) The Company regularly or from time to time carries out liquidity risk drill and optimizes and perfects liquidity risk emergency disposal processes and mechanism of the Company based on the drill condition.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### ③ Market risk management

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

### ④ Credit risk management

The Company implements management of credit risk for the whole process by means of effective risk identification, cautious risk evaluation and decision-making, measuring and monitoring of dynamic risk, timely risk report and settlement to effectively prevent or avoid risk event, reduce loss of the Group due to risk event and achieve income maximization after risk adjustment within the scope that credit risk can be accepted. The Company sticks to the following basic principles for credit risk management: 1) The Company shall identify and manage credit risk exposed to all products and business including new product and new business; 2) The Company controls risk at the front end by formulating risk policy about credit business (including due diligence request of clients, business access requirement); 3) The Company improves credit management of counterparties by consistently optimizing internal rating system; 4) The Company establishes limit for single customer and its identifiable related parties and industry and strictly controls concentration risk; 5) The Company reduces net exposure of risk and estimated loss undertaken by the Group through various risk mitigation measures; 6) The Company establishes a set of information system and analysis tools to balance credit risk exposure and classify and evaluate risk asset combination.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### 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, strengthened control before and during the process as well as subsequent supervision and inspection etc.. For the purpose of adapting to the complicated internal and external environment and in response to the operational risks featuring with various factors and broad aspects, the Company has improved the level and effect of operational risk control mainly through the following measures: 1) The Company has improved the operational risk management system, strengthened the joint coordination between the three lines of 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 establishment process embedded as a normal practice; 3) The Company has been gradually achieving the systematization and standardization of the operation risk management through continuous optimization of the operational risk management system; 4) The Company continues to enhance the management of operational risks of its subsidiaries through traditional tools for operational risk management and new business assessment and information system establishment; 5) Considering requirements for the construction of operational risk management system, the Company has been continuing to improve the assessment and management system for new products and new business, optimize the process for assessment, inspection and review, and continuously enhance the tracking management for new business.

### ⑥ Compliance risk management

The Company strictly complies with external legal provisions and regulatory requirements to implement various aspects of compliance management work such as continuously strengthening system establishment, 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



## DISCUSSION AND ANALYSIS OF OPERATIONS

理實施指引》); 2) in accordance with changes in external laws and regulations and internal management requirements, initiating the streamline of “formulation, modification, repealing” of the internal rules and regulations of the Company when appropriate, and realizing comprehensive compliance management coverage and effective management and control of the Company’s business through management measures such as compliance review and consulting, examination and control, and assessment accountability, etc., to promote the standardized development of business; 3) gradually improving the establishment of the compliance implementation information system, and improving the effectiveness of compliance management through high-tech and intelligent means.

### ⑦ Information technology risk management

In 2020, leveraging on the five-in-one assurance system of “assurance of on-going business, safety assurance, quality assurance, information platform and cloud platform”, the Company realized online operation of the assurance system through platform to achieve the close-cycle before-event, event and after-event management of IT risks. The Company increased its IT investment, continued to regulate operation process, strengthened compliance risk control and management and enhanced accountability efforts, which further improved the security management level for the establishment, operation and maintenance of information system and ensured the safe, reliable and stable operation of the Company’s information system, thereby effectively supporting the regulated development of the Company’s business.

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

### 1. Establishment of the Company’s dynamic risk control indicator monitoring mechanism during the Reporting Period

The Company has established and implemented risk control index dynamic monitoring mechanism, and has continuously upgraded and optimized risk control indicators monitoring system as per adjustment of regulatory standard and implementation situation of innovative business. The risk control indicators system of the Company is able to cover the business activities that affect the net capital and other risk control indicators. The Company calculates various risk control indicators daily and prepares full-set calculation form for relevant risk control indicators according to the supervision rules. The Company also sets up automatic warning for risk control indicators according to the preset thresholds and monitoring standards. The risk management department of the Company is responsible for monitoring and reporting daily operation situation of each risk control indicator and timely remind the Company of risks. Risk control indicators data and compliance situation will be regularly reported to the regulatory department in accordance with regulatory requirements; as for situation of early warning and non-conformance in respect of risk control indicators, basic situation, causes and solutions in written will be timely reported to the regulatory authority in accordance with requirements of the Administrative Measures for Risk Control Indicators of Securities Companies 《(證券公司風險控制指標管理辦法)》.



### 2. Establishment of sensitivity analysis and stress test mechanism during the Reporting Period

The Company regards stress test tools as significant tools of risk assessment and management of the Company and regularly and from time to time carries out comprehensive and special stress test evaluations to provide support for business decision making and operation management in accordance with requirements of “Guidelines for Stress Test of Securities Companies” 《證券公司壓力測試指引》 and in combination with business development situation and risk management demand. In 2020, the Company has carried out comprehensive stress test and submitted reports in accordance with requirements of the Securities Association of China. The Company has carried out special stress test analysis for the Company’s important decisions, such as major business scale adjustment and profit distribution, and continuously improved risk factor and scenario design, optimized model and method of parameter setting to optimize the effectiveness of stress test results.

### 3. Establishment of net capital complement mechanism during the Reporting Period

The Company has established dynamic capital complement mechanism in accordance with the “Guidelines for Capital Replenishment by Securities Companies” 《證券公司資本補充指引》 issued by the Securities Association of China, to broaden capital complement channels, improve capital quality and strengthen capital constraints on an ongoing basis. The Company formulated the Group’s capital management plan which specifies five core elements of capital management, capital complement triggering conditions, capital adequacy evaluation mechanism, capital plan implementation and promotion mechanism. The Company continuously monitors the net capital and related risk control indicators. When the capital complement early-warning indicators related to net capital hit the threshold, the Company will comprehensively evaluate the necessity, feasibility and specific plans of complementing capital to ensure that the Company’s net capital matches the needs of business development.

### 4. Compliance with risk control indicators during the Reporting Period

In 2020, the Company’s core risk control indicators were in good operation and complied with regulatory standards. As of December 31, 2020, the net capital of the parent company was RMB64,897 million, of which supplementary net capital was RMB5,900 million and core net capital was RMB58,997 million. As at the end of 2020, the Company maintained a relatively high security margin for various risk control indicators, which have reserved spacious room for business development.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### XI. RISK MANAGEMENT

#### (I) Implementation of comprehensive risk management by the Company

The Company has always attached importance to risk management and regarded risk management as its lifeline. Under the guidance of the Group's overall development strategy planning, the Company takes comprehensive risk management as its supporting system strategy and adheres to the Three Ideas about Risk Management, "to manage risks cautiously; the three defence lines cooperate with each other and each focus on specific aspects; be people-oriented", and follow the Five Basic Principles, "comprehensive management; objectiveness and fairness; checks and balance; separate and clear duties and power; openness and transparency". The Company continuously constructs and implements powerful, independent, and precise management and control system, constructs effective overall risk management strategy, organization, system, technology and personnel system, promotes the effective utilization of group risk resources, controls the risks within the scope which matches with the Group's risk preferences, and supports steady development of the Group's business. The Company's comprehensive risk management can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

In 2020, the Company continued to consolidate the results of comprehensive risk rectification and inspection, implemented work related to risk control indicators in compliance with various new regulatory requirements, actively responded to the adverse effects of COVID-19 epidemic, strengthened inspection and further improved the systematic management of risks. The effectiveness of risk management for all kinds of business of the Company has been enhanced significantly.

#### (II) The Company's investment in compliance and risk control and information technology during the Reporting Period

The Company attaches great importance to the investment in compliance and risk control and information technology. The investment in compliance and risk control and information technology in 2020 is as follows: the investment in compliance and risk control in 2020 is RMB418 million, and the investment in information technology in 2020 is RMB890 million. <sup>2</sup>

<sup>2</sup> Compliance and risk control Investment includes compensation of compliance and risk control staff, investment in the construction of relevant compliance and risk control system, day-to-day operation expenses for compliance and risk control work; IT investment includes compensation of IT staff, capital expenditure and IT expenses. Such amount excludes the overlapping investment in compliance and risk control and IT. Such statistics are based on the parent company's data.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### XII. RECEPTION OF ACTIVITIES SUCH AS RESEARCH, COMMUNICATION AND INTERVIEW

The Company values investor relationship management and information disclosure, emphasize on the truthfulness, accuracy, completeness and timely and fair disclosure of information, actively protect the interest of medium and small investors, listen and reply to proposals and consultative opinions of medium and small investors in the ordinary course of work. The Company maintains smooth integrative communication with institutional investors and individual investors by means of telephone, email, website of the Company or SZSE, regular or irregular referral conference or roadshow, interview and research. The details are as follows:

Reception time	Reception location	Reception method	Type of participants	Participants	Main subjects discussed and information provided
From January 1, 2020 to December 31, 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 and 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 Bank, 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 of 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 of Citigroup	Strategic and business development of the Company
May 26, 2020	-	Telephone communication	Institutions	Huatai Securities Hong Kong	Operation and development of the Company
June 3, 2020	-	Telephone communication	Institutions	Investors invited to the 2020 Summer Capital Market Conference of Shenwan Hongyuan	Strategic and business development of the Company



## DISCUSSION AND ANALYSIS OF OPERATIONS

Reception time	Reception location	Reception method	Type of participants	Participants	Main subjects discussed and information provided
June 11, 2020	-	Telephone communication	Institutions	Investors invited to the 2020 Capital Market Forum of CITIC Securities	Strategic and business development of the Company
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 of TF Securities	Strategic and business development of the Company
July 28, 2020	-	Telephone communication	Institutions	J.P. Morgan and investors invited by it	Strategic and business development of the Company
July 28, 2020	The Company's Meeting Room 4003 on 40th Floor	Field research	Institutions	Orient Securities	Operation and development of the Company
July 28, 2020	-	Telephone communication	Institutions	M&G	Operation and development of the Company
July 28, 2020	-	Telephone communication	Institutions	Industrial Securities and investors invited by it	Strategic and business development of the Company
September 4, 2020	-	Telephone communication	Institutions	Investors invited to the fourth quarter of 2020 investment strategy meeting of Zhongtai Securities	Strategic and business development of the Company
September 8, 2020	-	Telephone communication	Institutions	Bank of America Merrill Lynch and investors invited by it	Strategic and business development of the Company
September 9, 2020	Kerry Hotel Pudong, Shanghai	Results roadshow	Institutions	Investors invited to the Strategy Conference of CITIC Securities	Strategic and business development of the Company
September 25, 2020	-	Telephone communication	Institutions	DBS Bank and investors invited by it	Strategic and business development of the Company
September 25, 2020	-	Telephone communication	Institutions	Zhong Ou AMC	Operation and development of the Company
November 3, 2020	-	Telephone communication	Institutions	Investors invited to 2020 China Strategy Conference of Bank of America Merrill Lynch	Strategic and business development of the Company
November 4, 2020	-	Telephone communication	Institutions	Investors invited to 2020 China Strategy Conference of Citigroup	Strategic and business development of the Company
November 18, 2020	-	Telephone communication	Institutions	Investors invited to Strategy Conference of CITIC Securities	Strategic and business development of the Company
November 19, 2020	-	Telephone communication	Institutions	Wellington Asset Management	Operation and development of the Company
November 26, 2020	-	Telephone communication	Institutions	Analysts of Orient Securities and investors invited by it	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](http://www.szse.cn)) and the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)).



## DISCUSSION AND ANALYSIS OF OPERATIONS

Number of reception	27
Number of institutional participants	Over 150
Number of individual participants	No onsite visit by individual investors
Number of other participants	None
Whether or not disclose, reveal or leak undisclosed significant information	No

In 2020, the Company organized two results presentations through telephone and internet and answered 149 questions raised by investors via the EasyIR platform of SZSE.

### XIII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

### XIV. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

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

### XV. INTEREST OF DIRECTORS IN BUSINESSES IN COMPETITION WITH THE COMPANY

None of the Directors of the Company has any interest in any business that competes with our business.

### XVI. PERFORMANCE OF SOCIAL RESPONSIBILITIES

Please see “XV. Social Responsibilities” of Section 6 headed “Significant Events” in this report.



## DISCUSSION AND ANALYSIS OF OPERATIONS

### XVII. TAX CONCESSION

#### (I) Holders of A-shares

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

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

Listed companies will withhold and remit enterprise income tax at the tax rate of 10% for qualified foreign institutional investors (QFII) in accordance with provisions of the “Notice of State Administration of Taxation on Relevant Issues Regarding the Withholding and Payment of Enterprise Income tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII” (Guo Shui Han [2009] No. 47) 《國家稅務總局關於中國居民企業向QFII 支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47 號). If dividends and bonus obtained by QFII shareholders need to enjoy tax convention (arrangement) treatment, they can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

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



### (II) Holders of H Shares

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

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



## DISCUSSION AND ANALYSIS OF OPERATIONS

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

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

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

## SIGNIFICANT EVENTS

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## SIGNIFICANT EVENTS

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

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

The Company consistently pays attention to reasonable returns on investment to shareholders, the profit distribution policy is clearly stated in the Articles of Association of the Company and the Dividend Distribution Management Policies of GF Securities. The formulation, adjustment, compliance and transparency of the policies have complied with the requirements of the Articles of Association of the Company and the procedure for consideration, the standard and proportion of dividend distribution are clear, in the absence of the occurrence of, inter alia, any significant investment plans or significant cash expenditure, the cumulative amount of profit distributed in cash by the Company in any three consecutive years shall not be less than 30% of the average annual distributable profit realized in those three years, providing sufficient protection to investors, in particular the legitimate interest of minority investors.

The Company formulated the profit distribution plan strictly in accordance with the Articles of Association of the Company and the Dividend Distribution Management Policies of GF Securities, and formulated dividend plans scientifically for the benefit of shareholders by taking into consideration, inter alia, factors such as the development strategic plans, industry development trends, social capital cost and external financing environment. During the Reporting Period, the Company strictly executed the profit distribution policy without formulating any new profit distribution policies nor adjusting the existing profit distribution policy of the Company.

#### Specific Particulars of Cash Dividend Policy

Whether the policy complied with the provisions of the Articles of Association or the requirements of the resolutions of the Shareholders' General Meeting:	Yes
Whether the standard and proportion of dividend distribution were definite and clear:	Yes
Whether the relevant decision-making procedure and mechanism were well-established:	Yes
Whether the independent directors performed their duties and responsibilities and played their roles properly:	Yes
Whether minority shareholders had sufficient opportunity to express their opinions and requests, whether their legitimate interests were sufficiently protected:	Yes
If the cash dividend policy underwent any adjustments or changes, whether the conditions and procedures were compliant and transparent:	N/A



## SIGNIFICANT EVENTS

### 2. The Company's Cash Dividends of Ordinary Shares in the Latest Three Years (including the Reporting Period)

Unit: RMB

Year of Dividend	Amount of Cash Dividends (tax inclusive)	Amount of Net Profit Attributable to Shareholders of Ordinary Shares in the Consolidated Statements of the Year of Dividend	Percentage of Amount of Cash Dividends to Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements	Amount of Cash Dividends Otherwise Distributed (such as repurchase of shares)	Percentage of Amount of Cash Dividends Otherwise Distributed to Net Profit Attributable to Shareholders of Ordinary Shares in the Listed Company in the Consolidated Statements
2020	3,429,489,448.80	10,038,134,647.91	34.16%	-	-
2019	2,667,380,682.40	7,538,921,643.02	35.38%	-	-
Mid-2019	1,524,217,532.80	4,140,017,091.62	36.82%	-	-
2018	-	4,300,126,341.29	-	-	-

Taking into account the Company's 2019 profit distribution plan and 2019 interim profit distribution plan, the Company's total annual cash dividend distribution amounted to RMB4,191,598,215.20, accounting for 55.60% of net profit attributable to owners of the parent company in the Company's 2019 consolidated statements.

### 3. Reasons that the Company Makes Profit and the Profit Available for Distribution to the Ordinary Shares Shareholders of the Parent Company is Positive, but No Proposals on Ordinary Shares Cash Dividends Distribution is Made during the Reporting Period

N/A

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

Number of bonus share per 10 shares (share(s))	0
Dividend distribution per 10 shares (RMB) (tax inclusive)	4.5
Scrip shares per 10 shares (share(s))	0
Share base of the distribution proposal (shares)	7,621,087,664
Amount of cash dividend (RMB) (tax inclusive)	3,429,489,448.80
Amount of cash dividends distribution through other means (such as repurchase of shares) (RMB)	0
Total cash dividend (including cash dividends distribution through other means) (RMB)	3,429,489,448.80
Distributable profits (RMB)	23,600,893,624.83
Percentage of total cash dividend (including cash dividends distribution through other means) to total profit distribution	100%



## SIGNIFICANT EVENTS

### Current Distribution of Cash Dividends

Based on the number of shares held as at the record date, it was proposed that a cash dividend of RMB4.5 (tax inclusive) for every 10 shares be distributed to all shareholders. Based on the Company's existing share capital of 7,621,087,664 shares, the total cash dividend would be RMB3,429,489,448.80, and the remaining undistributed profit of RMB20,171,404,176.03 would be carried forward to the next year.

### Description in details on the Proposal of Profit Distribution or Conversion of Capital Reserves into Share Capital

According to the Company's consolidated statements in 2020, the net profit attributable to owners of the parent company was RMB10,038,134,647.91; the net profit of the parent company was RMB7,340,393,398.36 and the distributable profit for the year was RMB25,803,602,408.80.

Having considered the requirements under the Company Law, the Securities Law, the Financial Rules for Financial Enterprises, the Articles of Association of the Company and the Document (No. [2007]320) issued by the CSRC, the Company proposed the following profit distribution for the year of 2020 in the interest of the shareholders and the development of the Company:

In 2020, the parent company of GF Securities achieved net profit of RMB7,340,393,398.36, and in accordance with the provisions of the Articles of Association of the Company, each of the statutory surplus reserve, the general risk reserve, and the transaction risk reserve was credited with 10% of the net profit, amounting to RMB734,039,339.84 for each of the reserves. According to the Provisional Measures on Supervision and Administration of Risk Reserve of Public Offering of Securities Investment Funds 《公開募集證券投資基金風險準備金監督管理暫行辦法》, a fund custodian should appropriate no less than 2.5% of the income from fund custodian fees to the risk reserve on a monthly basis. A sum of RMB590,764.45 was appropriated to the general risk reserve for asset custodian business, and the remaining distributable profit amounted to RMB23,600,893,624.83.

According to the Document (No. [2007] 320) issued by the CSRC, securities firms shall not utilize the gains arising from fair value changes included in distributable profits to distribute cash dividends. After deducting the gains arising from fair value changes included in distributable profits, the distributable profits for cash dividends for the year amounted to RMB23,600,893,624.83.

The Profit Distribution Plan of GF Securities in 2020 《廣發證券2020年度利潤分配預案》 was considered and approved at the 13th meeting of the 10th session of the Board of Directors, which is in compliance with the Articles of Association of the Company and approval procedures, fully protecting the legitimate interests of minority investors. The independent directors of the Company have provided their view in the Independent Opinions on Profit Distribution Plan in 2020 《關於2020年度利潤分配預案的獨立意見》. After being considered and approved by the Annual General Meeting, the Profit Distribution Plan of the Company in 2020 will be implemented within two months from the date when it is being considered and approved at the general meeting.



## SIGNIFICANT EVENTS

### III. IMPLEMENTATION OF COMMITMENTS

#### 1. Commitments Performed during the Reporting Period or Not Yet Performed as of the End of the Reporting Period by the de facto Controller of the Company, Shareholders, Related Parties, Purchasers and the Company

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



## SIGNIFICANT EVENTS

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

Whether the undertakings were performed timely?

Yes

2. If there are profit forecasts for the assets or projects of the Company and the Reporting Period is within the period of the profit forecasts, particulars of the Company's assets or projects reaching the original profit forecasts and the reasons

N/A

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

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



## SIGNIFICANT EVENTS

### V. STATEMENT ON ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT" OF THE REPORTING PERIOD BY THE BOARD OF DIRECTORS, SUPERVISORY COMMITTEE AND INDEPENDENT DIRECTORS (IF ANY)

N/A

### VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

#### 1. Currently Appointed Accounting Firms

PRC Accounting Firm	Ernst & Young Hua Ming LLP
Audit remuneration of PRC Accounting Firm (RMB)	2.25 million
Continuous term of auditing service of PRC Accounting Firm	3 years
Name(s) of certified public accountant(s) of the PRC Accounting Firm	Chang Hua, He Yanyi
Continuous term of auditing service of certified public accountant(s) of PRC Accounting Firm	3 years
International Accounting Firm	Ernst & Young
Audit/review remuneration of International Accounting Firm (RMB)	1.35 million
Continuous term of auditing service of the International Accounting Firm	3 years
Name(s) of certified public accountant(s) of the International Accounting Firm	Benny Bing Yin Cheung
Continuous term of auditing service of certified public accountant(s) of the International Accounting Firm	3 years

Note: The above is the audit/review fees for the regular report of the Company, which does not include the audit fees for consolidated subsidiaries.

#### 2. Appointment of Accounting Firm for Internal Control Audit, Financial Advisor or Sponsor

In 2020, the Company appointed Ernst & Young Hua Ming LLP as accounting firm for internal control audit with auditing fees at RMB340,000.



## SIGNIFICANT EVENTS

### 3. Changes on Accounting Firms during Three Years

Deloitte Touche Tohmatsu Certified Public Accountants LLP (hereafter referred to as “DTT”) and Deloitte Touche Tohmatsu were the auditors of the Company engaged for 2017. DTT has served the Company for 10 years. According to the requirements on the service term of the same accounting firm (including its affiliated member entities) continuously engaged by a financial enterprise set forth in the Administrative Measures on Tendering Procedures for the Election and Appointment of Accounting Firms by Financial Enterprises (Provisional) 《金融企業選聘會計師事務所招標管理辦法(試行)》 issued by the Ministry of Finance of the People’s Republic of China, on June 29, 2018, the Company passed the resolution at the general meeting to engage Ernst & Young Hua Ming LLP as the domestic auditor of the Company for 2018 and engage Ernst & Young as the overseas auditor of the Company for 2018. For details, please refer to the relevant announcements published by the Company on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on April 24, 2018 and June 29, 2018, respectively.

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

N/A

## VIII. SIGNIFICANT LITIGATION AND ARBITRATION

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 December 31, 2020, the Company (including its wholly-owned and holding subsidiaries) was involved in 109 litigation and arbitration cases (including those initiated by and against the Group) pending for final judgment or ruling and completed execution, involving a total amount of claims at approximately RMB1,808 million.



## SIGNIFICANT EVENTS

### IX. 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.

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. (Letter of 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, 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.



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## SIGNIFICANT EVENTS

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In this regard, the Company learned the lessons seriously, and carefully reflected, strictly effected the rectification requirements, and internally held relevant personnel accountable in accordance with the internal accountability system. Meanwhile, the Company adjusted the organizational structure of investment banking business to further strengthen its internal control mechanism of such business, which featured reasonable division of labor, clearly defined powers and responsibilities, mutual checks and balances and effective supervision, while enhancing the overall compliance management and comprehensive risk management of investment banking business to ensure compliance with the bottom-line requirements of honesty and faithfulness, diligence and responsibility. The Company will always adhere to a business philosophy of being “customer-centric”, and build a first-class resource allocation modern investment bank with full life cycle towards platformization, specialization, refinement and digitalization, effectively improving the quality of investment banking business. The Company will continue to strengthen its responsibility, capability and professional ethics as an intermediary institution in the capital market, and enhance its ability to serve the real economy, thereby contributing to the high-quality development of the capital market in the new era.



## SIGNIFICANT EVENTS

3. On December 22, 2020, the Company's securities brokerage branch of Shenzhen Unicenter received the Decision on Adopting Regulatory Measures for Issuing Warning Letters to Shenzhen Unicenter Securities Brokerage Branch of GF Securities Co., Ltd. (Letter of Decision of Administrative Regulatory Measures from Shenzhen Bureau of the CSRC [2020] No. 213) 《關於對廣發證券股份有限公司深圳壹方中心證券營業部採取出具警示函措施的決定》(中國證券監督管理委員會深圳監管局行政監管措施決定書[2020]213 號)) from Shenzhen Bureau of the CSRC, which states that the branch failed to monitor employee behaviors in accordance with the regulations, and there were cases where individual employees' mobile phone numbers were neither filed nor monitored, which violated article 6 of 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》.

In this regard, the Company continuously enhanced its training, supervision and inspection of employees' practice behaviors, further improved system functions and promoted the effects of employee behavior monitoring and control, and submitted a rectification report to the Shenzhen Bureau of the CSRC.

### X. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

Please refer to "V. Qualifications for Individual Businesses" of Section 1 "Company Profile" in this report.

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

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

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



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## SIGNIFICANT EVENTS

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

N/A

### 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 Rules and GF Information Disclosure Management Rules, the related/connected transactions of the Group observe the fair and reasonable principles, and the agreements on related/connected transactions were entered into under the principles of equality, willingness, pricing equality and compensation.

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

In 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.

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



## SIGNIFICANT EVENTS

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

As of the date of this report, the Company had the following ongoing related transactions in respect of acquisition and sale of assets or equity interest:

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

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.



## SIGNIFICANT EVENTS

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, Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu, the three independent non-executive Directors, 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 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](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on January 22, 2020.



## SIGNIFICANT EVENTS

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

- (1) On September 22, 2020, the related/connected transaction in relation to joint investment of GF Xinde (a wholly-owned subsidiary of the Company) and Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd. (hereinafter referred to as “Public Utilities Environmental Protection”, a wholly-owned subsidiary of Zhongshan Public Utilities), was considered and approved at the fourth meeting of the tenth session of the Board of the Company. GF Xinde (as the manager) established Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership (Limited Partnership) (中山廣發信德致遠科技創業投資合夥企業(有限合夥)) in the form of limited partnership. The total capital contribution amount of the fund was RMB600 million, of which the capital contribution by GF Xinde and Public Utilities Environmental Protection was RMB120 million and RMB280 million, respectively.

As Zhongshan Public Utilities and its parties acting in concert hold 10% or more shares of the Company, both Zhongshan Public Utilities and Public Utilities Environmental Protection are the related/connected parties of the Company pursuant to the SZSE Listing Rules and the Hong Kong Listing Rules. The establishment of the fund by Public Utilities Environmental Protection and GF Xinde through joint investment constituted a related/connected transaction.

Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership (Limited Partnership) was filed with Asset Management Association of China in November 2020.

- (2) On September 28, 2020, the related/connected transaction in relation to joint investment of GF Xinde (a wholly-owned subsidiary of the Company), GF Qianhe and Zhongshan Zhonghui Investment Group Company Limited (hereinafter referred to as “Zhonghui Group”, a controlling shareholder of Zhongshan Public Utilities), was considered and approved at the fifth meeting of the tenth session of the Board of the Company. GF Xinde (as the manager) established Zhongshan Zhonghui GF Xinde Equity Investment Fund (Limited Partnership)(中山中匯廣發信德股權投資基金(有限合夥)) in the form of limited partnership. The total capital contribution amount of the fund was RMB500 million, of which the capital contribution by GF Xinde, GF Qianhe and Zhonghui Group was RMB100 million, RMB50 million and RMB350 million, respectively.

As Zhonghui Group is the controlling shareholder of Zhongshan Public Utilities, and Zhongshan Public Utilities and its parties acting in concert hold 10% or more shares of the Company, both Zhongshan Public Utilities and Zhonghui Group are the related/connected parties of the Company pursuant to the SZSE Listing Rules and the Hong Kong Listing Rules. The establishment of the fund by Zhonghui Group, GF Xinde and GF Qianhe through joint investment constituted a related/connected transaction.



## SIGNIFICANT EVENTS

Zhongshan Zhonghui GF Xinde Equity Investment Fund (Limited Partnership) was filed with Asset Management Association of China in November 2020.

- (3) On December 18, 2020, the related/connected transaction in relation to joint investment of GF Xinde (a wholly-owned subsidiary of the Company), GF Qianhe and Jilin Aodong, was considered and approved at the tenth meeting of the tenth session of the Board of the Company. GF Xinde (as the manager) established Guangzhou GF Xinde Health Venture Capital Fund Partnership (Limited Partnership)(廣州廣發信德健康創業投資基金合夥企業(有限合夥))in the form of limited partnership. The total capital contribution amount of the fund was RMB500 million, of which the capital contribution by GF Xinde, GF Qianhe and Jilin Aodong was RMB100 million, RMB150 million and RMB50 million, respectively.

As Jilin Aodong holds 10% or more shares of the Company, Jilin Aodong is a related/connected party of the Company pursuant to the SZSE Listing Rules and the Hong Kong Listing Rules. The establishment of the fund by Jilin Aodong, GF Xinde and GF Qianhe through joint investment constituted a related/connected transaction.

Guangzhou GF Xinde Health Venture Capital Fund Partnership (Limited Partnership) was filed with Asset Management Association of China in January 2021.

#### 4. Amount due to or from Related Parties

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

Unit: RMB

Item Name	Related Party	Amount as of the end of the period	Amount as of the beginning of period
Seats commission, trailing commission and custodian fee receivables	E Fund Management Co., Ltd.	25,817,290.30	6,784,065.85
Seats commission and trailing commission receivables	Harvest Fund Management Co., Ltd.	8,957,403.99	5,056,413.98
Seats commission receivables	Hang Seng Qianhai Fund Management Company Limited	48,841.11	—

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.



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## SIGNIFICANT EVENTS

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### 5. Other Material Related-Party Transactions

No other material related transactions occurred during the Reporting Period.

## XIV. MAJOR CONTRACTS AND THEIR PERFORMANCE

### 1. Custody, Contracting and Leases

#### (1) *Custody*

During the Reporting Period, there was no occurrence of any major custody event nor any major custody event occurred in the previous periods had extended to 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.



## SIGNIFICANT EVENTS

### 2. Material Guarantees

#### (1) Guarantees

##### External Guarantees Provided by the Company and Its Subsidiaries (Excluding Guarantees Provided to Subsidiaries)

Name of the Guaranteed Party	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Amount of Guarantee	Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee	Term of Guarantee	Guarantee Provided	
								Performance to Related Parties or Not	Fulfilled 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

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	Guarantee Provided	
								Performance to Related Parties or Not	Fulfilled 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)			RMB652.4900 million
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (B3)					RMB456.7430 million	Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)			RMB456.7430 million



## SIGNIFICANT EVENTS

Name of the Guaranteed Party	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Amount of Guarantee	Guarantees among Subsidiaries			Guarantee Performance to Related Parties or Not	Guarantee Provided Parties or Not
				Actual Date of Occurrence (Date of Agreement)	Actual Amount of Guarantee	Type of Guarantee		
GF Securities (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 guarantee 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)			RMB42.0820 million
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (C3)				RMB42.0820 million	Total actual balance of guarantee provided to subsidiaries as at the end of the Reporting Period (C4)			0
<b>Total Amount of Guarantees Provided by the Company (i.e. the total of the first three major items)</b>								
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)			RMB694.5720 million
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)				RMB498.8250 million	Total actual balance of guarantees provided as at the end of the Reporting Period (A4+B4+C4)			RMB456.7430 million
Total actual amount of guarantees (i.e. A4+B4+C4) as a percentage of the net assets of the Company							0.47%	
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% (E)							RMB456.7430 million	
Amount of total guarantees above 50% of net assets (F)							0	
Total of the above 3 amounts of guarantees (D+E+F)							RMB456.7430 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 1:0.84164 and US dollar to Renminbi at 1: 6.5249 published by the People's Bank of China on December 31, 2020.

### (2) *Non-compliance in external guarantees*

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



## SIGNIFICANT EVENTS

### 3. Cash asset management conducted by other entrusted parties

#### (1) Entrusted wealth management

There was no entrusted wealth management by the Company during the Reporting Period.

#### (2) Entrusted loans

*Summary of entrusted loans during the Reporting Period*

Unit: RMB' 0,000

Total amount of entrusted loans	Source of funds of entrusted loans	Outstanding balance	Unrecovered overdue amount
4,800	Self-owned funds	458.55	1,717.47

*Specific particulars of entrusted loans*

Unit: RMB' 0,000

Borrower	Type of borrower	Loan interest rate	Loan amount	Source of funds	Start date	End date	Expected income	Actual		Impairment provision	Through legal process or not	Any future plans of entrusted loans
								Actual profit/loss amount in the Reporting Period	Actual profit/loss recovered in the Reporting Period			
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery	8.80%	3,000	Self-owned funds	Sep 19, 2016	Sep 5, 2020	0	49.57	0	788.24	Yes	No for the time being
	industries	8.00%	1,800	Self-owned funds	Oct 13, 2017	April 13, 2021	13.02	94.78	0	1,361.76	Yes	No for the time being
<b>Total</b>			4,800	--	--	--	13.02	144.35	--	2,150.00	--	--

Note: The amount of impairment provision in the above table was the balance of impairment provision for entrusted loans as at the end of the Reporting Period.

*Circumstances where expected non-recovery of principal amount or other possible causes of impairment in entrusted loans may arise*

Entrusted loans were overdue, and impairment provision was made accordingly.



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## SIGNIFICANT EVENTS

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### 4. Major contracts relating to day-to-day operations

N/A

### 5. Other major contracts

For relevant details, please refer to “XIII. Major Related Transactions” of Section 6 “Significant Events” in this report.

## XV. 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.

During the Reporting Period, the Group’s total charitable expenses amounted to RMB35.6095 million. The “GF Securities Social Charity Foundation in Guangdong Province” established by the Group actively conducted various activities such as helping the poor and donating money for education with annual charitable expenses of over RMB30.4261 million; continued to care about environmental and ecological development, advocated low-carbon environmental protection, continued to promote the green operation and green office concepts, upgraded and optimized the video conference system, paperless conference system, teleconference system and meeting room reservation system, and continued to outsource printing of documents so as to save energy consumption and optimize allocation of resources to make active contribution to the sustainable development of the society. Please refer to the 2020 Social Responsibility Report of GF Securities Co., Ltd. concurrently disclosed with this Annual Report on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for details.

Since the outbreak of novel coronavirus pneumonia, the Company has continued tracking the development of the epidemic. The Company donated RMB10 million to jointly establish the GF Securities Fund for Prevention and Treatment of Novel Coronavirus Pneumonia with China Foundation for Poverty Alleviation and such donation has been used to purchase hospital anti-epidemic equipment and relevant urgently needed medical and healthcare epidemic prevention materials supplies under the direction of the relevant departments of the National Health Commission to support the epidemic prevention and control. The aggregate amount of donations made by the Company and its subsidiaries to combat the epidemic is over RMB16.8217 million. The aggregate amount of donations made by E Fund, an investee of the Company, and its employees is RMB10.34 million.



## SIGNIFICANT EVENTS

### 2. 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 property by the Guangdong Province Party Committee and the People's Government of Guangdong Province.

#### (2) *Summary of annual targeted poverty alleviation*

During the Reporting Period, the Group earnestly carried out the assignments of regulatory authorities and local governments and put active efforts on targeted poverty relief and alleviation. It actively performed social responsibilities, made contributions to ensure fully successful fight against poverty as scheduled, and contributed a total of over RMB1,800,000 in poverty alleviation to offer paired assistance to Wuzhishan City, Baisha County and Lingao County in Hainan Province and Tianjinggang Village in Lechang City, Guangdong Province, and establish the UN Sustainable Development Goal Model Village in Laifeng County, Hubei Province, Longshan County, Hunan Province, Meigu County, Sichuan Province and Baisha County, Hainan Province to create a model for global poverty alleviation, thereby enjoying wide recognition from the society.

During the Reporting Period, the "one company for one county" supporting initiative of the Company in Hainan Province successfully supported three poverty-stricken counties to get rid of poverty. The Company successfully applied for the 2020 natural rubber "futures + insurance" project in Baisha County to support a spot tonnage of 1,000 tons. The 1,000-mu Wuzhi downy peach plantation model base project in Dui'e Village distributed a bonus of RMB544,000 for 2020. The passion fruit base entered fruit-bearing period, and its scale of plantation continued to expand as supply fell short of demand. The photovoltaic power station poverty alleviation project in Panyang Village, Wuzhishan City increased annual income of each of 42 poor families by approximately RMB3,000. Baisha honey, Lingao pitaya and Wuzhishan clinacanthus nutans were recommended to participate in the online exhibition of the CSRC. The Company continued to carry out "GF Inspirational Class" education program, donating nearly 200 people and employing 15 people. The Company promoted the formulation of an overall plan on the effective connection between poverty alleviation and rural revitalization in Tianjinggang Village. The Company supported Tianjinggang Village in epidemic prevention and control 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 carried out "purchase instead of donation", generating an amount of poverty alleviation with consumption of RMB720,000 for poor villages with a total of 5,132 people involved, which has vigorously promoted the income growth of village collectives and poor families.



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## SIGNIFICANT EVENTS

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The Group's subsidiaries also participated actively in poverty alleviation work to establish combined forces for targeted poverty alleviation. In 2020, GF Futures purchased insurance products such as agricultural product price insurance for farmers in Yuyang District, Shaanxi Province, Jiangcheng County, Yunnan Province, Baisha Town, Hainan Province, Donggang City, Liaoning Province and Qin'an County, Shaanxi Province, respectively. Moreover, GF Futures carried out poverty alleviation through charity in Tongbai County, Henan Province, Jiangcheng County, Yunnan Province, Changshan Farm, Guangdong Province and Ensi City, Hubei Province; purchased agricultural products of poverty-stricken farmers in poverty-stricken areas; and continued to provide assistance to poverty-stricken college students and Guanghua Middle School in Jiaokou, Yanchang County to solve living difficulties. 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.



## SIGNIFICANT EVENTS

### (3) Results of targeted poverty alleviation

Indicators	Unit of measurement	Quantity/ development status
I. General Information	–	–
Including:		
1. Funds	In ten thousands of RMB	187.28
2. Cash converted from materials	In ten thousands of RMB	0
3. Number of registered poor people who were helped to be out of poverty	Person (s)	0
II. Sub-segments of Investments	–	–
1. Poverty removal through industrial development	–	–
Including:		
1.1 Type of industrial development project for poverty removal	–	Poverty alleviation through assets income
1.2 Number of industrial development projects for poverty removal	unit	1
1.3 Invested amount in industrial development projects for poverty removal	In ten thousands of RMB	58.04
1.4 Number of registered poor people who were helped to be out of poverty	Person (s)	166
2. Poverty removal by education	–	–
Including:		
2.1 Invested amount to endow poor students	In ten thousands of RMB	29.24
2.2 Number of endowed poor students	Person (s)	34
3. Social poverty alleviation	–	–
Including:		
3.1 Invested amount in cooperation with poverty removal in the western and eastern China	In ten thousands of RMB	0
3.2 Invested amount in targeted poverty alleviation work	In ten thousands of RMB	187.28
4. Others	–	–
Including:		
4.1. Number of projects	unit	1
4.2. Invested amount	In ten thousands of RMB	100



## SIGNIFICANT EVENTS

III. Awards received (details and grade)	—	—
Excellent Cases of Assistance in Aspiration and Intelligence at “the 3rd China Excellent Poverty Alleviation Case Public Lecture”		People’s Daily Online, China Poverty Alleviation
Guangdong Province Poverty Alleviation and Development Hongmian Cup		Guangdong Province Leading Group of Poverty Alleviation and Development
Annual Charity Group Award and Charity Innovation Award in China Charity Festival		China Charity Festival
No.2 of Most Socially Responsible Securities Companies		Shanghai Securities News
Most Socially Responsible Securities Company		National Business Daily
2020 Excellent Corporate Citizen		21st Century Business Herald
Targeted Poverty Alleviation Contribution Award on China Corporate Social Responsibility List		China Business Network
2020 Poverty Alleviation Enterprise Award at CSR Pioneer Forum		FNEWS.com
2020 Excellent Social Responsibility Award		China Investment Network
Industry Poverty Alleviation Innovation Award		Xinkuaibao
Best Charity Fund of the Year		
Annual Poverty Alleviation Pioneer Financial Institution of China’s Financial Annual Champion Awards		hexun.com
Most Socially Responsible Securities Company 2020		China Jinding Award
Social Responsibility Public Welfare Communication Influential Enterprise		Social Responsibility Conference

Note: Total amount invested in targeted poverty alleviation by the Company in 2020 was RMB1.8728 million, the full amount was used in the targeted poverty alleviation work mentioned in 3.2.

#### (4) Subsequent work plan

The Company’s subsequent work plan is mainly to successfully complete the final paired assistance to three national-level poverty-stricken countries in Hainan Province and Tianjinggang Village to achieve efficient connection with rural revitalization. The Company will strengthen the refining, sharing and communication of experience and actively fulfill its social responsibilities.



## SIGNIFICANT EVENTS

### 3. Environmental protection

The Group is a financial enterprise and does not belong to any waste discharge unit announced under the environmental protection department.

The Group strictly observes laws and regulations including the Law on Environmental Protection of the People's Republic of China and the Law on Energy Saving of the People's Republic of China, and always applies green operation throughout the whole process of operational management by focusing on green and environmental operating concepts in various aspects of operation, in order to attain sustainable growth and organic fusion of society, environment and economic benefits. The Group has been practising green operation concepts actively for a long time, and, various measures for energy conservation and emissions reduction are also adopted to reduce the adverse effects of the Company's operation on the environment and natural resources. Please refer to the 2020 Social Responsibility Report of GF Securities Co., Ltd. disclosed concurrently with this report on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for details.

## XVI. PARTICULARS OF OTHER SIGNIFICANT ISSUES

1. The Proposal on the Change of Organizational Structure of the Company's Investment Banking Business was considered and approved at the eighth meeting of the Tenth Session of Board of Directors of the Company, pursuant to which the Board of Directors agreed to set up the Investment Banking Business Management Committee and cancel the Investment Banking Business Management Division and the Investment Banking Department. After the adjustment, the Investment Banking Business Management Committee has six first-level departments (i.e., Investment Banking General Management Department, Investment Banking Quality Control Department, Capital Market Department, Strategic Investment Banking Department, Mergers and Acquisitions Department and Debt Underwriting Department) and related industrial and regional business groups. For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on November 10, 2020.
2. To reward the Company (including its wholly-owned subsidiaries and holding subsidiaries) for its operational contributions and support regional development, the Company has received various government subsidies totaling RMB1,069.4773 million since 2020. For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on December 25, 2020.



## SIGNIFICANT EVENTS

- Administrative license decisions made by regulatory authorities or business license notices by self-regulatory organisations during the Reporting Period

No.	Regulatory authority	Administrative license decisions (including other important documents received from regulatory authorities)
1	Dalian Bureau of the CSRC	Reply on Approval for Deregistration of Dalian Branch by GF Securities Co., Ltd. (Da Zheng Jian Xu Ke [2020] No. 1)
2	SZSE, Guangdong Bureau of the CSRC	Notice on Provision of Transfer Services to GF Securities Co., Ltd. in Respect of the Subordinated Bonds (First Tranche) of Securities Firms in 2020 (Shen Zheng Shang [2020] Nos. 152 and 20201001)
3	SZSE	Notice on Provision of Transfer Services to GF Securities Co., Ltd. in Respect of Non-public Issue of Corporate Bonds (Second Tranche) (for COVID-19 Prevention and Control) (Type 1 Bonds) in 2020 (Shen Zheng Shang [2020] No. 190)
4	SZSE	No-objection Letter to GF Securities Co., Ltd. for the Subordinated Bonds of Securities Firms in 2020 Meeting Transfer Conditions of the SZSE (Shen Zheng Han [2020] No. 422)
5	SZSE	No-objection Letter to GF Securities Co., Ltd. for the Subordinated Bonds of Securities Firms in 2020 Meeting Transfer Conditions of the SZSE (Shen Zheng Han [2020] No. 1118)
6	Guangdong Administration for Market Regulation	Approval and Filing Registration Notice (Yue He Bei Tong Nei Zi [2020] No. 44000012000000664)
7	PBOC Baotou Central Sub-branch	Letter of PBOC Baotou Central Sub-branch on Approving the Baotou Gangtie Street Securities Business Department of GF Securities Co., Ltd. to Be Included in the Central Financial Management and Service System (Bao Yin Han [2020] No. 1)
8	China Securities Finance Corporation Limited	Reply to Application for Participation in Refinancing Business of ChiNext (Zhong Zheng Jin Han [2020] No. 145)
9	CSRC	Reply to the Opinions on Non-public Issuance of Perpetual Subordinated Bonds by GF Securities Co., Ltd. (Ji Gou Bu Han [2020] No. 2338)
10	Shanghai Commercial Paper Exchange Co., Ltd.	Notice on Access of GF Securities Co., Ltd. (Depositary) to China Bill Trading System (202008009)
11	Guangdong Administration for Market Regulation	Approval and Filing Registration Notice (Yue He Bei Tong Nei Zi [2020] No. 44000012000001209)



## SIGNIFICANT EVENTS

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

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

In February 2021, GFHK, a wholly-owned subsidiary of the Company, passed a resolution at the general meeting, pursuant to which it agreed to provide performance guarantee to its wholly-owned subsidiary, GF Global Capital, in respect of the issue of structured notes with a total size of no more than US\$1 billion (or its equivalent in other currencies) to ensure the performance of the notes contract by GF Global Capital in accordance with the terms of the notes, subject to a guarantee amount of no more than US\$1 billion (or its equivalent in other currencies). For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO ([www.cninfo.com.cn](http://www.cninfo.com.cn)) and the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on February 6, 2021.

## XVIII. INDEX OF INFORMATION DISCLOSURE

During the Reporting Period, the Company published the following information in respect of A Shares (excluding the “Announcements on H Shares”) in China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed the same on the website of CNINFO ([www.cninfo.com.cn](http://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	Estimated Results for the Year 2019	January 21, 2020
4	Announcement on the Results of the Issuance of the Non-Public Issuance of Corporate Bonds	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
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



## SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
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
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
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



## SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
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 Supervisory Committee	June 10, 2020
46	Announcement on the Resolutions of the 1st Meeting of the 10th Session of the Board of Directors	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
49	Announcement on the Key Financial Information for June 2020	July 9, 2020
50	Announcement on the Results of the Issuance of the 2020 Eighth Tranche of Short-term Financing Bills (Bond Connect) of the Company	July 10, 2020
51	Announcement on the Receipt of Advance Notice of Administrative Regulatory Measures from Guangdong Regulatory Bureau of the China Securities Regulatory Commission by the Company and the Relevant Personnel	July 11, 2020
52	Announcement on the Receipt of Decisions of Administrative Regulatory Measures from Guangdong Regulatory Bureau of the China Securities Regulatory Commission by the Company and the Relevant Personnel	July 21, 2020
53	Announcement on the Interest Payment in 2020 for the 2017 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors and delisting thereof	July 21, 2020
54	Announcement on the Implementation of Profit Distribution for A Shares for 2019	July 30, 2020
55	Announcement on the Key Financial Information for July 2020	August 7, 2020
56	Announcement on the Resolutions of the 2nd Meeting of the 10th Session of the Board of Directors	August 18, 2020
57	Announcement on the Interest Payment in 2020 for the 2018 Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors	August 18, 2020
58	Announcement on the Payment of Principal and Interest and Delisting of “17 GF 03” Corporate Bonds under Non-public Issuance	August 18, 2020
59	Announcement on the Resolutions of the 3rd Meeting of the 10th Session of the Board of Directors	August 29, 2020
60	Highlights of 2020 Interim Report	August 29, 2020
61	Announcement on the Resolutions of the 2nd Meeting of the 10th Session of the Supervisory Committee	August 29, 2020
62	Announcement on the Payment of Principal and Interest and Delisting of “17 GF 04” Corporate Bonds under Non-public Issuance	August 29, 2020



## SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
63	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	September 8, 2020
64	Announcement on the Resignation of Ms. Liu Xuetao as a Non-executive Director of the Company	September 19, 2020
65	Announcement on the Resolutions of the 4th Meeting of the 10th Session of the Board of Directors	September 23, 2020
66	Announcement on Related/Connected Transaction in Relation to Joint Investment of GF Xinde Investment Management Co., Ltd. and Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd.	September 23, 2020
67	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	September 23, 2020
68	Notice of the 2020 First Extraordinary General Meeting	September 26, 2020
69	Announcement on the Resolutions of the 5th Meeting of the 10th Session of the Board of Directors	September 29, 2020
70	Announcement on Related/Connected Transaction in Relation to Joint Investment of GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Zhongshan Zhonghui Investment Group Company Limited	September 29, 2020
71	Announcement on Reminder Notice of the 2020 First Extraordinary General Meeting	October 15, 2020
72	Announcement on the Resolutions of the 6th Meeting of the 10th Session of the Board of Directors	October 20, 2020
73	Announcement on the Resolutions of the 2020 First Extraordinary General Meeting	October 20, 2020
74	Announcement on the Payment of Principal and Interest and Delisting of "17 GF C1" Subordinated Bonds	October 21, 2020
75	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	October 27, 2020
76	Announcement on the Resolutions of the 7th Meeting of the 10th Session of the Board of Directors	October 31, 2020
77	2020 Third Quarterly Report	October 31, 2020
78	Announcement on the Resolutions of the 3rd Meeting of the 10th Session of the Supervisory Committee	October 31, 2020
79	Announcement on the Results of the Issuance of the 2020 Ninth Tranche of Short-term Financing Bills (Bond Connect) of the Company	November 3, 2020
80	Announcement on the Cumulative Amount of New Borrowings for the Year Representing More Than 40% of net assets as at the End of Last Year	November 6, 2020
81	Announcement on Over 1% Increase in Shareholdings of Liaoning Cheng Da Co., Ltd.	November 7, 2020
82	Announcement on the Resolutions of the 8th Meeting of the 10th Session of the Board of Directors	November 10, 2020



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No.	Matters of Announcement	Date of Publication
83	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	November 11, 2020
84	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	November 25, 2020
85	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	December 2, 2020
86	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	December 9, 2020
87	Announcement on the Resolutions of the 9th Meeting of the 10th Session of the Board of Directors	December 12, 2020
88	Notice of the 2021 First Extraordinary General Meeting	December 16, 2020
89	Announcement on the Resolutions of the 10th Meeting of the 10th Session of the Board of Directors	December 19, 2020
90	Announcement on Related/Connected Transaction in Relation to Joint Investment of GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Jilin Aodong Pharmaceutical Group Co., Ltd.	December 19, 2020
91	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	December 19, 2020
92	Announcement on Receiving Government Subsidies	December 25, 2020
93	Announcement on the Result of Issuance of Non-public Issuance of Corporate Bonds	December 29, 2020



## 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](http://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	Monthly Return of Equity Issuer on Movements in Securities for the month ended February 29, 2020	March 5, 2020
8	Announcement on the Key Financial Information for February 2020	March 5, 2020
9	Date of Board Meeting	March 12, 2020
10	2019 Corporate Social Responsibility Report	March 27, 2020
11	Announcement-Announcement in Relation to the Provision for Assets Impairment for 2019	March 27, 2020
12	Announcement-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	2019 Annual Results Announcement	March 27, 2020
14	Announcement in Relation to 2019 Annual Results Presentation	March 30, 2020
15	Monthly Return of Equity Issuer on Movements in Securities for the month ended March 31, 2020	April 3, 2020
16	Announcement on the Key Financial Information for March 2020	April 9, 2020
17	Date of Board Meeting	April 9, 2020
18	Notification Letter and Request Form to Non-Registered Shareholders	April 16, 2020
19	Notification Letter and Request Form to Registered Shareholders	April 16, 2020
20	2019 Annual Report	April 16, 2020
21	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
22	List of Directors and their Roles and Functions	April 21, 2020
23	Announcement-Resignation of Executive Director and General Manager Appointment of General Manager Change of Authorized Representative	April 21, 2020
24	Notification Letter and Request Form to Non-Registered Shareholders	April 24, 2020
25	Notification Letter and Request Form to Registered Shareholders	April 24, 2020
26	Reply Slip for the 2019 Annual General Meeting	April 24, 2020



## SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
27	Proxy Form for the 2019 Annual General Meeting	April 24, 2020
28	2019 AGM Circular	April 24, 2020
29	Notice of AGM	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
33	Monthly Return of Equity Issuer on Movements in Securities for the month ended May 31, 2020	June 4, 2020
34	Announcement on the Key Financial Information for May 2020	June 4, 2020
35	Articles of Association	June 9, 2020
36	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
37	List of Directors and their Roles and Functions	June 9, 2020
38	Poll Results of the 2019 Annual General Meeting and Final Dividend for the Year Ended December 31, 2019	June 9, 2020
39	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2020	July 7, 2020
40	Announcement on the Key Financial Information for June 2020	July 8, 2020
41	Announcement on the Receipt of Advance Notice of Administrative Regulatory Measures from Guangdong Regulatory Bureau of the China Securities Regulatory Commission by the Company and the Relevant Personnel	July 10, 2020
42	Announcement on the Receipt of Decisions of Administrative Regulatory Measures from Guangdong Regulatory Bureau of the China Securities Regulatory Commission by the Company and the Relevant Personnel	July 20, 2020
43	Announcement on the Key Financial Information for July 2020	August 6, 2020
44	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2020	August 6, 2020
45	Date of Board Meeting	August 13, 2020
46	Interim Results Announcement for the six months ended June 30, 2020	August 28, 2020
47	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2020	September 4, 2020
48	Notification Letter and Request Form to Registered Shareholders	September 9, 2020
49	Notification Letter and Request Form to Non-Registered Shareholders	September 9, 2020
50	2020 Interim Report	September 9, 2020
51	List of Directors and their Roles and Functions	September 18, 2020
52	Announcement-Resignation of a Non-executive Director	September 18, 2020
53	Connected Transaction-Formation of Partnership Fund	September 22, 2020
54	Announcement-Proposed Appointment of Non-executive Director	September 22, 2020



## SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
55	Notification Letter and Request Form to Non-Registered Shareholders	September 25, 2020
56	Notification Letter and Request Form to Registered Shareholders	September 25, 2020
57	Proxy Form For the 2020 First Extraordinary General Meeting	September 25, 2020
58	2020 First EGM Circular	September 25, 2020
59	Notice of the 2020 First EGM	September 25, 2020
60	1. Connected Transaction-Formation of Partnership Fund 2. Supplemental Information of a Connected Transaction	September 28, 2020
61	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2020	October 8, 2020
62	Date of Board Meeting	October 14, 2020
63	List of Directors and their Roles and Functions	October 19, 2020
64	Announcement-Poll Results of the 2020 First Extraordinary General Meeting	October 19, 2020
65	2020 Third Quarterly Report	October 30, 2020
66	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2020	November 5, 2020
67	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2020	December 4, 2020
68	Announcement-Proposed Appointment of Executive Director and Appointment of the General Manager	December 11, 2020
69	Notification Letter and Request Form to Non-Registered Shareholders	December 15, 2020
70	Notification Letter and Request Form to Registered Shareholders	December 15, 2020
71	Proxy Form For the 2021 First Extraordinary General Meeting	December 15, 2020
72	(1) Election of Mr. Lin Chuanhui as an executive Director of the Company and (2) Notice of the 2021 First Extraordinary General Meeting	December 15, 2020
73	Notice of the 2021 First Extraordinary General Meeting	December 15, 2020
74	Connected Transaction-Formation of Partnership Fund	December 18, 2020
75	Announcement on Receiving Government Subsidies	December 24, 2020
76	Announcement on Compliance Accountability Measures for Relevant Personnel	December 31, 2020



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**CHANGES IN SHAREHOLDINGS AND PARTICULARS  
ABOUT SHAREHOLDERS**



## 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:

	Number of shares	Percentage
		Unit: Share
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	7,621,087,664	100.00%

#### 2. Changes in shares with selling restrictions

N/A

### II. SECURITIES ISSUANCE AND THE LISTING

#### 1. Issuance of securities (exclusive of preference shares) during the Reporting Period

For details about the issuance of corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills, please refer to Section 12 "Corporate Bonds" of this report.

#### 2. Total number of shares of the Company and changes in the shareholding structure and the assets and liabilities structure of the Company

Total number of shares of the Company and changes in the shareholding structure: N/A.

As at the end of 2019, the Group's gearing ratio was 70.09%. As at the end of 2020, the Group's gearing ratio was 71.15%.

#### 3. Existing employees' shares

N/A



## CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

### III. SHAREHOLDERS AND DE FACTO CONTROLLERS

#### 1. Number of shareholders and their shareholdings in the Company

Unit: Share

<b>Total number of ordinary shareholders at the end of the Reporting Period</b>	198,353 (of which, 196,712 were A shareholders, 1,641 were registered H shareholders)	<b>Total number of ordinary shareholders as at the end of the last month before the date of the disclosure of the annual report</b>	192,085 (of which, 190,473 were A shareholders, 1,612 were registered H shareholders)	<b>Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period</b>	Nil	<b>Total number of preferred shareholders whose voting rights were resumed as at the end of the last month before the date of the disclosure of the annual report</b>	Nil
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#### Shareholdings of shareholders who hold more than 5% of the shares or shareholdings of the top ten shareholders

Name of shareholder	Capacity of shareholder	Percentage of shareholding	Number of	Increase or	Number of	Number of	Pledge or freeze	
			shares held as at the end of the Reporting Period	decrease during the Reporting Period	shares with selling restrictions held	shares without selling restrictions held	Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31%	1,700,032,260	-66,200	0	1,700,032,260		
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	16.24%	1,237,817,088	-12,297,000	0	1,237,817,088		
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		
Puning Xinhong Industrial Investment Co., Ltd.	Domestic general legal entity	1.89%	144,000,000	-1,936,358	0	144,000,000	Pledged	144,000,000
Hong Kong Securities Clearing Company Limited	Overseas legal entity	0.90%	68,492,691	8,802,142	0	68,492,691		
China Construction Bank Corporation-Guotai CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	Fund, wealth management products, etc.	0.83%	63,132,254	32,259,354	0	63,132,254		
Huaxia Fund—Central Huijin Asset Management Ltd.—Huaxia Fund—Huijin Asset Management Single Asset Management Plan	Fund, wealth management products, etc.	0.75%	57,504,516	—	0	57,504,516		
Huaxia Life Insurance Co., Ltd.—Universal life Insurance Product	Fund, wealth management products, etc.	0.68%	52,107,589	-163,717,094	0	52,107,589		



## CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

### Shareholdings of the top ten shareholders without selling restrictions

Name of shareholder	Number of shares without selling restrictions held as at the end of the Reporting Period	Type of shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,700,032,260	Listed foreign shares	1,700,032,260
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867	RMB-denominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,237,817,088	RMB-denominated ordinary shares	1,237,817,088
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
Puning Xinhong Industrial Investment Co., Ltd.	144,000,000	RMB-denominated ordinary shares	144,000,000
Hong Kong Securities Clearing Company Limited	68,492,691	RMB-denominated ordinary shares	68,492,691
China Construction Bank Corporation-Guotai CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	63,132,254	RMB-denominated ordinary shares	63,132,254
Huaxia Fund—Central Huijin Asset Management Ltd.— Huaxia Fund—Huijin Asset Management Single Asset Management Plan	57,504,516	RMB-denominated ordinary shares	57,504,516
Huaxia Life Insurance Co., Ltd.—Universal life Insurance Product	52,107,589	RMB-denominated ordinary shares	52,107,589



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## CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

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

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

Note 3: According to the information provided by Jilin Aodong Pharmaceutical Group Co., Ltd. (“Jilin Aodong”), Liaoning Cheng Da Co., Ltd. (“Liaoning Cheng Da”) and Zhongshan Public Utilities Group Co., Ltd. (“Zhongshan Public Utilities”), as at December 31, 2020, Jilin Aodong held 87,124,600 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 123,993,400 H shares, representing 1.63% of the total share capital of the Company. Liaoning Cheng Da held 115,300,000 H Shares of the Company and held 1,473,600 H Shares of the Company through Chengda Steel 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), a total of 116,773,600 H shares, representing 1.53% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. As at December 31, 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 18.06%, 17.77% and 10.34%, respectively;

Note 4: The number of shares held by Liaoning Chengda at the end of the Reporting Period decreased by 12,297,000 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, as at December 31, 2020, other than those as set out in Note 3, shareholders holding 5% or more of the H Shares of the Company are as follows: on January 31, 2020, the labor union committee of GF Securities Co., Ltd. held a total of 272,500,600 long-position H Shares of the Company, representing 16.01% of the H Share capital of the Company. The above shares are held by HKSCC Nominees Limited on their behalf;

Note 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.



## CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

### 2. Shareholdings of top 5 shareholders who hold more than 10% (including 10%) shares (as of December 31, 2020)

Name of shareholder	Legal representative	General Manager	Date of establishment	Code of Organization	Registered Capital (RMB)	Principal Business
Jilin Aodong	Li Xiulin	Guo Shuqin	March 20, 1993	United social credit code: 91222400243805786K	1,163,041,484	Planting and breeding, importing of raw and auxiliary materials, mechanical equipment, instruments, spare parts (except the 12 imported items which are operated by the specified companies approved by the State) required for business (except for special projects controlled by the State and franchise), machinery repair, warehousing, the production and scientific research by this enterprise; pharmaceutical industry, pharmaceutical business, pharmaceutical research and development; vehicle rental service; self-owned real estate operating activities. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities.)
Liaoning Cheng Da	Shang Shuzhi	Ge Yu	September 2, 1993	United social credit code: 91210000117590366A	1,529,709,816	Import and export business of goods and technology for its own use or as an agency service (except for those restricted by the State, and operation related to restricted items may only commence after obtaining approval), managing throughput processing and the operation of "Three in, one added business", conducting counter trade and entrepot trading, contracting overseas projects and international bidding projects home and abroad of this industry, exporting of equipment and materials required for the above overseas projects; dispatching abroad of laborers in engineering, manufacturing and service sectors of the industry, acquisition of agricultural and sideline products (except food), chain management of fertilizer, planting of herbs, rental, warehousing services. Coal wholesale business. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)
Zhongshan Public Utilities	Guo Jingyi	Xu Huaqun (acting)	December 26, 1992	United social credit code: 914420001935372689	1,475,111,351	Investment and management of public utilities, operation and management of markets, investments and investment planning, consultancy and management, etc. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)



## CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

### 3. Substantial Shareholders' and Other Persons' interests and Short Positions in Shares and Underlying Shares

As of December 31, 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 short position (Note 1)/(Note 2)	Percentage of	Percentage of
						total issued shares of the Company (%) (Note 8)	total issued A Shares/H Shares of the Company (%) (Note 8)
1	Jilin Aodong	A Shares	Beneficial owner	1,252,297,867	Long position	16.43	21.16
		H Shares	Beneficial owner and interest in a controlled corporation	123,993,400 (Note 3)	Long position	1.63	7.29
2	Liaoning Cheng Da	A Shares	Beneficial owner	1,237,817,088	Long position	16.24	20.91
		H Shares	Beneficial owner and interest in a controlled corporation	116,773,600 (Note 4)	Long position	1.53	6.86
3	Zhongshan Zhonghui Investment Group Company Limited	A Shares	Interest in a controlled corporation	686,754,216	Long position	9.01	11.60
		H Shares	Interest in a controlled corporation	100,904,000 (Note 5)	Long position	1.32	5.93
4	Zhongshan Public Utilities	A Shares	Beneficial owner	686,754,216	Long position	9.01	11.60
		H Shares	Interest in a controlled corporation	100,904,000 (Note 5)	Long position	1.32	5.93
5	Public Utilities International (Hong Kong) Investment Company Ltd.	H Shares	Beneficial owner	100,904,000 (Note 5)	Long position	1.32	5.93
6	The labor union committee of GF Securities Co., Ltd.	H Shares	Trustee of a trust	272,500,600 (Note 6)	Long position	3.58	16.01



## 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 87,124,600 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 123,993,400 H shares, representing 1.63% of the total share capital of the Company.

Note 4: Liaoning Cheng Da held 115,300,000 H Shares of the Company and held 1,473,600 H Shares of the Company through Chengda Steel 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), a total of 116,773,600 H shares, representing 1.53% 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 December 31, 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 December 31, 2020 required to be recorded in the register pursuant to section 336 of the SFO.



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## CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

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### 4. Controlling Shareholders of the Company

There was no controlling shareholder in the Company.

### 5. De facto controllers and their concert parties of the Company

There was no de facto controller in the Company.

### 6. Legal entity shareholders who hold more than 10% of the shares of the Company

N/A

### 7. Restrictions to Reduction in Shareholdings for Controlling Shareholders, De facto Controllers, Re-organization Parties and Other Commitment Bodies

N/A

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

As at December 31, 2020, none of the Directors, Supervisors or chief executive 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 as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As at December 31, 2020, none of the Company, its holding company, any of subsidiaries or fellow subsidiaries was a party to any arrangements during the year to enable the Directors of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## IV. SUFFICIENT PUBLIC FLOAT

According to the information which is publicly available to the Company and to the best of the knowledge of the Directors as at the latest practicable date (March 29, 2021) prior to the publication of this annual report, the Company has always maintained the public float as required under the Hong Kong Listing Rules.

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

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

# PREFERENCE SHARES

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## PREFERENCE SHARES

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

# CONVERTIBLE CORPORATE BONDS

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## CONVERTIBLE CORPORATE BONDS

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



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



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

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

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

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

Name	Position	Type	Date	Reasons
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
Liu Xuetao	Non-executive director	Resigned	September 18, 2020	Work adjustment
Guo Jingyi	Non-executive director	Elected	October 19, 2020	Election at the general meeting
Lin Chuanhui	General manager	Appointed	December 11, 2020	Appointed by the Board
	Executive director	Elected	January 6, 2021	Election at the general meeting

1. Mr. Lin Zhihai, an executive director and the general manager, tendered a 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 directors 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.



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

3. A resolution was passed at the ninth meeting of the fifth 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 held 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.
5. The Company received a written resignation letter from Ms. Liu Xuetao on September 18, 2020. Ms. Liu Xuetao tendered the resignation from the position as a non-executive director and a member of the Strategy Committee of the Board of the Company due to work adjustment. The written resignation letter came into effect when it was received by the Company.

The Company received the Letter on Recommendation of Non-executive Director of GF Securities Co., Ltd. from Zhongshan Public Utilities in which it recommended Mr. Guo Jingyi as a candidate for non-executive director of the tenth session of the board of directors of the Company. On October 19, 2020, Mr. Guo Jingyi was elected as a non-executive director of the tenth session of the board of directors of the Company at the 2020 first extraordinary general meeting of the Company. On the same day, the Company held the sixth meeting of the tenth session of the board of directors at which Mr. Guo Jingyi was elected as a member of the Strategy Committee of the tenth session of the board of directors of the Company.

6. The Company held the ninth meeting of the tenth session of the board of directors on December 11, 2020 at which Mr. Lin Chuanhui was appointed as the general manager of the Company and was nominated as candidate for executive director of the tenth session of the board of directors of the Company to be elected at the general meeting.

On January 6, 2021, Mr. Lin Chuanhui was elected as an executive director of the tenth session of the board of directors of the Company at the 2021 first extraordinary general meeting of the Company. On the same day, the Company held the 12th meeting of the tenth session of the board of directors at which Mr. Lin Chuanhui was elected as a member of the Strategy Committee of the tenth session of the board of directors of the Company.

7. The Company held the 11th meeting of the tenth session of the board of directors of the Company on December 31, 2020 at which Mr. Ouyang Xi, a deputy general manager of the Company, and Mr. Qin Li, the standing deputy general manager, were demoted to chief officers of the Company.



### III. PARTICULARS OF POSITIONS

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

#### 1. Directors

##### *Executive Directors*

**Mr. Sun Shuming** has been appointed as the Chairman and executive Director of the Company since May 2012. His primary working experience includes: serving as clerk, deputy chief officer and chief officer of the Department of Treaty and Law of the Ministry of Finance of the PRC from August 1984 to August 1990, deputy head of the Department of Treaty and Law of the Ministry of Finance of the PRC from August 1990 to September 1994, the head of the Department of Treaty and Law of the Ministry of Finance of the PRC from September 1994 to March 1996, deputy mayor (a temporary post) of the People's Government of Zhuozhou, Hebei from July 1994 to July 1995, director of the general manager's office and assistant to the general manager of China Economic Development Trust & Investment Corporation from March 1996 to June 2000, deputy director of the Central Financial Work Commission Supervisors Work Department from June 2000 to March 2003, supervisor of China Galaxy Securities Co. Ltd from September 2003 to January 2006, deputy chief officer of the Accounting Department of the CSRC from January 2006 to April 2007, chief officer of the Accounting Department of the CSRC from April 2007 to March 2011 and general manager of the Company from April 2020 to December 2020. He concurrently acts as the vice chairman of China Securities Internet System Co., Ltd. since March 2015 and chairman of GF Fund since April 2016. Mr. Sun Shuming obtained a bachelor's degree in economics from Hubei Institute of Finance and Economics (now known as Zhongnan University of Economics and Law) in Wuhan in July 1984 and a doctorate degree in economics from the Research Institute for Fiscal Science of the Ministry of Finance in Beijing in August 1997.

**Mr. Lin Chuanhui** has been appointed as general manager of the Company since December 2020 and executive director of the Company since January 2021. His primary working experiences include: cadre of the scientific research office and deputy division researcher of the organization bureau of the Party School of the Central Committee of CPC from July 1985 to December 1995, general manager of Beijing business unit of the investment banking department of the Company from December 1995 to January 1998, deputy general manager of the investment banking department and general manager of the Shanghai business headquarters of the Company from February 1998 to February 2001, standing deputy general manager of the investment banking department of the Company from February 2001 to October 2002, general manager of GF Fund Management Co., Ltd. (planning) from October 2002 to August 2003, general manager of GF Fund from August 2003 to December 2020, vice chairman of GF Fund from March 2008 to December 2020, and concurrently, chairman of Ruiyuan Capital Asset Management Co., Ltd. from June 2013 to November 2018, general manager of Ruiyuan Capital Asset Management Co., Ltd. from June 2014 to April 2016 and chairman of the board of directors of GF International Investment Management Limited from December 2010 to December 2020. Mr. Lin Chuanhui obtained a bachelor's degree in economics from Jilin University in July 1985.



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

**Ms. Sun Xiaoyan** has been appointed as executive director of the Company since December 2014. Her primary working experience includes: staff of capital operation department, finance department and investment banking department, respectively, since joining the Company in July 1993, deputy general manager of accounting department of the Company from September 1998 to January 2000, deputy general manager of investment and proprietary trading department of the Company from January 2000 to October 2002, chief financial officer of GF Fund (preparatory) from October 2002 to August 2003, chief financial officer of GF Fund from August 2003 to October 2003, deputy general manager of GF Fund from October 2003 to March 2005, general manager of finance department of the Company from November 2003 to March 2014 and director of GFHK from August 2013 to May 2019. Ms. Sun Xiaoyan has been the chief financial officer of the Company since March 2006, a director of GF Fund since June 2007 and the deputy general manager of the Company since April 2011. In addition, Ms. Sun Xiaoyan was appointed as the chairman of the supervisory committee of E-Capital Transfer from December 2014 to June 2018 and supervisor of ECT since June 2018. Ms. Sun Xiaoyan obtained a bachelor's degree in economics from Renmin University of China in Beijing in July 1993 and a master's degree of business administration from China Europe International Business School in Shanghai in September 2007.

**Mr. Qin Li** has been appointed as executive director of the Company since April 2011 and chief officer of the Company since December 2020. His primary working experience includes: standing deputy general manager at the department of investment banking administration, general manager of the investment management department, general manager of capital operation department, general manager of planning and management department, general manager of investment department, assistant to the general manager, deputy general manager and standing deputy general manager of the Company since March 1997, chairman of GF Xinde from May 2010 to August 2013, chairman of the board of Guangdong Equity Exchange Co., Ltd. from September 2013 to April 2017 and chairman of GF Asset Management from June 2018 to October 2019. Mr. Qin Li has been a director of GFHK since September 2006, director of E Fund since May 2012 and chairman of GFHK since May 2019. Mr. Qin obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1992, a master's degree in commercial economics from Jinan University in Guangzhou in June 1995, a doctorate degree in economics from Renmin University of China in Beijing in July 2003 and completed a senior management executive master of business administration course from Cheung Kong Graduate School of Business in Beijing in September 2013.



***Non-executive Directors***

**Mr. Li Xiulin** has been appointed as non-executive director of the Company since May 2014. Mr. Li has been the chairman of Jilin Aodong Pharmaceutical Group Co., Ltd. (a company listed on SZSE, stock code: 000623, formerly known as Yanbian AoDong Pharmaceutical Co., Ltd.) since February 2000 to the present. His primary working experience includes: educated youth of Dashan Commune in Dunhua City, Jilin Province from February 1970 to June 1972, doctor of Dunhua Deer Farm in Yanbian, Jilin Province from June 1972 to August 1982, general manager and engineer of Yanbian AoDong Pharmaceutical Company from August 1982 to December 1987, general manager of Yanbian Dunhua Deer Farm from December 1987 to February 1993, chairman and general manager of Yanbian AoDong Pharmaceutical Co., Ltd. (renamed as Jilin Aodong Pharmaceutical Group Co., Ltd. in October 1998) from February 1993 to February 2000. Mr. Li obtained an academic diploma of bachelor's degree qualification in economics from Open College of Central Party School of the Communist Party of China in Beijing in June 1992 and completed the 28th training course in business administration at Tsinghua University School of Economics and Management in Beijing from February 2000 to June 2000.

**Mr. Shang Shuzhi** has been appointed as non-executive director of the Company since July 2001. Mr. Shang has been the chairman of Liaoning Cheng Da (a company listed on SSE, stock code: 600739, formerly known as Liaoning Cheng Da (Group) Co., Ltd.(遼寧成大(集團)股份有限公司)) since August 1993. His primary working experience includes: deputy general manager at Liaoning Province Textiles Import and Export Corporation from December 1987 to February 1991, deputy manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation in charge of operation from February 1991 to November 1991, general manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation from December 1991 to July 1993, chairman of Liaoning Cheng Da Group Ltd. from January 1997 to December 2017. Mr. Shang graduated from Dongbei University of Finance and Economics in Dalian in August 1977, majoring in international trade. Mr. Shang obtained the qualification of Senior Economist from Liaoning Provincial Department of Personnel in September 1993, the qualification of Senior International Business-Engineer from Liaoning Provincial Department of Personnel (now known as Liaoning Provincial Department of Human Resources and Social Security) in December 1994 and a senior management executive master of business administration degree (EMBA) from Dongbei University of Finance and Economics in Dalian in June 2005.



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

**Mr. Guo Jingyi** has been appointed as non-executive director of the Company since October 2020. Mr. Guo has been the chairman of Zhongshan Public Utilities (a company listed on SZSE, stock code: 000685) since September 2020. His primary working experiences include: an employee of Zhongshan Environmental Protection Engineering Co., Ltd.(中山市環保工程有限公司)from July 1998 to May 2004; manager of Zhongshan Sanxiang Water Supply Co., Ltd.(中山市三鄉供水有限公司)from May 2004 to May 2008; manager of Zhongshan Water Supply Co., Ltd. Sanxiang branch from May 2008 to August 2008; deputy general manager and managing deputy general manager of Zhongshan Water Supply Co., Ltd. from August 2008 to November 2009; deputy general manager of water business department of Zhongshan Public Utilities and general manager of Zhongshan Water Supply Co., Ltd. from November 2009 to February 2011; deputy general manager of Zhongshan Zhonghui Investment Group Company Limited, deputy general manager of water business department of Zhongshan Public Utilities and general manager of Zhongshan Water Supply Co., Ltd. from February 2011 to July 2011; deputy general manager of Zhongshan Zhonghui Investment Group Company Limited from July 2011 to October 2013; general manager of Zhongshan Transportation Development Group Co., Ltd. from October 2013 to July 2019, during which he served as general manager of Zhongshan Rail Transit Co., Ltd.(中山市軌道交通有限公司)from August 2016 to April 2017, executive director of Zhongshan East Outer Ring Expressway Co., Ltd.(中山市東部外環高速公路有限公司)from November 2016 to February 2017, executive director of Zhongshan Transportation Development Investment Co., Ltd.(中山市交發投資有限公司)from April 2017 to January 2018, executive director and general manager of Zhongshan Rail Transit Co., Ltd. from April 2017 to July 2019, director and general manager of Zhongshan Rail Transit Co., Ltd. from July 2019 to August 2020. Mr. Guo obtained a bachelor's degree in engineering from Wuyi University in Jiangmen City, Guangdong Province in June 1998 and completed in-service postgraduate in economics (economic management) majors in the Graduate School of the Party School of the Communist Party of China in July 2013.

### *Independent Non-executive Directors*

**Mr. Fan Lifu** has been appointed as independent non-executive director of the Company since November 2018. Mr. Fan Lifu is currently a professor at the School of Finance of Dongbei University of Finance and Economics and director of the Research Department of Dongbei University of Finance and Economics. His primary working experience includes: teaching assistant at the School of Finance (former Department of Finance) of Dongbei University of Finance and Economics from April 1998 to December 2000; a lecturer at the School of Finance of Dongbei University of Finance and Economics from December 2000 to July 2002; an associate professor at the School of Finance of Dongbei University of Finance and Economics from July 2002 to July 2011; a visiting scholar of University of Reading in UK from January 2003 to January 2004; a deputy director of the Research Department of Dongbei University of Finance and Economics from December 2009 to December 2016; a deputy dean of the School of Finance of Dongbei University of Finance and Economics from December 2016 to January 2019 and director of the Research Department of Dongbei University of Finance and Economics since January 2019. Mr. Fan Lifu has been a professor at the School of Finance of Dongbei University of Finance and Economics since July 2011. Mr. Fan Lifu has been an independent director of Tieling Newcity Investment Holding (Group) Limited (a company listed on SZSE, stock code: 000809) since December 2017 and an independent director of AVIC Fund Management Co., Ltd. since December 2020. Mr. Fan Lifu obtained a bachelor's degree, a master's degree and a doctorate degree in economics from Dongbei University of Finance and Economics in July 1995, April 1998 and December 2009, respectively.



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

**Mr. Hu Bin** has been appointed as independent non-executive director of the Company since June 2020. Mr. Hu Bin has been the secretary of the Party Committee and deputy director of the Institute of Finance and Banking, Chinese Academy of Social Sciences since June 2020. His primary working experience includes: senior manager of CITIC Securities Company Limited(中信証券股份有限公司)from July 2002 to November 2003; director of the Law and Finance Research Office of the Institute of Finance and Banking, Chinese Academy of Social Sciences from August 2004 to March 2011, during which he was promoted as an associate researcher in August 2004 and as a researcher in December 2009; assistant to the director of the Institute of Finance and Banking, Chinese Academy of Social Sciences and director of the Law and Finance Research Office from March 2011 to August 2011; Secretary General of the Postdoctoral Management Committee of the Chinese Academy of Social Sciences and assistant to the director of the Institute of Finance and Banking from August 2011 to November 2013; Secretary General of the Postdoctoral Management Committee of the Chinese Academy of Social Sciences from November 2013 to March 2014; deputy director of the Institute of Finance and Banking, Chinese Academy of Social Sciences from March 2014 to March 2019; deputy secretary of the Party committee and deputy director of the Institute of Finance and Banking, Chinese Academy of Social Sciences from March 2019 to June 2020. Mr. Hu Bin obtained a master's degree and a doctorate degree from the Chinese Academy of Social Sciences in July 1999 and July 2002, respectively.

**Ms. Leung Shek Ling Olivia** has been appointed as independent non-executive director of the Company since June 2020. Ms. Leung Shek Ling Olivia has been the associate dean of the Faculty of Business and Economics of The University of Hong Kong since January 2020. Her primary working experience includes: associate professor of accounting at The City University of Hong Kong from August 2004 to June 2011; principal lecturer of the Faculty of Business and Economics of The University of Hong Kong since July 2011; programme director of the International Business and Global Management Programme of The University of Hong Kong from June 2016 to October 2018 and assistant dean of the Faculty of Business and Economics of The University of Hong Kong from June 2016 to December 2019. Ms. Leung Shek Ling Olivia obtained a bachelor's degree from the University of British Columbia in Canada and a doctorate degree from The Chinese University of Hong Kong in June 1994 and June 2004, respectively.



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

**Mr. Li Wenjing** has been appointed as independent non-executive director of the Company since June 2020. Mr. Li Wenjing has been the dean of the Management School of Jinan University since March 2019. His primary working experience includes: lecturer at the Management School of Jinan University from July 2006 to September 2008; associate professor of the Management School of Jinan University from October 2008 to September 2013; professor of the Management School of Jinan University since October 2013 and deputy department head of the Accounting Department of the Management School of Jinan University from July 2012 to June 2016; department head of the Accounting Department of the Management School of Jinan University since July 2016. Mr. Li Wenjing served as an independent director of Midea Group Co., Ltd.(美的集團股份有限公司)(a company listed on SZSE, stock code: 000333) from March 2013 to September 2018, an independent director of Guangzhou Devotion Thermal Technology Co., Ltd.(廣州迪森熱能技術股份有限公司)(a company listed on SZSE, stock code: 300335) from December 2015 to April 2019, an independent director of Longse Technology Limited(長視科技股份有限公司)from December 2016 to August 2020, an independent director of Shenzhen Xunfang Technologies Co., Ltd.(深圳市訊方技術股份有限公司)from May 2017 to May 2020, an independent director of By-Health Co., Ltd.(湯臣倍健股份有限公司)(a company listed on SZSE, stock code: 300146) from September 2017 to September 2020, an external supervisor of China Guangfa Bank Co., Ltd. since June 2017 and an independent director of Zhuhai Huajin Capital Co., Ltd.(珠海華金資本股份有限公司)(a company listed on SZSE, stock code: 000532) since December 2017. Mr. Li Wenjing obtained a bachelor's degree and a doctorate degree from Sun Yat-sen University in Guangzhou in June 2001 and June 2006, respectively.

### 2. Supervisors

**Mr. Zhang Shaohua** has been appointed as employee representative supervisor and chairman of the supervisory committee of the Company since September 2017. His primary working experience includes: employee and deputy director of the Harbin Government's Office for the Securities Regulatory Commission(哈爾濱市人民政府證券管理辦公室)from August 1989 to March 1997, deputy general manager of the investment banking department of the Company from March 1997 to January 2004, general manager of the investment banking department of the Company from January 2004 to March 2006, assistant to general manager of the Company from March 2006 to September 2017, general manager of the Beijing branch of the Company from March 2006 to April 2010, general manager of the headquarters for investment banking management of the Company from April 2010 to March 2013; general manager of the investment banking department of the Company from June 2010 to March 2013, director of GF Investments (Hong Kong) from September 2011 to May 2016, director of GF Investments (Cayman) Company Limited from September 2011 to September 2017, director of GF Investment Management (Hong Kong) Company Limited from October 2011 to September 2017 and chairman of GF Qianhe from May 2012 to September 2017. Mr. Zhang Shaohua has served as the chief representative of the Beijing office of the Company since July 2011 and as the chairman of the labor union committee of the Company since August 2017. Mr. Zhang Shaohua obtained a bachelor's degree in engineering from Harbin Institute of Technology in August 1989.



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

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

**Mr. Lai Jianhuang** has been appointed as supervisor of the Company since June 2020. Mr. Lai Jianhuang is currently the professor and supervisor for doctoral students in School of Data and Computer Science, chairman of the Academic Committee in Sun Yat-sen University(中山大學). His primary working experience includes: a teaching assistant and lecturer of the mathematics department of Sun Yat-sen University from June 1989 to June 1995; an associate professor of the mathematics department of Sun Yat-sen University from July 1995 to June 2002 and a professor and a supervisor for doctoral students in School of Information and School of Data and Computer Science since July 2002. Mr. Lai Jianhuang has been an independent director of PCI-Suntek Technology Co., Ltd.(佳都新太科技股份有限公司)(a company listed on SSE, stock code: 600728) since July 2019 and an independent director of Zhongxiaoyun Technology Co., Ltd.(中消雲科技股份有限公司)since January 2020. Mr. Lai Jianhuang obtained a bachelor's degree in mathematics (science) from Sun Yat-sen University in Guangzhou in July 1986, a master's degree in applied mathematics (science) from Sun Yat-sen University in Guangzhou in July 1989 and a doctorate degree in basic mathematics (science) from Sun Yat-sen University in Guangzhou in June 1999.



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

**Mr. Xie Shisong** has been appointed as supervisor of the Company since June 2020. Mr. Xie Shisong is currently a professor of the School of Law of Sun Yat-sen University and chairman of Institute of International Law. His primary working experience includes: a lecturer at the School of Law of Sun Yat-sen University from September 1991 to November 1993; an associate professor at the School of Law of Sun Yat-sen University from December 1993 to November 1996; a professor at the School of Law of Sun Yat-sen University since December 1996 and chairman of Institute of International Law of the School of Law of Sun Yat-sen University since March 1992. Mr. Xie Shisong has also been the vice president of China Society of Private International Law since September 2003, an arbitrator of China International Economic and Trade Arbitration Commission since November 1999 and a committee member of the expert advisory committee of China International Economic and Trade Arbitration Commission since January 2008. Mr. Xie Shisong was an independent director of E Fund Management Co., Ltd. from December 2002 to April 2013, independent director of Guangdong China Sunshine Media Co., Ltd. (廣東九州陽光傳媒股份有限公司) (renamed as Guangdong Guangzhou Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司) in July 2012, a company listed on SZSE, stock code: 002181) from June 2007 to June 2013, independent director of Guangzhou Improve Medical Instruments Co., Ltd. (廣州陽普醫療科技股份有限公司) (a company listed on SZSE, stock code: 300030) from October 2010 to May 2017, independent director of Vtron Technologies Ltd. (廣東威創視訊科技股份有限公司) (renamed as Vtron Group Co., Ltd. (威創集團股份有限公司) in January 2017, a company listed on SZSE, stock code: 002308) from December 2013 to August 2020, independent director of Guangdong Advertising Co., Ltd. (廣東省廣告股份有限公司) (renamed as Guangdong Advertising Group Co., Ltd. (廣東省廣告集團股份有限公司) in June 2015, a company listed on SZSE, stock code: 002400) from January 2014 to January 2020, independent director of Golden Eagle Fund Management Co., Ltd. from September 2014 to January 2018, independent director of Guangdong Homa Appliances Co., Ltd. (廣東奧馬電器股份有限公司) (a company listed on SZSE, stock code: 002668) from November 2014 to December 2015, independent director of Guangxi Wuzhou Zhongheng Group Co., Ltd. (廣西梧州中恒集團股份有限公司) (a company listed on SSE, stock code: 600252) from December 2016 to January 2020, independent director of Zhuhai Wanlida Electric Co., Ltd (renamed as Ninestar Corporation (納思達股份有限公司) in May 2017, a company listed on SZSE, stock code: 002180) since October 2014, independent director of Guangzhou Goaland Energy Conservation Tech. Co., Ltd. (廣州高瀾節能技術股份有限公司) (a company listed on SZSE, stock code: 300499) since May 2017 and independent director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司) (a company listed on SZSE, stock code: 000987) since September 2020. Mr. Xie Shisong obtained a bachelor's degree in international law from Wuhan University in Wuhan in July 1985, a master's degree in international law from Wuhan University in July 1988, and a doctorate degree in international law from Wuhan University in July 1991.



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

**Ms. Lu Xin** has been appointed as supervisor of the Company since June 2020. Ms. Lu Xin is currently a professor and supervisor for postgraduate students at Accounting Department in School of Management and the deputy head of Research Center of Management Accounting in Jinan University(暨南大學). Her primary working experience includes: teaching at the School of Economics and Management in Dalian University(大連大學)from July 1989 to December 2003, during which she served as the lecturer from August 1992 to July 1998, the associate professor from August 1998 to December 2003. She served as the associate professor at Accounting Department of School of Management in Jinan University from January 2004 to September 2013; concurrently serving as the deputy director of the Audit Department in Jinan University from May 2013 to January 2016, the professor at Accounting Department of School of Management in Jinan University since October 2013, the supervisor for postgraduate students at Accounting Department in School of Management in Jinan University since October 2005 and the deputy head of the Research Center of Management Accounting in Jinan University since January 2014. Ms. Lu Xin was the independent director of Gree Electric Appliances, Inc. of Zhuhai(珠海格力電器股份有限公司)(a company listed on SZSE, stock code: 000651) from June 2015 to January 2019, the independent director of TCL Technology Group Corporation (TCL 科技集團股份有限公司)(a company listed on SZSE, stock code: 000100, previously known as TCL Corporation (TCL集團股份有限公司)) from September 2014 to November 2020, the independent director of Kingfa Sci. & Tech. Co., Ltd.(金發科技股份有限公司)(a company listed on SSE, stock code: 600143) from May 2014 to January 2021, the independent director of Guangdong Evergreen Feed Industry Co., Ltd.(廣東恒興飼料實業股份有限公司)since July 2018, the independent director of Medprin Regenerative Medical Technologies Co., Ltd.(廣州邁普再生醫學科技股份有限公司)since November 2018 and the independent director of PCI-Suntek Technology Co., Ltd.(佳都新太科技股份有限公司)(a company listed on SSE, stock code: 600728) since July 2019. Ms. Lu Xin obtained a bachelor's degree in economics from Dongbei University of Finance and Economics in Dalian in July 1986, a master's degree in economics from Dongbei University of Finance and Economics in Dalian in July 1989, and a doctorate degree in business administration from Renmin University of China in Beijing in July 2003.

### 3. Senior management

The brief biographies of Mr. Lin Chuanhui, Ms. Sun Xiaoyan and Mr. Qin Li are set out in “III. Particulars of Positions – 1. Directors – Executive Directors” in this section.

**Mr. Luo Binhua** has been appointed as a deputy general manager of the Company since November 2009. His primary working experience includes: clerk of the production output office of the Rural Social and Economic Survey Team of Jiangxi Province (now known as the Jiangxi Chief Survey Team of the National Bureau of Statistics) from June 1988 to September 1991, manager, deputy general manager and general manager of the investment banking department of our Company from December 1993 to January 2004, and assistant to general manager and the general manager of investment banking head office of our Company from January 2004 to November 2009, the secretary to our Board from November 2009 to April 2019, and joint company secretary of the Company from November 2014 to April 2019. He was chairman of GF Xinde from December 2008 to May 2010 and from August 2013 to June 2015, a director of GF Asset Management from January 2014 to May 2017 and chairman of GF Qianhe from September 2017 to June 2020. Mr. Luo Binhua has been a director of GFHK since July 2011. Mr. Luo Binhua obtained a bachelor's degree in agriculture from South China Agricultural University in Guangzhou in July 1988, a master's degree in economics from Jinan University in Guangzhou in June 1994 and an executive master of business administration degree from the Hong Kong University of Science and Technology in June 2012.



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

**Mr. Yang Long** has been appointed as a deputy general manager of the Company since May 2014. His primary working experience includes: employee of the research department of Tianjin Municipal Government from July 1991 to August 1993, employee of the office of Tianjin Water Conservancy Bureau from August 1993 to June 1994, general manager of the Hongbao Road brokerage branch of our Company in Shenzhen from July 1994 to January 1998, general manager of our sub-headquarters of Shenzhen from January 1998 to March 2004, standing deputy general manager of brokerage business sub-headquarter and general manager of our sub-headquarter of Shenzhen from March 2004 to October 2004, deputy general manager of our human resource management division from October 2004 to March 2005, general manager of operations department of bank-securities link business from March 2005 to September 2005, consultant to Unicom Huajian Connections Company Limited from October 2005 to December 2008, assistant to general manager of our Company from January 2009 to September 2014 (he was concurrently the general manager of Shenzhen branch office from October 2009 to November 2012 and the general manager of Shenzhen High Tech South Yidao Securities branch from September 2011 to December 2011), chairman of GF Asset Management from May 2017 to June 2018, and the chairman of Guangdong GF Internet Microfinance Limited (renamed as Guangdong Infore Finance Internet Microfinance Limited(廣東盈峰普惠互聯小額貸款股份有限公司)in July 2020) from August 2015 to February 2020. Mr. Yang Long has been the chairman of GF Asset Management since October 2019. Mr. Yang Long obtained a bachelor's degree in economics from Nankai University in Tianjin in June 1988, a master's degree in economics from the Central Party School of the Communist Party of China in Beijing in July 1991, a doctorate degree in management from Nankai University in Tianjin in December 2003, and an senior management executive master of business administration degree from the Hong Kong University of Science and Technology in May 2013.

**Mr. Wu Jifu** has been appointed as a deputy general manager and the chief compliance officer of the Company since May 2014. His primary working experience includes: lecturer of accounting department of the school of economics at Heilongjiang University from July 1987 to July 1993, deputy head and head of the accountancy department of the school of economics at Heilongjiang University from July 1993 to July 1995 and July 1995 to October 1997, respectively, deputy director of the Audit Department of the Provincial Securities Supervision and Administration Office of the Heilongjiang Bureau of the CSRC from October 1997 to November 1998, deputy director of the Audit Department and director of the General Office of the Office of the Commissioner of the CSRC in Harbin from November 1998 to February 2004, director of the General Office of the Heilongjiang Bureau of the CSRC from March 2004 to February 2006, director of the supervision department of the Heilongjiang Bureau of the CSRC from March 2006 to July 2008, and supervisor of GF Asset Management from January 2014 to August 2017, and director of GFHK from August 2013 to May 2019. He has been the chief compliance officer of our Company since July 2008. Mr. Wu Jifu obtained a bachelor's degree in economics from Heilongjiang University in July 1987, and a master's degree in economics from Heilongjiang University in June 1998.



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

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**Mr. Zhang Wei** has been appointed as a deputy general manager of the Company since May 2014. His primary working experience includes: treasury manager of the trust fund department of Anhui International Trust & Investment Company from July 1998 to June 2002, business manager of our investment banking department of the Company from July 2008 to February 2009, deputy general manager of the debt underwriting department of the Company from February 2009 to January 2010, the general manager of the debt underwriting department of the Company from January 2010 to March 2013 (he concurrently served as deputy general manager of investment banking business management headquarters from January 2010 to February 2011 and general manager of fixed income headquarters from February 2011 to May 2012), co-general manager of investment banking department of the headquarters from April 2013 to June 2014, he served as assistant to general manager of the Company from January 2011 to August 2014, the chairman of GF Asset Management from August 2014 to May 2017, and chairman of GF Hexin from August 2015 to October 2019; Mr. Zhang Wei has been a director of China Securities Credit Investment Co., Ltd.(中證信用增進股份有限公司) since May 2015 and a director of GFHK and chairman of GFFL since June 2015. Mr. Zhang Wei obtained a bachelor's degree in economics from Anhui University in Hefei in June 1998, a master's degree in Economics from Fudan University in Shanghai in June 2005 and a doctorate in economics from Renmin University of China in Beijing in July 2008.

**Mr. Ouyang Xi** has been appointed as a chief officer of our Company since December 2020. His primary working experience includes: library assistant at the Guangdong Mechanics College (now known as Guangdong University of Technology) from July 1989 to August 1992, deputy general manager and managing deputy general manager of the investment banking department of our Company from July 1995 to February 2001, general manager of the proprietary trading department of our Company from February 2001 to January 2003, standing deputy general manager of the investment banking head office of our Company from January 2003 to January 2004, chief financial officer of our Company from January 2004 to March 2006, deputy general manager of our Company from November 2004 to December 2020, deputy general manager and secretary of the Board of Directors of our Company from July 2005 to November 2009 and director of GF Fund from March 2005 to June 2007. He has been a director of GFHK since September 2006, and chairman of GF Hexin since October 2019. Mr. Ouyang obtained a bachelor's degree in science from Wuhan University in July 1989 and a master's degree in economics from Jinan University in Guangzhou in June 1995.

**Mr. Xin Zhiyun** has been appointed as chief risk officer and chief information officer of the Company since June 2018 and May 2019, respectively. His primary working experience includes: software engineer and editor of the Higher Education Press from July 1995 to January 1998; principal staff member and deputy director of the Information Center of China Securities Regulatory Commission, deputy director of the general office, director-level consultant, director-level consultant (in charge) and director of the audit office of the institutional supervision department of China Securities Regulatory Commission successively from February 1998 to September 2008; member of CPC Committee, vice president, chief risk officer, chief compliance officer of Essence Securities Co., Ltd. from October 2008 to June 2018, concurrently served as director of Essence Capital Co., Ltd., of which concurrently served as finance manager of Essence Securities Co., Ltd. from August 2011 to September 2013, and a director of GFHK since May 2019. Mr. Xin Zhiyun obtained a bachelor's degree in engineering from North China University of Technology in Beijing in July 1992, a master's degree in education from Beijing Normal University in July 1995, and a doctorate degree in engineering from Tsinghua University in January 2008.



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

**Mr. Xu Youjun** has been appointed as the secretary to the Board and a joint company secretary of the Company since April 2019. His major work experience includes: from July 1996 to August 1997, he was an employee of the development department of Guangzhou Transportation Real Estate Company(廣州交通房地產公司); from August 1997 to June 1998, he was an employee of the enterprise management department of Guangdong Zhujiang Investment Company(廣東珠江投資公司); from June 1998 to July 2004, he served as the manager of the investment banking department of Guangzhou Securities Company Limited(廣州證券有限責任公司); from July 2004 to February 2006, he served as the business manager of the investment banking department of the Company; from February 2006 to February 2009, he served as the assistant to the general manager of the Hubei headquarters of the Company; from February 2009 to June 2015, he served as the assistant to the general manager of the investment banking department of the Company, the assistant to the general manager of the investment banking general management department, and the executive director of the mergers and acquisitions department of the Company; and since June 2015, he has served as the general manager of the office of the Board and the securities affairs representative of the Company. Mr. Xu Youjun obtained a bachelor's degree in engineering from Xiangtan University in Hunan in July 1993 and a master's degree in economics from Sun Yat-Sen University in Guangzhou in June 1996.

### POSITION HELD IN THE SHAREHOLDING COMPANIES

Name	Name of shareholding companies	Position held in the shareholding companies	Tenure	Remuneration received from shareholding companies
Director's position:				
Li Xiulin	Jilin Aodong	Chairman	February 2000 to present	Yes
Shang Shuzhi	Liaoning Cheng Da	Chairman	January 1997 to present	Yes
Guo Jingyi	Zhongshan Public Utilities	Chairman	September 2020 to present	Yes

### POSITION HELD IN OTHER COMPANIES

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Sun Shuming	China Securities Internet System Co., Ltd.	Vice chairman	March 2015 to present	No
Sun Xiaoyan	ECT	Supervisor	June 2018 to present	No
Qin Li	E Fund	Director	May 2012 to present	No
Fan Lifu	Research Department of Dongbei University of Finance and Economics	Director	January 2019 to present	Yes
	Tieling Newcity Investment Holding (Group) Limited	Independent director	December 2017 to present	Yes
	AVIC Fund Management Co., Ltd.	Independent director	December 2020 to present	Yes



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

Name	Name of other companies	Position held in other companies	Tenure	Remuneration received from other companies
Hu Bin	Institute of Finance and Banking, Chinese Academy of Social Sciences	secretary of the Party committee and deputy director	June 2020 to present	Yes
Leung Shek Ling Olivia	Faculty of Business and Economics of The University of Hong Kong	Associate dean	January 2020 to present	Yes
Li Wenjing	Management School of Jinan University	Dean	March 2019 to present	Yes
	Accounting Department of the Management School of Jinan University	Department head	July 2016 to present	Yes
	Longse Technology Limited	Independent director	December 2016 to August 2020	Yes
	Shenzhen Xunfang Technologies Co., Ltd.	Independent director	May 2017 to May 2020	Yes
	By-Health Co., Ltd.	Independent director	September 2017 to September 2020	Yes
Lai Jianhuang	Zhuhai Huajin Capital Co., Ltd.	Independent director	December 2017 to present	Yes
	China Guangfa Bank Co., Ltd.	External supervisor	June 2017 to present	Yes
	School of Data and Computer Science of Sun Yat-sen University	Professor	July 2002 to present	Yes
	PCI-Suntek Technology Co., Ltd.	Independent director	July 2019 to present	Yes
Xie Shisong	Zhongxiaoyun Technology Co., Ltd.	Independent director	January 2020 to present	Yes
	School of Law of Sun Yat-sen University	Professor	December 1996 to present	Yes
	Ninestar Corporation	Independent director	October 2014 to present	Yes
	Guangzhou Goaland Energy Conservation Tech. Co., Ltd.	Independent director	May 2017 to present	Yes
Lu Xin	Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	Independent director	September 2020 to present	Yes
	School of Management of Jinan University	Professor	October 2013 to present	Yes
	Kingfa Sci. & Tech. Co., Ltd.	Independent director	May 2014 to January 2021	Yes
	Guangdong Evergreen Feed Industry Co., Ltd.	Independent director	July 2018 to present	Yes
	Medprin Regenerative Medical Technologies Co., Ltd.	Independent director	November 2018 to present	Yes
Yang Long	PCI-Suntek Technology Co., Ltd.	Independent director	July 2019 to present	Yes
	(Former) Guangdong GF Internet Microfinance Limited	Chairman	July 2015 to February 2020	No
Zhang Wei	China Securities Credit Investment Co., Ltd.	Director	May 2015 to present	No

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

For details, please refer to “IX. Penalty and Rectification” in Section 6 “Significant Events” of this report.



**IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

**1. Decision-making process for remuneration of Directors, Supervisors and senior management**

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

**2. Basis for determining the remuneration of Directors, Supervisors and senior management**

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

**3. Payment of remuneration of Directors, Supervisors and senior management**

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

The Measures on Performance Assessment and Remuneration Management for GF Securities Business Managers requires that: "payment of more than 40% of annual performance-based remuneration for business managers of the Company shall be deferred for a period of at least three years. The deferred payment of remuneration shall be divided equally. The specific proportion of deferred payment and the period of deferred payment shall be reviewed and determined by the Board." The Board of the Company shall formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. According to these requirements, the remuneration composition of our Executive Directors, employee representative Supervisors and senior management includes the remuneration accrued and paid attributable to 2020 and the deferred remuneration for 2019 and before. During the Reporting Period, the deferred remuneration after tax of the above-mentioned persons for the period of serving as director, supervisor and senior management attributable to 2019 and before was as follows: Sun Shuming was RMB1.4941 million; Lin Chuanhui was nil; Sun Xiaoyan was RMB1.4254 million; Qin Li was RMB1.4761 million; Luo Binhua was RMB1.4954 million; Yang Long was RMB1.3365 million; Wu Jifu was RMB1.4466; Zhang Wei was RMB1.3114 million; Ouyang Xi was RMB1.3399 million; Xin Zhiyun was RMB1.6304 million; Xu Youjun was RMB1.6613 million; Zhang Shaohua was RMB1.5294 million; Cheng Huaiyuan was RMB2.2221 million; Lin Zhihai was RMB0.7234 million. The deferred remuneration after tax for 2019 and before of non-executive directors, independent non-executive directors and shareholder representative supervisors of the Company was nil.



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

### 4. Appraisal of Directors, Supervisors and Senior Management Personnel

- (1) The duty performance appraisal of the Directors of the Company is composed of three parts, including self-evaluation by the Directors, appraisal by the Remuneration and Appraisal Committee of the Board, and deliberation and confirmation by the Board. When the Remuneration and Appraisal Committee of the Board and the Board of Directors deliberate on the duty performance of each Director, the Director being appraised shall abstain from voting.

Specific steps for appraisal on Directors' duty performance are as follows:

- ① Directors' self-evaluation: Directors conduct self-evaluation on their respective annual performance in accordance with the Form of Self-evaluation on Directors' Duty Performance (《董事履職自我評價表》) with the self-evaluation results of being competent or incompetent after the review and confirmation by the Remuneration and Appraisal Committee of the Board;
- ② Appraisal by the Remuneration and Appraisal Committee of the Board: The appraisal and evaluation on Directors' duty performance by the Remuneration and Appraisal Committee of the Board is determined the Remuneration and Appraisal Committee of the Board. The office of the Board together with relevant departments collect the annual duty performance of Directors and assist the Remuneration and Appraisal Committee of the Board in evaluating the Form of Appraisal of Directors' Duty Performance (《董事履職考評表》) and in checking the Checklist for Compliance of Directors' Duty Performance (《董事履職合規性核對表》) based on the annual duty performance of Directors with the self-appraisal results of being competent or incompetent;

When both self-appraisal results of performance and the appraisal results of the duty performance are competent after the review by the Remuneration and Appraisal Committee of the Board and there is no "No" in the checking results of Checklist for Compliance of Directors' Duty Performance (《董事履職合規性核對表》), the appraisal results of annual performance will be competent; or it will be incompetent.

When the Remuneration and Appraisal Committee of the Board deliberate on the duty performance of each Director, the Director being appraised shall abstain from voting.

- ③ Appraisal by the Board: The final appraisal results of Directors shall be determined by the Board. The procedures of duty performance appraisal for the executive Directors of the Company shall be in compliance with the other relevant requirements such as the human resource management policies and the Performance Appraisal and Remuneration Management Regulations for the Operating Management, the Director being appraised shall abstain from voting.

According to the Resolution on Appraisal of Directors' Duty Performance in 2020 considered and approved by the Board, the appraisal results of Directors are as follows:

The appraisal result of Sun Shuming of being competent is approved; The appraisal result of Li Xiulin of being competent is approved; The appraisal result of Shang Shuzhi of being



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

competent is approved; The appraisal result of Guo Jingyi of being competent is approved; The appraisal result of Sun Xiaoyan of being competent is approved; The appraisal result of Qin Li of being competent is approved; The appraisal result of Fan Lifu of being competent is approved; The appraisal result of Hu Bin of being competent is approved; The appraisal result of Leung Shek Ling Olivia of being competent is approved; The appraisal result of Li Wenjing of being competent is approved.

- (2) The appraisal on supervisors' performance includes supervisor's self-evaluation, peer appraisal among supervisors, democratic appraisal by the employee representatives meeting and appraisal by the Supervisory Committee.

Specific steps for appraisal on supervisors' duty performance are as follows:

- ① supervisors' self-evaluation: Supervisors conduct self-evaluation on their respective annual duty performance in accordance with the Form of Self-evaluation on Supervisors' Duty Performance (《監事履職自評表》) with the self-evaluation results of being competent, basically competent or incompetent;
- ② peer appraisal among supervisors: Supervisors conduct peer appraisal on other supervisors' annual duty performance and give a score for actual duty performance of other supervisors in accordance with the Form for Peer Appraisal of Supervisors. The Supervisory Committee determines the results of peer appraisal according to the rules of peer appraisal with appraisal results of being competent, basically competent or incompetent;
- ③ democratic appraisal of the employee representative supervisors by the employee representatives meeting: the employee representative supervisors shall report their annual duty performance at the employee representative meeting and accept the democratic appraisal by the employee representatives. The democratic appraisal shall determine the results of the appraisal through registered vote with appraisal results of being excellent, competent, basically competent or incompetent;
- ④ appraisal by the Supervisory Committee: The appraisal by the Supervisory Committee is determined by the Supervisory Committee. The office of the Supervisory Committee together with relevant departments collect the annual duty performance of supervisors and assist the Supervisory Committee in checking the Form of Appraisal of Supervisors' Duty Performance (《監事履職評價表》) based on the annual duty performance of supervisors;
- ⑤ appraisal results of supervisors are considered and confirmed by the Supervisory Committee: The Supervisory Committee conducts appraisal on the annual duty performance of relevant supervisors. The Supervisory Committee considers the appraisal results on annual duty performance of supervisors (competent, basically competent or incompetent) according to the self-appraisal results of each supervisor, results of peer appraisal, results of democratic appraisal by the employee representatives meeting and results of consistency checking of the Form of Appraisal of Supervisors' Duty Performance (《監事履職評價表》) and rules under the Duty Performance Supervision and Assessment Implementation Plan of the Supervisory Committee of GF Securities for Supervisors for the year of 2020 (《廣發証券監事會對監事2020年度履職監督評價實施方案》);



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

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- ⑥ When the Supervisory Committee considers the duty performance of each supervisor, the supervisors concerned shall abstain from voting.

According to the Resolution on Appraisal of Supervisors' Duty Performance in 2020 considered and approved by the Supervisory Committee, the appraisal results of Directors are as follows:

The appraisal result of Zhang Shaohua of being competent is approved; The appraisal result of Cheng Huaiyuan of being competent is approved; The appraisal result of Lai Jianhuang of being competent is approved; The appraisal result of Xie Shisong of being competent is approved; The appraisal result of Lu Xin of being competent is approved.

The human resource management system of the Company and the relevant requirements are applicable to the appraisal and remuneration of employee representative supervisor. The Performance Appraisal and Remuneration Management Regulations for Chairman of Supervisory Committee is applicable to the Chairman of Supervisory Committee of the Company.

- (3) The procedures of performance assessment of the operating management of the Company were conducted in compliance with other relevant requirements such as human resource management system and the Performance Appraisal and Remuneration Management Regulations for the Operating Management. The specific appraisal plan is that the Board of the Company will give corresponding performance-based salary according to the business performance of the Company and the performance-based salary of the operating management will be distributed according to the annual appraisal results. The distribution plan shall have independent opinion of the Independent Directors and have written comments of the Remuneration and Appraisal Committee. Meanwhile, the procedures of performance assessment of the chief compliance officer of the Company were conducted in compliance with the requirements under the Duty Performance Appraisal and Remuneration Management Regulations for chief compliance officer (《合規總監履職考核與薪酬管理辦法》).



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

### 5. Remuneration of Directors, Supervisors and senior management during the Reporting Period

Unit: RMB ten thousand

Name	Position	Sex	Age	Status	The total	
					remuneration before tax received from the Company	Remuneration Received from related parties of the Company
Sun Shuming	Executive Director, Chairman	Male	58	Current	242.20	No
Li Xiulin	Non-executive Director	Male	68	Current	18.00	Yes
Shang Shuzhi	Non-executive Director	Male	68	Current	18.00	Yes
Guo Jingyi	Non-executive Director	Male	45	Current	0.00	Yes
Lin Chuanhui	Executive Director, general manager	Male	57	Current	0.00	No
Sun Xiaoyan	Executive Director, deputy general manager, chief financial officer	Female	48	Current	235.48	No
Qin Li	Executive Director, chief officer of the Company	Male	52	Current	233.96	No
Fan Lifu	Independent Non-executive Director	Male	48	Current	27.00	Yes
Hu Bin	Independent Non-executive Director	Male	49	Current	13.50	Yes
Leung Shek Ling Olivia	Independent Non-executive Director	Female	49	Current	13.50	Yes
Li Wenjing	Independent Non-executive Director	Male	41	Current	13.50	Yes
Zhang Shaohua	Chairman of Supervisory Committee, employee representative Supervisor	Male	55	Current	203.45	No
Lai Jianhuang	Supervisor	Male	56	Current	7.50	Yes
Xie Shisong	Supervisor	Male	57	Current	7.50	Yes
Lu Xin	Supervisor	Female	57	Current	7.50	Yes
Cheng Huaiyuan	Employee representative Supervisor	Male	54	Current	124.38	No
Luo Binhua	Deputy general manager	Male	56	Current	220.40	No
Yang Long	Deputy general manager	Male	57	Current	231.00	No
Wu Jifu	Deputy general manager, chief compliance officer	Male	55	Current	227.03	No
Zhang Wei	Deputy general manager	Male	45	Current	228.27	No
Ouyang Xi	Chief officer of the Company	Male	53	Current	233.18	No
Xin Zhiyun	Chief risk officer, Chief information officer	Male	51	Current	189.99	No
Xu Youjun	Secretary to the Board, joint company secretary	Male	49	Current	183.67	No
Liu Xuetao	Non-executive Director	Female	55	Resigned	0.00	Yes
Yang Xiong	Independent Non-executive Director	Male	54	Resigned	15.75	Yes
Tang Xin	Independent Non-executive Director	Male	49	Resigned	15.75	Yes
Chan Kalok	Independent Non-executive Director	Male	59	Resigned	15.75	Yes
Tan Yue	Supervisor	Male	61	Resigned	8.75	Yes
Gu Naikang	Supervisor	Male	55	Resigned	8.75	Yes
Lan Hailin	Supervisor	Male	61	Resigned	8.75	Yes
Lin Zhihai	Executive Director, general manager	Male	57	Resigned	66.52	No
<b>Total</b>	-	-	-	-	<b>2,819.03</b>	-

Notes: 1. The Company has no payment of compensation in forms other than cash;

Notes: 2. The total remuneration before tax received from the Company represents the remuneration accrued and distributed attributable to 2020;

Notes: 3. The remuneration of the abovementioned personnel during the Reporting Period is the remuneration received during the period of serving as director, supervisor and senior management;

Notes: 4. See relevant information in notes to the auditors' report for the total remuneration to the key management who served the Company during the Reporting Period when such total remuneration was provided.



**Share option granted to Directors and senior management of the Company during the Reporting Period**

N/A

**V. INFORMATION OF THE STAFF OF THE COMPANY**

**1. Number of staff, professional structure and their education level**

Number of current staff of the parent company	10,379
Number of current staff of the major subsidiaries	1,928

<b>Total number of current staff</b>	<b>12,307</b>
Total number of paid employees for the current period	12,307

**Professional structure**

	Number of Professionals	Percentage
Professions		
Primary business	10,203	82.90%
Risk management	99	0.80%
Legal and compliance	120	0.98%
Information Technology	691	5.61%
Others	1,194	9.70%

<b>Total</b>	<b>12,307</b>	<b>100.00%</b>
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**Education level**

	Number of Employees	Percentage
Education level		
Doctoral degree	150	1.22%
Master's degree	3,269	26.56%
Bachelor's degree	7,942	64.53%
Associate degree and below	946	7.69%

<b>Total</b>	<b>12,307</b>	<b>100.00%</b>
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**Age**

	Number of Employees	Percentage
Age range		
30 and below	4,037	32.80%
31 to 40	5,525	44.89%
41 to 50	2,119	17.22%
51 and above	626	5.09%

<b>Total</b>	<b>12,307</b>	<b>100.00%</b>
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Note 1: The above number of employees includes 358 employees for early retirement;

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



### 2. Remuneration policies for employees

The Company has stringently abided by the Labor Law, Labor Contract Law and other external laws and regulations, and established sound human resource management systems and processes, including the Administrative Measures on the Labor Contract for GF Securities Employees, the Administrative Measures on the Remuneration of 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 bonus and benefits. Fixed salary is a relatively stable remuneration that employees obtain when they meet the requirements of their job responsibilities and work normally, reflecting the basic guarantee and safety. Performance bonus is a variable salary set to motivate and retain employees. It is determined comprehensively according to various factors such as the Company's performance, department's performance, personal performance, personal ability, and external salary market competitiveness. Benefits include payment of various statutory insurance and housing provident funds for employees in accordance with external laws and regulations and internal policies, as well as employee benefits, labor protection fees and union benefits, which are inclusive.

### 3. Training plans

The Company attaches great importance to employee training, carried out training and learning activities as common measures for the development of talents and was committed to building a team of highly qualified personnel. The Company takes the talent development center as the carrier and has 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 coordinate the learning needs of employees in various scenarios, help employees effectively use personal fragmentation time, and guide employees to learn independently, actively share and precipitate in time. By establishing an effective training management mechanism and extracting and disseminating organizational wisdom and culture, we have created an atmosphere that was conducive to guiding employees to learn and share independently and built a learning organization. The employee trainings meeting the strategic needs support the sustainable and stable development of the Company and achieve a "win-win" for the Company's business development and employee career development.



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

In 2020, against the backdrop of COVID-19, the Company rapidly transformed in respect of its employees' learning. The Company increased its efforts to promote the construction of learning platforms and online learning resources and carried out "online" optimization and transformation of various traditional face-to-face training programs to provide employees with timely and targeted learning support to improve training quality and efficiency. Throughout 2020, the Company focused on the three aspects of "consolidating the professional ability and leadership of the staff, comprehensively deepening compliance risk control and industry culture learning, strengthening platform construction, and continuing to promote the extraction and dissemination of organizational wisdom", and organized the development of talents nurturing and learning activities.

### 4. Contracted staff

Currently, certain departments and branches of our corporate headquarter outsource non-core, sundry and supporting work to the labor outsourcing agents. The Company signs service agreements with them and regulates their service quality according to the requirements of laws and regulations including the Contract Law.

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

As at the date of this report, the tenth Session of the Board of the Company established five special committees. The committees and their members were as follows:

Strategy Committee: Sun Shuming (chairman), Li Xiulin, Shang Shuzhi, Guo Jingyi and Lin Chuanhui;

Nomination Committee: Hu Bin (chairman), Fan Lifu, Li Wenjing, Sun Shuming and Sun Xiaoyan;

Remuneration and Appraisal Committee: Hu Bin (chairman), Fan Lifu, Leung Shek Ling Olivia, Sun Xiaoyan and Qin Li;

Audit Committee: Li Wenjing (chairman), Fan Lifu and Leung Shek Ling Olivia;

Risk Management Committee: Sun Shuming (chairman), Leung Shek Ling Olivia, Li Wenjing, Sun Xiaoyan and Qin Li.



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

As at the end of 2020, the Company had 231 securities brokerage branches which had entrusted brokers to engage in businesses including client solicitation. There were 1,018 brokers in total, among which 1,014 brokers have gained the security broker qualification and remaining 4 brokers were under applications for the qualification.

During the Reporting Period, the three-tiered management system of “retail business management headquarters-branch offices (wealth management department or marketing management department) – securities brokerage branch (marketing development department)” was adopted for the management of brokers. The E-commerce department, as the headquarters’ functional department under the retail business headquarters, established a system for managing our securities brokers and organizing centralized training activities. The branch companies coordinate and supervise the business of securities brokers within their respective jurisdictions. The securities brokerage branches are responsible for implementing the recruitment, training, practicing registration, marketing development and daily management activities.



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## CORPORATE GOVERNANCE



### I. BASIC SITUATION OF THE CORPORATE GOVERNANCE

The Company is committed to becoming a modern investment bank with international competitiveness, brand influence and systematic significance. As a public company listed in both Mainland China and Hong Kong, the Company carries out standardized operations in strict accordance with the requirements of laws and regulations and normative documents of the place where the Company is listed, therefore continuously improving the social recognition and public reputation.

The Company continues to enhance corporate governance pursuant to stipulations under the relevant laws and regulations including the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Standardized Operational Guidelines for Companies Listed on 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 as set out in Appendix 14 to the Hong Kong Listing Rules (hereinafter referred to as the “Code”). There is no difference between the actual situation of corporate governance and the relevant requirements and provisions of the CSRC and the Hong Kong Stock Exchange.

To satisfy the requirements of both corporate governance and specific operation for an A+H dual listed company, the Company approved at the Board meeting on March 19, 2015, the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 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 Code as the guidelines for standardizing the Company’s governance. 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 Code, and all provisions thereof. The Company has met most of the recommended best practice provisions as set out in the Code. According to the Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. From April 21 to December 10, 2020, Mr. Sun Shuming, the Chairman of the Company, 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 then 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. On December 11, 2020, Mr. Lin Chuanhui was appointed as the General Manager of the Company at the Ninth Meeting of the Tenth Session of the Board of the Company, which complied with the provision as set out in the Code.

During the Reporting Period, the Company convened a total of 44 meetings, including two general meetings of shareholders, 15 meetings of the Board of Directors, six meetings of the Supervisory Committee, two annual report work meetings of Independent Non-Executive Directors, one meeting of the Strategy Committee, five meetings of the Nomination Committee, two meetings of the Remuneration and Appraisal Committee, nine meetings of the Audit Committee, and two meetings of the Risk Management Committee.



## CORPORATE GOVERNANCE

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

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

#### 1. Operational independence

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

#### 2. Independence of personnel

The Company has established a human resource management department and an independent labor and personnel policy and an independent labor, specific personnel and payroll management system. The Company is completely separated with the largest shareholder and other shareholders. The engagement of the Company's Directors, Supervisors, and senior management complies with the Company Law, the Securities Law and other relevant provisions. The Company's incumbent Directors, Supervisors and senior management personnel have met the qualifications required by the relevant laws, administrative regulations, departmental rules, normative documents, the SZSE Listing Rules and other relevant provisions of the relevant stock exchanges. No senior management serves in the largest shareholder of the Company and other shareholders, or works in a part-time manner for other non-profit institutions or engages in other business activities. The Company has established a well-developed employment, personnel management, payroll management and social security system, and has signed a labor contract with each of the employees according to laws. The Company has independent rights to employ labors, with no interference from shareholders.

#### 3. Independence of the assets

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



#### 4. Institutional independence

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

#### 5. Financial independence

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

As at the date of this report, the Company has not provided any guarantees to any shareholder (including the largest shareholder) and other related parties.

### III. COMPETITION WITH SUBSTANTIAL SHAREHOLDERS

None



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

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

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

Under Article 84 of Articles of Association of the Company, Shareholder(s) severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, the Articles of Association, give a written reply on whether to convene an extraordinary general meeting or not within 10 days after receipt of the request. If the Board agrees to convene an extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is passed by the Board. In the event of any change to the original proposals set forth in the notice, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or more shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after receipt of the said request. In the event of any change to the original proposals set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result of its failure to do so, the Shareholder(s) severally or jointly holding 10% or more shares of the Company for 90 consecutive days or above may convene and preside over such meeting by itself/themselves.

In addition, under Article 89 of the Articles of Association of the Company, where the Company convenes a general meeting, the Board, the Supervisory Committee and shareholder(s) severally or jointly holding 3% or more shares of the Company may make proposals to the Company. Shareholder(s) severally or jointly holding 3% or more shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within two days after receipt of a proposal, and announce the content of the proposals on the agenda. Otherwise, the convener shall not change the proposals set out in the notice of general meeting or add any new proposal after the said notice announcement is served.



## CORPORATE GOVERNANCE

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

Session of meeting	Type of meeting	Participation		Titles of Resolutions of the meeting	Status of resolutions	Disclosure	
		ratio of investors	Convening date			date	Disclosure index
Annual general meeting 2019	Annual general meeting	49.0811%	June 9, 2020	1. 2019 Annual Report of Board of Directors of GF Securities; 2. 2019 Annual Report of Supervisory Committee of GF Securities; 3. 2019 Annual Final Financial Report of GF Securities; 4. 2019 Annual Report of GF Securities; 5. 2019 Annual Profit Distribution Proposal of GF Securities; 6. the resolution regarding engaging auditors in 2020; 7. the resolution regarding the authorization of proprietary investment quota for 2020; 8. the resolution regarding the 2020 expected daily related party/connected transactions; 9. the resolution regarding amendments to the Work Rules for Independent Directors; 10. the resolution regarding amendments to the Articles of Association; 11. the resolution regarding amendments to the Rules of Procedure for the General Meeting; 12. the resolution regarding amendments to the Rules of Procedure for the Board of Directors; 13. the resolution regarding amendments to the Rules of Procedure for the Supervisory Committee; 14. the resolution regarding the election of directors for the Tenth Session of the Board of the Company; 15. the resolution regarding the election of supervisors for the Tenth Session of the Supervisory Committee of the Company.	All the resolutions were approved	June 10, 2020	Published in the China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKExnews website of Hong Kong Stock Exchange (www.hkexnews.hk) by the Company
The 2020 first extraordinary general meeting	Extraordinary general meeting	48.8771%	October 19, 2020	1. the resolution regarding the election of Mr. Guo Jingyi as a non-executive director of the Company	The resolution was approved	October 19, 2020	



## CORPORATE GOVERNANCE

As a responsible public company, the Company is dedicated to providing effective protection of shareholders of the Company and their full right of information, and ensuring the fairness of information disclosure. The Company has also continued to take a series of concrete actions to further improve and increase its communication with investors. The Company has designated the Secretary of Board of Directors and a Company Secretary to be responsible for information disclosure. The securities representative and the Board's office assist in information disclosure and maintenance of investors relations. The Company interacts and communicates with investors in a variety of forms, mainly including phone calls, emails, investor relation platform on the Company's website, the interaction platform of the SZSE, site visits, attending investor presentations and overseas road shows. Shareholders may at any time make queries and express their views to the Board in writing through the Company Secretary and the Board's office. Where appropriate, shareholders' inquiries and comments will be forwarded to the Board of Directors and/or the relevant special committees of the Company's Board to address shareholders' questions, to ensure that shareholders, especially the minority shareholders, can fully exercise their rights (for contact information of the Company, please refer to "II. Contact Persons and Contact Information" under "Company Profile" in Section 1 of this report).

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

N/A

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

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

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

#### 1. *The composition of the Board*

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



Shareholder(s) severally or jointly holding 3% or more shares of the Company may nominate candidates for directors and supervisors to the general meeting. If the number of directors nominated by any single shareholder exceeds 1/2 or more of the number of directors, the number of supervisors nominated by such shareholder shall not exceed 1/3 of the number of supervisors. The Directors shall be elected or replaced at the general meeting and their term of office shall be three years. The Directors shall perform their official duties since the adoption of the resolution of the shareholders. Upon the expiry of the term, a Director shall be eligible for re-election and re-appointment. Independent Directors shall have the same term of office as the other Directors. The term of office of an independent Director is renewable upon re-election when it expires, but no independent Director shall serve for more than two sessions. Ordinary resolution for the election of Directors at a general meeting shall be passed by one half or more of the voting rights held by the Shareholders (including their proxies) attending the general meeting.

Independent Non-Executive Directors shall be independent as required under Rule 3.13 of the Hong Kong Listing Rules. As of the date of this annual report, the Company has received confirmation in writing from all Independent Non-Executive Directors on their independence. The Company has confirmed their independence based on the aforesaid confirmation and the relevant information available to the Board.

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

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

According to the Articles of Association of the Company, the Board shall exercise the following functions and powers: to convene general meetings and report to general meetings; to execute resolutions of general meetings; to resolve on the Company's business plans and investment plans; to formulate the Company's long-term and mid-term development plans; to prepare the annual financial budgets and final accounting plans of the Company; to prepare the profit distribution plan and loss makeup plan of the Company; to prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and listing plans; to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company; to decide on external investment, acquisition and disposal of assets, asset pledge, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting; to resolve on the establishment of internal management organizations of the Company; to appoint or dismiss the Company's general manager, secretary of the Board, chief compliance officer, chief risk officer, chief information officer and chief audit officer as nominated by the Chairman of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager and determine their remuneration and



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## CORPORATE GOVERNANCE

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rewards and penalties; to set up the basic management system of the Company; to formulate the proposals for any amendment to the Articles of Association; to manage the disclosure of information by the Company; to propose to general meetings the appointment or change of the accounting firm acting as the auditors of the Company; to review the work report of the general manager of the Company and examine the work conducted by the general manager; to monitor, review and evaluate the establishment and implementation of the Company's various internal control systems and to be responsible for the effectiveness of the internal control; to ensure the independence of the chief compliance officer, guarantee the independent communication between the chief compliance officer and the Board and safeguard the smooth reporting between the chief compliance officer and the regulatory authority; to review the compliance report and monitor the implementation of the compliance policies; to examine and approve significant risk management policies including risk preference; to evaluate and determine the nature and extent of risks that the Company is willing to take in achieving its strategic objectives and ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board of Directors shall supervise the design, implementation and monitoring of the risk management and internal control systems by the management and the management shall provide the Board of Directors confirmations on the effectiveness of such systems; to determine to acquire the shares of the Company under the circumstances set out under Article 27(3), (5) or (6) of these Articles of Association; and to be responsible for reviewing the Company's information technology management objectives and assuming responsibility for the effectiveness of information technology management; to review the information technology strategy to ensure its consistency with the Company's development strategy, risk management strategy and capital strength; to establish manpower and funding support plans for information technology; to evaluate the overall effectiveness and efficiency of the annual information technology management; to exercise other functions and powers as conferred by laws, administrative regulations, departmental rules or these Articles of Association.

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



### 3. Major initiatives on corporate governance by the Board of Directors

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

- (1) According to the Provisions on the Administration of Equities of Securities Companies (CSRC Order No. 156) 《證券公司股權管理規定》(證監會令第156號)) and the Provisions on Issues Related to the Implementation of the 'Provisions on the Administration of Equities of Securities Companies' (Announcement [2019] No. 16) 《關於實施<證券公司股權管理規定>有關問題的規定》(公告[2019]16號)) issued by the CSRC, the Company made amendments to the Articles of Association of the Company, and added the shareholders' rights and obligations, the lock-up period of equity, the person in charge of equity management affairs, and other regulatory requirements in respect of equity management into the Articles of Association.
- (2) According to the Approval of the State Council on the Adjustment of the Provisions Applicable to the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No.97) 《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) issued by the State Council, the requirements on the notice period for a general meeting, shareholders' right to propose and procedures for convening a general meeting for a joint-stock limited liability company incorporated in the PRC and listed overseas, shall consistently apply the relevant regulations under the Company Law of the PRC, and the requirements under Articles 20 to 22 of the Special Regulations of the State Council on the Overseas Share Offering and Listing by Joint-Stock Limited Liability Companies 《國務院關於股份有限公司境外募集股份及上市的特別規定》) shall no longer be applicable. Accordingly, the Company made amendments to the Articles of Association and the Rules of Procedure for the General Meeting.
- (3) According to the Securities Law as amended and adopted at the 15th Meeting of the Standing Committee of the 13th National People's Congress, the Company made amendments to the relevant provisions set out in the Articles of Association of the Company, the Rules of Procedure for the General Meeting, the Rules of Procedure for the Board of Directors and the Rules of Procedure for the Supervisory Committee.
- (4) In order to strengthen the financial management work, improve the internal control system and prevent financial management risk of the Company, we have followed the requirements of the Accounting Standards for Business Enterprises and the Supporting Guidelines for Enterprise Internal Control and made amendments to the Financial Management System of the Company based on the actual circumstances of our business, management and other aspects.



## CORPORATE GOVERNANCE

The Company provides professional training to its Directors, Supervisors and senior management for their performance of duties. In 2020, Jia Yuan Law Offices, Beijing, the legal advisor appointed by the Company, was invited by the Company to provide a special training on the interpretation of the key points of the new Securities Law to all of its Directors, Supervisors and senior management. The Company will send the laws, regulations, guidelines, notices, special editions issued by the regulatory authorities to the Directors, Supervisors and senior management for their serious studying in a timely manner, and will provide the Monthly Newsletters of the Directors and Supervisors 《董監事通訊》 that are compiled by the Company so as to improve their understanding of the securities industry and the Company's business and to facilitate the performance of duties by the Company's Directors, Supervisors and senior management.

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

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

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



### 5. *Chairman and General Manager*

The Articles of Association of the Company, Terms of Reference for the Board of Directors and Terms of Reference for the General Manager clearly delineate the duties of the Chairman and the General Manager. The Chairman is the legal representative of the Company, who leads the daily operations of the Board, and monitors and examines the implementation of resolutions made by the Board to ensure efficient and orderly operations of the Board.

According to the Code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. From April 21, 2020 to December 10, 2020, Mr. Sun Shuming, the Chairman of the Company, 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 then 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.

On December 11, 2020, Mr. Lin Chuanhui was appointed as the General Manager of the Company at the Ninth Meeting of the Tenth Session of the Board of the Company. So far, Mr. Sun Shuming has served as the Chairman of the Company and Mr. Lin Chuanhui has served as the General Manager, which satisfied the provision as set out in the Code.



## CORPORATE GOVERNANCE

### 6. *The Board meetings during the Reporting Period*

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Twenty-fifth Meeting of the Ninth Session of the Board of Directors	January 22, 2020	1. To consider the Resolution on the Connected Transactions between GF Fund Management Co., Ltd. and Kangmei Healthcare Industry Investment Co., Ltd.	The resolution was passed	January 23, 2020	It was published in 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.



## CORPORATE GOVERNANCE

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Twenty-sixth Meeting of the Ninth Session of the Board of Directors	March 27, 2020	1. To consider the Board Report of GF Securities for the Year of 2019; 2. To consider the Work Report of GF Securities Board Strategy Committee for the Year of 2019; 3. To consider the Work Report of GF Securities Board Risk Management Committee for the Year of 2019; 4. To consider the Work Report of GF Securities Board Nomination Committee for the Year of 2019; 5. To consider the Work Report of GF Securities Board Remuneration and Appraisal Committee for the Year of 2019; 6. To consider the Work Report of GF Securities Board Audit Committee for the Year of 2019; 7. To consider the Resolution on Drawing General Meeting's attention to Work Report of GF Securities Independent Directors for the Year of 2019; 8. To consider the Resolution on Drawing General Meeting's attention to Duty Report of GF Securities Independent Directors for the Year of 2019; 9. To consider the Resolution of Performance Assessment on Directors for the Year of 2019; 10. To consider the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2019; 11. To consider the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2019; 12. To consider the Resolution on the Provision for Assets Impairment for 2019; 13. To consider the Final Financial Report of GF Securities for the Year of 2019; 14. To consider the Annual Report of GF Securities for the Year of 2019; 15. To consider the Social Responsibility Report of GF Securities for the Year of 2019; 16. To consider the Corporate Governance Report of GF Securities for the Year of 2019; 17. To consider the Compliance Report of GF Securities for the Year of 2019; 18. To consider the Review Report on the Effectiveness of the Compliance Management of GF Securities for the Year of 2019; 19. To consider the Internal Control and Evaluation Report of GF Securities for the Year of 2019; 20. To consider the Specific Auditing Report of Related/ Connected Transactions of GF Securities for the Year of 2019; 21. To consider the Risk Management Report of GF Securities for the Year of 2019; 22. To consider the Specific Report on the Information Technology Management of GF Securities for the Year of 2019; 23. To consider the Plan of Profit-sharing of GF Securities for the Year of 2019; 24. To consider the Resolution Regarding Engaging Auditors in 2020; 25. To consider the Resolution on the Authorization of Proprietary Investment Quota for 2020; 26. To consider the Resolution on Expected Daily Related Party/Connected Transactions of the Company for the Year of 2020; 27. To consider the Resolution Regarding Amendments to the Articles of Association of the Company; 28. To consider the Resolution Regarding Amendments to the Rules of Procedure for the General Meeting; 29. To consider the Resolution Regarding Amendments to the Rules of Procedure for the Board of Directors; 30. Resolution on the Authorization to Convene the General Meeting for the Year of 2019; 31. To consider the Resolution on Distribution of Performance Salary for the Management for the Year of 2019.	All the resolutions were passed	March 28, 2020	



## CORPORATE GOVERNANCE

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Twenty-seventh Meeting of the Ninth Session of the Board of Directors	April 21, 2020	1. To consider the Resolution on Appointment of the General Manager of the Company; 2. To consider the Resolution on Nominating Candidates for Directors to the Tenth Session of the Board of Directors.	All the resolutions were passed	April 22, 2020	
The Twenty-eighth Meeting of the Ninth Session of the Board of Directors	April 28, 2020	1. To consider the 2020 First Quarterly Report of GF Securities	The resolution was passed	April 29, 2020	
The First Meeting of the Tenth Session of the Board of Directors	June 9, 2020	1. To consider the Resolution on Election of Members of Committees of the Tenth Session of Board of Directors of the Company; 2. To consider the Resolution on Election of the Chairman of the Tenth Session of Board of Directors of the Company; 3. To consider the Resolution on Appointment of the General Manager of the Company; 4. To consider the Resolution on Appointment of Chief Compliance Officer, Chief Risk Officer, Chief Information Officer and Secretary to the Board of the Company; 5. To consider the Resolution on Appointment of Other Senior Management Members of the Company.	All the resolutions were passed	June 10, 2020	
The Second Meeting of the Tenth Session of the Board of Directors	August 17, 2020	1. To consider the Resolution on Work Plan for Rectification of Traditional Products of the Relevant Subsidiaries under the New Asset Management Regulations	The resolution was passed	August 18, 2020	
The Third Meeting of the Tenth Session of the Board of Directors	August 28, 2020	1. To consider the 2020 Interim Report of GF Securities; 2. To consider the GF Securities Interim Report of Risk Management for the Year of 2020.	All the resolutions were passed	August 29, 2020	
The Fourth Meeting of the Tenth Session of the Board of Directors	September 22, 2020	1. To consider the Resolution on Nominating Candidates for Non-executive Directors to the Tenth Session of the Board of Directors; 2. To consider the Resolution on the Related/Connected Transaction of Joint Investment by GF Xinde Investment Management Co., Ltd. and Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd.; 3. To consider the Resolution on the Authorization to Convene the First Extraordinary General Meeting for the Year of 2020.	All the resolutions were passed	September 23, 2020	
The Fifth Meeting of the Tenth Session of the Board of Directors	September 28, 2020	1. To consider the Resolution on the Related/Connected Transaction of Joint Investment by GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Zhongshan Zhonghui Investment Group Company Limited	The resolution was passed	September 29, 2020	
The Sixth Meeting of the Tenth Session of the Board of Directors	October 19, 2020	1. To consider the Resolution on Election of Mr. Guo Jingyi as a Member of the Strategy Committee of the Tenth Session of Board of Directors of the Company	The resolution was passed	October 20, 2020	



## CORPORATE GOVERNANCE

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Seventh Meeting of the Tenth Session of the Board of Directors	October 30, 2020	1. To consider the 2020 Third Quarterly Report of GF Securities	The resolution was passed	October 31, 2020	
The Eighth Meeting of the Tenth Session of the Board of Directors	November 9, 2020	1. To consider the Resolution on the Change of Organizational Structure of the Investment Banking Business of the Company; 2. To consider the Resolution on Revision of Financial Management System of the Company.	All the resolutions were passed	November 10, 2020	
The Ninth Meeting of the Tenth Session of the Board of Directors	December 11, 2020	1. To consider the Resolution on Nominating Candidates for Executive Directors to the Tenth Session of the Board of Directors; 2. To consider the Resolution on Appointment of the General Manager of the Company; 3. To consider the Resolution on the Authorization to Convene the FIRST Extraordinary General Meeting for the Year of 2021.	All the resolutions were passed	December 12, 2020	
The Tenth Meeting of the Tenth Session of the Board of Directors	December 18, 2020	1. To consider the Resolution on the Related/Connected Transaction of Joint Investment by GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Jilin Aodong Pharmaceutical Group Co., Ltd.	The resolution was passed	December 19, 2020	
The Eleventh Meeting of the Tenth Session of the Board of Directors	December 31, 2020	1. To consider the Resolution on Compliance Accountability of Relevant Personnel Involved in the Kangmei Project Incident	The resolution was passed	January 1, 2021	



## CORPORATE GOVERNANCE

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

The Board of Directors of the Company has implemented the resolutions of shareholders' meetings well, and details on the implementation of the resolutions of shareholders' meetings by the Board of Directors during the Reporting Period is as follows:

On June 9, 2020, the Company convened the 2019 annual general meeting and passed the resolution on engagement of its auditor for the Year of 2020. According to the resolution, the Company engaged Ernst & Young as its auditor for the year of 2020.

On June 9, 2020, the Company held the 2019 annual general meeting and passed the 2019 Profit Distribution Plan of GF Securities 《廣發證券2019年度利潤分配方案》. The Company has completed the profit distribution before August 5, 2020 by distributing cash dividend of RMB3.5 (tax inclusive) for every 10 shares based on the then number of total issued shares of the Company of 7,621,087,664 Shares.

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

#### 1. *Supervisors and Supervisory Committee*

The existing Articles of Association of the Company and the Rules of Procedure for the Supervisory Committee have provided provisions regarding the composition, authority, the convocation of the meeting, notice of meeting and minutes of the Supervisory Committee, etc., which ensure the standard and effective operation of the Supervisory Committee. The Supervisory Committee of the Company currently comprises five Supervisors, among whom, three are shareholder representative supervisors and two are employee representative supervisors.



## CORPORATE GOVERNANCE

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

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions	Disclosure date	Disclosure index
The Fourteenth Meeting of the Ninth Session of the Supervisory Committee	March 27, 2020	1. the Internal Control and Evaluation Report of GF Securities for the Year of 2019; 2. the Social Responsibility Report of GF Securities for the Year of 2019; 3. the Annual Report of GF Securities for the Year of 2019; 4. the Resolution on Audit Opinion of 2019 Annual Report of GF Securities; 5. the Supervisory Committee Report of GF Securities for the Year of 2019; 6. the Resolution on Performance Assessment on Supervisors for the Year of 2019; 7. the Special Description of Performance Assessment and Remuneration of GF Securities Supervisors for the Year of 2019; 8. the Resolution on Proposed Amendments to the Rules of Procedure for the Supervisory Committee of the Company; 9. the Resolution on the Provision for Assets Impairment for 2019; 10. the Review Report on the Effectiveness of the Compliance Management of GF Securities for the Year of 2019; 11. the Resolution on Performance Salary for Chairman of the Supervisory Committee for the Year of 2019.	All the resolutions were passed	March 28, 2020	It was published in 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
The Fifteenth Meeting of the Ninth Session of the Supervisory Committee	April 21, 2020	1. the Resolution on Nominating Candidates for Supervisors to the Tenth Session of the Supervisory Committee	The resolution was passed	April 22, 2020	
The Sixteenth Meeting of the Ninth Session of the Supervisory Committee	April 28, 2020	1. the 2020 First Quarterly Report of GF Securities	The resolution was passed	April 29, 2020	
The First Meeting of the Tenth Session of the Supervisory Committee	June 9, 2020	1. the Resolution on Election of the Chairman of the Tenth Session of the Supervisory Committee of the Company	The resolution was passed	June 10, 2020	
The Second Meeting of the Tenth Session of the Supervisory Committee	August 28, 2020	1. the 2020 Interim Report of GF Securities	The resolution was passed	August 29, 2020	
The Third Meeting of the Tenth Session of the Supervisory Committee	October 30, 2020	1. the 2020 Third Quarterly Report of GF Securities	The resolution was passed	October 31, 2020	



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

## 1. Attendance of Directors at Board meetings and general meetings of shareholders

		Attendance at Board meetings and general meetings of shareholders							
Name of Director	Position	Required attendance at Board Meetings during the Reporting Period	On-site attendance at Board Meeting	Attendance at Board Meeting by telecommunication	Attendance at Board Meeting by proxy	Times of absence from Board Meeting	Two consecutive absences in Voting results		Attendance at general meeting of shareholders
		Period	Board Meeting	Board Meeting	Board Meeting	Board Meeting	Board Meeting	Board Meeting	Board Meeting
Sun Shuming	Executive Director	15	10	5	0	0	No	Affirmative to all	2/2
Li Xiulin	Non-Executive Director	15	1	14	0	0	No	Affirmative to all	0/2
Shang Shuzhi	Non-Executive Director	15	0	14	1	0	No	Affirmative to all	0/2
Guo Jingyi	Non-Executive Director	6	0	6	0	0	No	Affirmative to all	0/0
Sun Xiaoyan	Executive Director	15	10	5	0	0	No	Affirmative to all	2/2
Qin Li	Executive Director	15	9	6	0	0	No	Affirmative to all	2/2
Fan Lifu	Independent Non-Executive Director	15	1	14	0	0	No	Affirmative to all	1/2
Hu Bin	Independent Non-Executive Director	11	1	9	1	0	No	Affirmative to all	0/1
Leung Shek Ling Olivia	Independent Non-Executive Director	11	0	11	0	0	No	Affirmative to all	0/1
Li Wenjing	Independent Non-Executive Director	11	1	10	0	0	No	Affirmative to all	0/1
Lin Zhihai	Executive Director	2	2	0	0	0	No	Affirmative to all	0/1
Yang Xiong	Independent Non-Executive Director	4	0	4	0	0	No	Affirmative to all	0/1
Tang Xin	Independent Non-Executive Director	4	0	4	0	0	No	Abstained from voting once, and affirmative to the rest	0/1
Chan Kalok	Independent Non-Executive Director	4	0	4	0	0	No	Affirmative to all	0/1
Liu Xuetao	Non-Executive Director	7	1	6	0	0	No	Affirmative to all	1/1

Description of Independent Director(s) failed to attend the board meeting in person for two consecutive times

Not Applicable



2. Objections raised by Independent Directors on matters of the Company

Name of Independent Director	The Matters on which the Independent Directors raised an objection	Details and description of objections
Tang Xin	The Resolution on the Connected Transactions between GF Fund Management Co., Ltd. and Kangmei Healthcare Industry Investment Co., Ltd. considered at the Twenty-fifth Meeting of the Ninth Session of the Board of Directors	Reason for abstaining from voting: Mr. Tang Xin was of the view that, given the complexity of these transactions, the relevant information proposed at such meeting was not sufficient for him to make an accurate judgment and to express a reliable opinion.

3. Other explanations on the performance of duties by Independent Directors

In 2020, the Independent Non-Executive Directors of the Company were actively involved in each of the Board meetings. During the period of their appointment, the Independent Non-Executive Directors had sufficient time and energy to carry out their duties. Before each meeting, the Independent Non-Executive Directors carefully reviewed the relevant materials, and fully expressed professional and independent opinions; when making independent judgments, they were not affected by the major shareholders of the Company or any other entities and individuals which are our stakeholders.

(1) *Performance of duties by Independent Non-Executive Directors in the Board’s special committees*

The Board of the Company has established five committees, namely, the Strategic Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Risk Management Committee. Each of the Nomination Committee, the Remuneration and Appraisal Committee and the Audit Committee of the Board has been chaired by an Independent Non-Executive Director. Each of the Independent Non-Executive Directors attended every meeting of those special committees and provided expert advice and consultation to the Board to help make informed decisions.



## CORPORATE GOVERNANCE

### (2) *Periodic reports*

While auditing annual reports, the Independent Non-Executive Directors strictly abided by the Annual Report Regulations of Independent Directors of GF Securities 《廣發證券獨立董事年報工作規定》) and ensure that there is sufficient time and energy to fulfill their duties, and make timely communications with certified public accountants responsible for the annual audit before and after the audit. Three of the four Independent Non-Executive Directors are members of the Audit Committee and they took part in the annual audit and communicated with the certified public accountants responsible for the annual audit, and expressed their views in dual capacities (both as a member of the Audit Committee and an independent non-executive Director). In accordance with the relevant requirements of the foregoing provisions, on December 10, 2020, the Independent Non-Executive Directors heard the reporting of the 2020 Annual Financial Results (unaudited) prepared by the finance department of the Company, communicated with the certified public accountants responsible for the annual audit, and consented to the annual audit work plan and reminded, and urged audit institutions to carry out audit procedures in place during the audit process, and finance department and other related departments to actively cooperate with the audit work.

On March 24, 2021, the Independent Non-Executive Directors heard the reporting of Ernst & Young on 2020 annual audit. After full communication with the certified public accountants responsible for the annual audit, the Independent Non-Executive Directors are of the view that: Ernst & Young carried out appropriate audit procedures in the annual audit in strict accordance with requirements of the Auditing Standards for CPAs of China and the International Standards on Auditing.

### (3) *Performance of other duties*

During the Reporting Period, the Independent Non-executive Directors of the Company had issued independent opinions in respect of the relevant matters pursuant to the legal procedures under the PRC laws and regulations and the Articles of Association of the Company, the details of which are as follows:

On January 22, 2020, the Independent Directors, namely Mr. Yang Xiong, Mr. Tang Xin, Mr. Chan Kalok and Mr. Fan Lifu, issued views of prior approval and independent opinions on the connected transactions between GF Fund and Kangmei Healthcare. On March 27, 2020, the Independent Directors, namely Mr. Yang Xiong, Mr. Tang Xin, Mr. Chan Kalok and Mr. Fan Lifu, issued independent opinions on the profit distribution proposal for 2019, the Internal Control and Evaluation Report for the year of 2019, distribution of performance-based remunerations for the management for the year of 2019, the use of the Company's funds by the controlling shareholders or other associated parties, external guarantees provided by the Company, expected ordinary related/connected transactions of 2020 and the Company's provision for assets impairment, and issued views of prior approval and independent opinions on the re-appointment of the accounting firm. On April 21, 2020, the Independent Directors, namely Mr. Yang Xiong, Mr. Tang Xin, Mr. Chan Kalok and Mr. Fan Lifu, issued independent opinions on the appointment of the General Manager of the Company and nominating candidates for Directors to the Tenth Session of the Board of Directors. On June 9, 2020, the Independent Directors, namely Mr. Fan Lifu, Mr. Hu Bin,



Ms. Leung Shek Ling, Olivia and Mr. Li Wenjing issued independent opinions on the election of the Chairman of the Board, matters nominated by the Chairman of the Board, appointment of the General Manager of the Company, and matters nominated by the General Manager. On August 28, 2020, the Independent Directors, namely Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling, Olivia and Mr. Li Wenjing issued independent opinions on the use of the Company's funds by the controlling shareholders or other associated parties and external guarantees provided by the Company. On September 22, 2020, the Independent Directors, namely Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling, Olivia and Mr. Li Wenjing issued independent opinions on nominating candidates for Non-executive Directors to the Tenth Session of the Board of Directors, and issued views of prior approval and independent opinions on the related/connected transaction of joint investment by GF Xinde Investment Management Co., Ltd. and Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd.. On September 28, 2020, the Independent Directors, namely Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling, Olivia and Mr. Li Wenjing issued views of prior approval and independent opinions on the related/connected transaction of joint investment by GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Zhongshan Zhonghui Investment Group Company Limited. On December 11, 2020, the Independent Directors, namely Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling, Olivia and Mr. Li Wenjing issued independent opinions on nominating candidates for Executive Directors to the Tenth Session of the Board of Directors and the appointment of the General Manager of the Company. On December 18, 2020, the Independent Directors, namely Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling, Olivia and Mr. Li Wenjing issued views of prior approval and independent opinions on the related/connected transaction of joint investment by GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Jilin Aodong Pharmaceutical Group Co., Ltd..

#### 4. Directors' trainings

The Company attaches great importance to continuous training of Directors, to ensure appropriate understanding of the Company's business operations and development by Directors, and their comprehensive understanding of the applicable laws, decrees and regulations where the Company's shares are listed. During the Reporting Period, in addition to attending trainings organized by the regulatory bodies periodically, the Company's Directors were also proactively involved in seminars and symposiums organized by trade associations and other self-regulatory organizations, which enabled the exchange of experience within the same industry to promote the capacity of fulfilling their duties. The Company promptly provide to the Directors, Supervisors and Senior Management with the latest information on, among others, the laws, regulations, guidelines, notices, special material issued by the regulatory authorities, and require them to learn carefully. The Supervisory Committee Office and the Office of the Board of Directors also regularly prepare the Monthly Newsletter of Directors and Supervisors (《董監事通訊》), prepare the special training material from time to time, and provide it to the Directors in a timely manner and assist Directors in acquiring comprehensive knowledge of the Company's operations, the implementation of resolutions and the industry's latest development as well as the latest regulations, thus improving the ability of Directors' discharging of their duties with targeted results.



## CORPORATE GOVERNANCE

The details of Directors' trainings in 2020 are as follows:

Name	Position	Training content
Sun Shuming	Executive Director, Chairman	<ol style="list-style-type: none"> <li>1. On March 27, 2020, he attended the training on analysis of key revision of the new securities law, organized by the Company;</li> <li>2. On April 8, 2020, he attended the training course of the theoretical study center group for the second quarter of 2020, organized by the Party committee of the Company;</li> <li>3. On April 30, 2020, he attended the symposiums for soliciting opinions on the supporting rules for the reform of the ChiNext board and the pilot project of the registration-based IPO system, organized by SZSE;</li> <li>4. On July 1, 2020, he attended the training course on "Adhering to the principle of self-revolution to promote transformation for development" organized by the Company;</li> <li>5. On July 30, 2020, he attended the serial online training 2020 for chairmen and general managers of listed companies organized by the China Association for Public Companies;</li> <li>6. On October 19, 2020, he attended the symposiums for members from southern region during the 2020 annual member meeting, organized by SZSE;</li> <li>7. On November 5, 2020, he attended the "Training course for the chairmen of listed companies in Guangdong" organized by the Listed Companies Association of Guangdong.</li> </ol>
Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	<ol style="list-style-type: none"> <li>1. On March 27, 2020, he attended the training on analysis of key revision of the new securities law, organized by the Company;</li> <li>2. On May 26, 2020, she attended the symposiums on preparing for the reform of the ChiNext board and the pilot project of the registration-based IPO system, organized by the China Securities Depository and Clearing Corporation Limited, Shenzhen Branch;</li> <li>3. From July 30 to December 13, 2020, she attended the cultivating project for leading talent in securities, funds and futures industry, organized by the School of Economics and Management of Tsinghua University;</li> <li>4. On October 22, 2020, she attended the training course on the implementation and case sharing of technology and finance strategies, organized by the Company;</li> <li>5. On October 31, 2020, she attended the live training on the "Analysis on Key Points of the New Securities Law-Investor Protection" organized by the Securities Association of China.</li> </ol>
Qin Li	Executive Director, Chief Officer of the Company	<ol style="list-style-type: none"> <li>1. On March 27, 2020, he attended the training on analysis of key revision of the new securities law, organized by the Company;</li> <li>2. On April 8, 2020, he attended the theory learning center group training course for the second quarter of 2020, organized by the Party committee of the Company;</li> <li>3. On September 22, 2020, he attended the seminar course on regulatory compliance, organized by the Company.</li> </ol>



## CORPORATE GOVERNANCE

Name	Position	Training content
Li Xiulin	Non-Executive Director	<ol style="list-style-type: none"> <li>1. On March 27, 2020, he attended the training on analysis of key revision of the new securities law, organized by the Company;</li> <li>2. On April 13, 2020, he attended the special training on analysis of the new securities law, organized by the China Association for Public Companies;</li> <li>3. On May 26, 2020, he attended the special training on regulatory matters regarding financial information disclosure of listed companies, organized by the China Association for Public Companies;</li> <li>4. On June 12, 2020, he attended the special training on “Discharging duties lawfully to promote compliance and development” organized by the China Association for Public Companies;</li> <li>5. On July 29, 2020, he attended the special training on focusing on new infrastructure-5G and innovation, organized by the China Association for Public Companies;</li> <li>6. On July 29, 2020, he attended the special training on protection of investors’ rights and interests in listed companies and management of investor relationship, organized by the China Association for Public Companies;</li> <li>7. On July 29, 2020, he attended the special training on analysis of the latest cases of violations of laws and regulations by listed companies, organized by the China Association for Public Companies;</li> <li>8. On September 4, 2020, he attended the special training on regulatory matters in relation to refinancing of listed companies, organized by the China Association for Public Companies;</li> <li>9. On October 20, 2020, he attended the special training on special representative litigation system and protection of small and medium-sized investors, organized by the China Association for Public Companies;</li> <li>10. On October 20, 2020, he attended the special training on targeted poverty alleviation in severely impoverished areas under the capital market mechanism, organized by the China Association for Public Companies.</li> </ol>
Shang Shuzhi	Non-Executive Director	<ol style="list-style-type: none"> <li>1. On March 27, 2020, he attended the training on analysis of key revision of the new securities law, organized by the Company;</li> <li>2. On March 13, 2020, he attended the training on analysis of the new securities law and the seminar in relation to refinancing business model, organized by the Dalian Listed Companies Association;</li> <li>3. From July 1 to July 31, 2020, he attended the video training 2020 for directors and supervisors of listed companies in Dalian, organized by the Dalian Listed Companies Association.</li> </ol>
Guo Jingyi	Non-Executive Director	<ol style="list-style-type: none"> <li>1. On November 5, 2020, he attended the training course for the chairmen of listed companies in Guangdong, organized by the Listed Companies Association of Guangdong.</li> </ol>



## CORPORATE GOVERNANCE

Name	Position	Training content
Fan Lifu	Independent Non-Executive Director	<ol style="list-style-type: none"><li>1. On March 27, 2020, he attended the training on analysis of key revision of the new securities law, organized by the Company;</li><li>2. On April 24, 2020, he attended the training on analysis of new requirements of the securities law regarding impact and challenges on listed companies, organized by the Liaoning Listed Companies Association;</li><li>3. On September 4, 2020, he attended the training on analysis on key points of the new securities law organized by the Securities Association of China;</li><li>4. On November 26, 2020, he attended the special training on improving quality of listed companies, organized by the CSRC, Liaoning branch.</li></ol>
Hu Bin	Independent Non-Executive Director	<ol style="list-style-type: none"><li>1. On June 10, 2020, he attended the finance forum hosted by the Institute of Finance &amp; Banking of the Chinese Academy of Social Sciences;</li><li>2. On July 16, 2020, he attended the international academic seminar on the “Impact of the COVID-19 pandemic and the Macro Policy Response”, jointly organized by the Institute of Finance &amp; Banking of the Chinese Academy of Social Sciences, the Nomura Research Institute and the National Institution for Finance &amp; Development;</li><li>3. On August 29, 2020, he attended the Eighth China Wealth Management Development Forum-Starting a New Journey for High-Quality Development, hosted by the China Securities Jinniu;</li><li>4. On September 11, 2020, he attended the press conference on the “Blue Book on Financial Regulation: China’s Financial Regulatory Report (2020)”, organized by the Institute of Finance &amp; Banking of the Chinese Academy of Social Sciences and the National Institution for Finance &amp; Development of the Chinese Academy of Social Sciences;</li><li>5. On December 12, 2020, he attended the international academic seminar on the “Central Bank Digital Currencies and Development of Digital Society” jointly organized by the Institute of Finance &amp; Banking of Chinese Academy of Social Sciences, the Nomura Research Institute and the National Institution for Finance &amp; Development.</li></ol>
Leung Shek Ling, Olivia	Independent Non-Executive Director	<ol style="list-style-type: none"><li>1. On June 16, 2020, she attended the ACCA Professional Conduct Demonstration Training organized by the ACCA (United Kingdom &amp; Hong Kong);</li><li>2. On November 12, 2020, she attended the ACCA Forum for Educators in China, hosted by ACCA (China), and gave a keynote speech.</li></ol>



## CORPORATE GOVERNANCE

Name	Position	Training content
Li Wenjing	Independent Non-Executive Director	<ol style="list-style-type: none"> <li>1. From October 21 to October 23, 2020, he attended the 8th International Business School Shanghai Conference with the theme of “Leading in a Turbulent World”, organized by the Antai College of Economics and Management of Shanghai Jiao Tong University;</li> <li>2. On November 1, 2020, he attended the forum on the “Management Research in Serving the Society” hosted by the School of Management of Zhejiang University;</li> <li>3. From December 4 to December 6, 2020, he attended the forum on the “2020 Leadership Dialogue between Deans and Secretary of China Business School” hosted by the School of Business of Sun Yat-sen University, and made a speech themed as “Some thoughts on business administration research”;</li> <li>4. On December 7, 2020, he attended the forum on the “Construction of Free Trade Port and Development of Business Schools” hosted by the Management School of Hainan University, and made a speech themed as “Challenges and opportunities for the Business Schools under the new situation, and the countermeasure recommendations”.</li> </ol>

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

The Board consists of several special committees, namely the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Risk Management Committee. The clear division of power and responsibility of the Committees guarantees effective operation and makes the decision division of the Board more refined. The special committees play an effective role in the Company’s major decisions. As of the end of the Reporting Period, the details of the composition of each special committee are in “VI. Constitution of All Special Committees under the Board” as set out in Section 10 “Particulars about Directors, Supervisors, Senior Management and Employees” of this report.

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

#### 1. The Strategy Committee

The Strategy Committee is mainly responsible for formulating the mid to long-term strategic goals and development plans of the Company, reviewing the mid to long-term strategic goals and development plans of each business and management segment of the Company, supervising and guiding the implementation of the Company’s strategies. The duties that the Strategy Committee shall perform are set forth in the Rules of Procedure for the Strategy Committee of the Board of Directors published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.



In 2020, the major achievements of the Strategy Committee included: completed the re-election of members of the Strategy Committee of the Tenth Session of the Board of Directors; the Strategy Committee of the Board of Directors reviewed the Company's financial budget reports to obtain a comprehensive understanding of the Company's financial conditions and the implementation of the relevant strategies; it also reviewed the relevant information in relation to the Company's business operations, including the Company's regular reports, financial reports, the materials of shareholders' meetings, the board meetings and other relevant meetings, to obtain information on the Company's business operations and the progress of the implementation of strategic planning, effectively fulfilling the responsibilities of the Strategy Committee of the Board.

(1) During the Reporting Period, the Strategy Committee held one meeting:

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2020 First Meeting of the Strategy Committee of the Ninth Session of the Board of Directors	March 27, 2020	1. the Work Report of the Strategy Committee of the Board of Directors of GF Securities for the Year of 2019	The resolution was passed

(2) The details of attendance of the Strategy Committee members are as follows:

Name of member	Position	Attendance/number of meetings
Sun Shuming	Executive Director and Chairman of Strategy Committee	1/1
Li Xiulin	Non-Executive Director	1/1
Shang Shuzhi	Non-Executive Director	1/1
Guo Jingyi	Non-Executive Director	0/0
Lin Chuanhui	Executive Director	0/0
Hu Bin	Independent Non-Executive Director	0/0
Liu Xuetao	Non-Executive Director	1/1
Lin Zhihai	Executive Director	1/1

Note 1: During the tenure of office of Mr. Guo Jingyi and Mr. Hu Bin in 2020, the Strategy Committee of the Board of Directors of the Company did not convene any meeting;

Note 2: Mr. Lin Chuanhui was elected as a member of the Strategy Committee of the Tenth Session of the Board of Directors on January 6, 2021.



## 2. The Nomination Committee

The Nomination Committee of the Board is mainly responsible for reviewing the structure, size and composition of the Board and make recommendations or advises to the Board, or the selection of the Company's Directors and senior management members, and the assessment of the independence of independent non-executive directors. The duties that the Nomination Committee shall perform are set forth in the Rules of Procedure for the Nomination Committee of the Board of Directors of GF Securities published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

By acting as the adviser of the Board as to the director nomination, the Nomination Committee nominates the candidates for new directors first for recommendation to the Board which will make decision on proposing to the general meeting for election or not. The Nomination Committee and the Board shall consider major factors including the cultural and educational background and professional experience of the relevant candidates.

In 2020, the Company completed the re-election of members of the Board of Directors, for which, the Nominating Committee actively performed its duties and fully assessed the composition and level of diversity of the Board of Directors. The diversity policy on the Board's composition of the Company includes: in designing the Board's composition, Board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The final decision will be made on the merits of the candidates and the contribution that could be brought to the Board. As of the date of this report, the diversity of the Board is demonstrated as follows:

Item	Category	Number	Percentage of the Board members
Gender	Male	9	82%
	Female	2	18%
Age	40 to 50	6	55%
	51 to 60	3	27%
	61 to 70	2	18%
Title	Executive director	4	36%
	Non-executive director	3	27%
	Independent non-executive director	4	36%
Term of office as a member of the board	5 years or less (5 years inclusive)	6	55%
	5 to 10 years (5 years exclusive, but 10 years inclusive)	3	27%
	Over 10 years (10 years exclusive)	2	18%
Years in securities and financial industry	20 years or less (20 years inclusive)	8	73%
	20 to 30 years (20 years exclusive, but 30 years inclusive)	2	18%
	Over 30 years (30 years exclusive)	1	9%
Profession or expertise in economics/finance/financial accounting	N/A	9	82%



The Company confirms that the composition of the Board, background of the Board members and the procedure for the election of new directors are in compliance with the requirements in respect of board diversity under the Hong Kong Listing Rules and the Board Diversity Policy of the Company.

(1) During the Reporting Period, the Nomination Committee convened five meetings:

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2020 First Meeting of the Nomination Committee of the Ninth Session of the Board of Directors	March 27, 2020	1. the Work Report of GF Securities Board Nomination Committee for the Year of 2019	The resolution was passed
2020 Second Meeting of the Nomination Committee of the Ninth Session of the Board of Directors	April 21, 2020	1. the Resolution on Appointment of the General Manager of the Company; 2. the Resolution on Nominating Candidates for Directors to the Tenth Session of the Board of Directors.	All the resolutions were passed
2020 First Meeting of the Nomination Committee of the Tenth Session of the Board of Directors	June 9, 2020	1. the Resolution on Election of Mr. Hu Bin as Chairman of the Nomination Committee; 2. the Resolution on Appointment of Mr. Sun Shuming as the Chairman of the Tenth Session of Board of Directors of the Company; 3. the Resolution on Appointment of the General Manager of the Company; 4. the Resolution on Matters Nominated by the Chairman; 5. Resolution on Matters Nominated by the General Manager.	All the resolutions were passed
2020 Second Meeting of the Nomination Committee of the Tenth Session of the Board of Directors	September 22, 2020	1. the Resolution on Nominating Candidates for Non-executive Directors to the Tenth Session of the Board of Directors	The resolution was passed
2020 Third Meeting of the Nomination Committee of the Tenth Session of the Board of Directors	December 11, 2020	1. the Resolution on Nominating Candidates for Executive Directors to the Tenth Session of the Board of Directors; 2. the Resolution on Appointment of the General Manager of the Company.	All the resolutions were passed



(2) The details of attendance of the Nomination Committee members are as follows:

Name of member	Position	Attendance/ number of meetings
Hu Bin	Independent Non-Executive Director and Chairman of Nomination Committee	3/3
Fan Lifu	Independent Non-Executive Director	5/5
Li Wenjing	Independent Non-Executive Director	3/3
Sun Shuming	Executive Director	5/5
Sun Xiaoyan	Executive Director	3/3
Tang Xin	Independent Non-Executive Director	2/2
Yang Xiong	Independent Non-Executive Director	2/2
Lin Zhihai	Executive Director	1/1

Note 1: During the tenure of office of Mr. Hu Bin, Mr. Li Wenjing and Ms. Sun Xiaoyan in 2020, the Nomination Committee of the Board of Directors of the Company convened three meetings;

Note 2: During the tenure of office of Mr. Tang Xin and Mr. Yang Xiong in 2020, the Nomination Committee of the Board of Directors of the Company convened three meetings;

Note 3: During the tenure of office of Mr. Lin Zhihai in 2020, the Nomination Committee of the Board of Directors of the Company convened one meeting.

### 3. Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Board is mainly responsible for the appraisal and evaluation of the Company's Directors and senior management members, improving the Company's performance evaluation system, and improving the soundness of the Company's overall remuneration system and monitoring its implementation. The duties that the Remuneration and Appraisal Committee shall perform are set forth in the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors of GF Securities published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

In 2020, the major achievements of the Remuneration and Appraisal Committee included: completing the re-election of members of the Remuneration and Appraisal Committee of the Tenth Session of the Board of Directors; assessing the performance of Directors and senior management, and making their annual performance assessment; considering and making suggestions on the assessment of Directors and senior management and the remuneration management system.



(1) During the Reporting Period, the Remuneration and Appraisal Committee held two meetings:

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2020 First Meeting of the Remuneration and Appraisal Committee of the Ninth Session of the Board of Directors	March 27, 2020	1. the Work Report of GF Securities Board Remuneration and Appraisal Committee for the Year of 2019; 2. the Resolution of Performance Assessment on Directors for the Year of 2019; 3. the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2019; 4. the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2019; 5. the Resolution on Distribution of Performance Salary for the Management for the Year of 2019.	All the resolutions were passed
2020 First Meeting of the Remuneration and Appraisal Committee of the Tenth Session of the Board of Directors	June 9, 2020	1. the Resolution on Election of Mr. Hu Bin as Chairman of the Remuneration and Appraisal Committee	The resolution was passed



(2) The details of attendance of the Remuneration and Appraisal Committee members are as follows:

<b>Name of member</b>	<b>Position</b>	<b>Attendance/ number of meetings</b>
Hu Bin	Independent Non-Executive Director and Chairman of Remuneration and Appraisal Committee	1/1
Fan Lifu	Independent Non-Executive Director	2/2
Leung Shek Ling, Olivia	Independent Non-Executive Director	1/1
Sun Xiaoyan	Executive Director	2/2
Qin Li	Executive Director	2/2
Tang Xin	Independent Non-Executive Director	1/1
Yang Xiong	Independent Non-Executive Director	1/1

Note 1: During the tenure of office of Mr. Hu Bin, Ms. Leung Shek Ling, Olivia, Mr. Tang Xin and Mr. Yang Xiong in 2020, the Remuneration and Appraisal Committee of the Board of Directors of the Company convened one meeting.

#### 4. The Audit Committee

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

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

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

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



In 2020, the major achievements of the Audit Committee included: completing the re-election of members of the Audit Committee of the Tenth Session of the Board of Directors; supervising the annual audits, reviewing the Company's periodic financial statements; reviewing the Company's internal audit report and annual working plan; reviewing the Company's special audit report on anti-money laundering; making recommendations to the Board on the appointment, reappointment or change of external auditors, approving the compensation and terms of engagement for external auditors; examining and supervising related party/connected transactions and assessing the appropriateness of related party/connected transactions; monitoring and assessing the independence and objectivity of work conducted by external auditors of the Company and the effectiveness of the auditing procedures; reviewing the efficiency of the internal control system and the adequacy of accounting and financial reporting functions; being responsible for the communications between internal auditors and external auditors.

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

Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2020 First Meeting of the Audit Committee of the Ninth Session of the Board	January 22, 2020	1. the Resolution on the Connected Transactions between GF Fund Management Co., Ltd. and Kangmei Healthcare Industry Investment Co., Ltd.	The resolution was passed
2020 Second Meeting of the Audit Committee of the Ninth Session of the Board	March 27, 2020	1. the Work Report of GF Securities Board Audit Committee for the Year of 2019; 2. the Resolution on the Provision for Assets Impairment for 2019; 3. the Opinions on the 2019 Annual Financial Report (financial report and notes); 4. the Resolution Regarding Engaging Auditors in 2020; 5. the Resolution on Expected Daily Related Party/Connected Transactions of the Company for the Year of 2020; 6. the Internal Control and Evaluation Report of GF Securities for the Year of 2019; 7. the Audit Work Report of GF Securities for the Year of 2019; 8. the Special Audit Report on Anti-money Laundering of GF Securities for the year of 2019; 9. the Specific Auditing Report of Related/Connected Transactions of GF Securities for the Year of 2019.	All the resolutions were passed



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Session of meeting	Convening date	Titles of Resolutions of the meeting	Status of resolutions
2020 Third Meeting of the Audit Committee of the Ninth Session of the Board	March 26, 2020	1. the 2020 First Quarterly Report of GF Securities; 2. the 2020 First Quarterly Audit Work Report of GF Securities.	All the resolutions were passed
2020 First Meeting of the Audit Committee of the Tenth Session of the Board	June 9, 2020	1. the Resolution on Election of Mr. Li Wenjing as Chairman of the Audit Committee	The resolution was passed
2020 Second Meeting of the Audit Committee of the Tenth Session of the Board	August 28, 2020	1. the 2020 Interim Report of GF Securities; 2. the Interim Audit Work Report of GF Securities of 2020; 3. the Interim Special Audit Work Report on Material Matters of GF Securities of 2020.	All the resolutions were passed
2020 Third Meeting of the Audit Committee of the Tenth Session of the Board	September 22, 2020	1. the Resolution on the Related/ Connected Transaction of Joint Investment by GF Xinde Investment Management Co., Ltd. and Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd.	The resolution was passed
2020 Fourth Meeting of the Audit Committee of the Tenth Session of the Board	September 28, 2020	1. the Resolution on the Related/ Connected Transaction of Joint Investment by GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Zhongshan Zhonghui Investment Group Company Limited	The resolution was passed
2020 Fifth Meeting of the Audit Committee of the Tenth Session of the Board	October 30, 2020	1. the 2020 Third Quarterly Report of GF Securities; 2. the 2020 Third Quarterly Audit Work Briefing of GF Securities.	All the resolutions were passed
2020 Sixth Meeting of the Audit Committee of the Tenth Session of the Board	December 18, 2020	1. the Resolution on the Related/ Connected Transaction of Joint Investment by GF Xinde Investment Management Co., Ltd., GF Qianhe Investment Co., Ltd. and Jilin Aodong Pharmaceutical Group Co., Ltd.	The resolution was passed



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

<b>Name of member</b>	<b>Position</b>	<b>Attendance/ number of meetings</b>
Li Wenjing	Independent Non-Executive Director and Chairman of Audit Committee	6/6
Fan Lifu	Independent Non-Executive Director	9/9
Leung Shek Ling, Olivia	Independent Non-Executive Director	6/6
Yang Xiong	Independent Non-Executive Director	3/3
Chan Kalok	Independent Non-Executive Director	3/3

Note 1: During the tenure of office of Mr. Li Wenjing and Ms. Leung Shek Ling, Olivia in 2020, the Audit Committee of the Board of Directors of the Company convened six meetings;

Note 2: During the tenure of office of Mr. Yang Xiong and Mr. Chan Kalok in 2020, the Audit Committee of the Board of Directors of the Company convened three meetings.

- (3) Overview of the Company's audit

The Company's 2020 annual audit was done by Ernst & Young who mainly divided it into two phases, namely preliminary phase and year-end phase. For the preliminary phase, Ernst & Young fully carried out audit of internal control according to the relevant requirements, and tested the internal control at company level and process level (including business processes of headquarters and business department) to evaluate the effectiveness of the internal control design and whether the control is effectively implemented during 2020. Ernst & Young also comprehended and analyzed and performed pretesting on major matters and major items during the audit of financial statements; tested major information systems used by the Company, and communicated on preliminary audit. For the year-end audit phase, Ernst & Young followed up on the work of the preliminary phase and performed detailed auditing procedures for all major items, and communicated with the management team and governance team on year-end audit.

To prepare for the 2020 annual audit and issue relevant audit reports on a timely basis, the Audit Committee of the Tenth session of the Board of Directors of the Company arranged the finance department to communicate with Ernst & Young on matters such as audit plans, audit processes and key audit issues, for which it also carried out supervision and follow-up. On December 10, 2020, the Audit Committee held a communication meeting on the audit plan with Ernst & Young. In addition, the Company's finance department also communicated with Ernst & Young on matters such as preliminary and year-end audit as well as major accounting issues.



On March 24, 2021, the Audit Committee heard the reporting of Ernst & Young on 2020 annual audit.

The Audit Committee assessed the independence and objectivity of Ernst & Young and the effectiveness of the auditing procedure to ensure that the financial reports Ernst & Young issued can provide objective and honest opinions. Before assessing the 2020 annual financial statements of the Company, the Audit Committee received a written confirmation from Ernst & Young in terms of the independence and objectivity of Ernst & Young as an auditor. Ernst & Young has taken necessary protective measures in accordance with the relevant requirements of professional ethics in order to prevent possible threats to independence.

The Audit Committee considered that the Ernst & Young has, in accordance with the relevant requirements of the Standards on Auditing for Certified Public Accountants, implemented appropriate audit procedures, obtained sufficient, appropriate and effective audit evidence for issuing audit opinions, and adhered to independent auditing standards, ensuring smooth progression of the Company's annual audit.

On March 29, 2021 the Audit Committee reviewed the Self-Assessment Report of GF Securities on Internal Control for the Year of 2020, and concluded that the internal control system was sound and its implementation was effective. For the assessment of the Company's internal control by the Company's Board of Directors and related information, please refer to Sections 11 to 16 in this chapter.

### 5. The Risk Management Committee

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

In 2020, the major achievements of the Risk Management Committee included: completing the re-election of the Tenth Session of the Risk Management Committee of the Board of Directors; reviewing the interim and the annual risk management reports, annual audit work report, compliance reports and anti-money laundering report of the Company; reviewing the Company's regular internal control self-assessment report; and reviewing and determining the scale and risk limits for the Company's principal business segments.



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

Session of meeting	Convening date	Titles of resolutions of the meeting	Status of resolutions
2020 First Meeting of the Risk Management Committee of the Ninth Session of the Board	March 27, 2020	1. the Work Report of the Risk Management Committee of the Board of Directors of GF Securities for the Year of 2019; 2. the GF Securities Report of Risk Management for the Year of 2019; 3. the GF Securities Report of Compliance for the Year of 2019; 4. the Annual Overall Review Report on the Effectiveness of the Corporate Compliance Management of GF Securities for the year of 2019; 5. the Internal Control and Evaluation Report of GF Securities for the year of 2019; 6. the Audit Work Report of GF Securities for the Year of 2019 and the Anti-money Laundering Report of GF Securities for the year of 2019; 7. the Resolution of 2020 Annual Quota for Proprietary Funding Investment.	All resolutions were passed
2020 First Meeting of the Risk Management Committee of the Tenth Session of the Board	August 28, 2020	1. the GF Securities Interim Report of Risk Management for the Year of 2020	The resolution was passed

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

Name of member	Position	Attendance/ number of meetings
Sun Shuming	Executive Director and Chairman of the Risk Management Committee	2/2
Leung Shek Ling Olivia	Independent Non-Executive Director	1/1
Li Wenjing	Independent Non-Executive Director	1/1
Sun Xiaoyan	Executive Director	2/2
Qin Li	Executive Director	2/2
Tang Xin	Independent Non-Executive Director	1/1
Lin Zhihai	Executive Director	1/1

Note: During the term of office of Ms. Leung Shek Ling Olivia, Mr. Li Wenjing, Mr. Tang Xin and Mr. Lin Zhihai in 2020, the Company held 1 meeting of the Risk Management Committee.



## VIII. WORK OF THE SUPERVISORY COMMITTEE

## 1. Supervisors' attendance at meetings of the Supervisory Committee

In 2020, according to the requirements of laws and regulations such as the Company Law, the Securities Law and the Rules for Governance of Securities Companies, focusing on the Company's priorities, the Supervisory Committee of the Company strictly abided by the relevant requirements of the Articles of Association of the Company and the Rules of Procedure for Supervisory Committee to lawfully perform supervision duties.

Name of member	Position	Number of the meetings of the Supervisory Committee that should be attended by a supervisor	Number of the meetings of the Supervisory Committee attended in person	Number of the meetings of the Supervisory Committee attended by proxy	Number of absence	Voting results
Zhang Shaohua	Employee Supervisor, Chairman of Supervisory Committee	6	6	0	0	Affirmative to all
Lai Jianhuang	Supervisor	3	3	0	0	Affirmative to all
Xie Shisong	Supervisor	3	3	0	0	Affirmative to all
Lu Xin	Supervisor	3	3	0	0	Affirmative to all
Cheng Huaiyuan	Employee Supervisor	6	6	0	0	Affirmative to all
Tan Yue	Supervisor	3	2	1	0	Affirmative to all
Gu Naikang	Supervisor	3	3	0	0	Affirmative to all
Lan Hailin	Supervisor	3	2	1	0	Affirmative to all

Note 1: The term of office of Mr. Tan Yue, Mr. Gu Naikang and Mr. Lan Hailin ended on June 9, 2020. During their terms of office in 2020, the Company held 3 Supervisory Committee meetings;

Note 2: Mr. Lai Jianhuang, Mr. Xie Shisong and Ms. Lu Xin duly performed their duties as supervisors since June 9, 2020. During their terms of office in 2020, the Company held 3 Supervisory Committee meetings.



**2. Supervision and inspection organized and carried out by the Supervisory Committee**

During the Reporting Period, by focusing on the regulatory requirements of Mainland China and Hong Kong, the Supervisory Committee monitored the standard operation of corporate governance. The Supervisory Committee monitored the legal compliance of the convening procedures, the way of discussion and content, and resolution procedures of meetings by attending the Shareholders' general meetings and presenting at the board meetings; carried out follow-up inspections on the implementation of the Company's system of three meetings (namely, general meetings, meetings of the Board of Directors and meetings of the Supervisory Committee) and the implementation of the resolutions of the three meetings and put forward supervisory opinions and suggestions; organized audits for the departures of the senior executives, and objectively evaluated the performance of their duties during their tenure; organized and carried out daily and special supervision and inspection on the implementation of the Company's information disclosure management system and put forward opinions and suggestions; and audited the securities issuance documents and periodic reports prepared by the Board and put forward audit opinions, and all supervisors signed written confirmation of opinions to ensure the timely and fair disclosure of information and the truthfulness, accuracy and completeness of the information disclosed by the Company.

During the Reporting Period, the Supervisory Committee complied with regulatory requirements to prudently fulfill its supervision duties in respect of, among others, corporate compliance management, overall risk management, money laundering risk management and anti-corruption; reviewed the Company's Report of Compliance, Report of Risk Management, Anti-money Laundering Report, Audit Work Report and etc., and expressed supervision opinions and put forward suggestions for improvement; organized and carried out annual comprehensive evaluation on the effectiveness of the Company's compliance management to prevent and control compliance risks; took problems as guidance, timely followed up the problems found and involved in internal control review projects, compliance management effectiveness evaluation and daily supervision process, urged the implementation of rectification measures, further improved the internal control management system of the Company, and standardized the three defense lines of prevention, control and supervision.

During the Reporting Period, the Supervisory Committee took the actual status of the business into account and actively carried out research and supervision. It gave full use of the advantage of employee supervisors concurrently taking positions in the Company's labor union, implemented the counterpart contact work system, and conducted in-depth research and visits. On the one hand, it guided employees to actively carry out various works in relation to important company decisions and arrangements. On the other hand, it collected opinions, suggestions and concerns from employees to promote the implementation of solving and protecting their legitimate rights and interests.



During the Reporting Period, the Supervisory Committee successfully completed a general election and achieved a smooth succession of members. We complied with the requirements of the new Securities Law, amended the Articles of Association and the Rules of Procedure for the Supervisory Committee, and defined the functions and powers of the Supervisory Committee and the supervisors in respect of the review and confirmation of the Company's securities issuance documents and periodic reports; established new systems, such as the Guidelines for Reviewing Periodic Reports of the Supervisory Committee and the Guidelines for the Works in Relation to the Meetings of the Supervisory Committee, to further standardize the work standards for reviewing periodic reports and the rules of procedure for the meetings of the Supervisory Committee; the Supervisory Committee strengthened the training of supervisors by organizing study of new regulations and requirements of supervision, participating in special researches, themed researches and peer-to-peer exchanges of opinions and other means; and deeply promoted the intensive operation of internal supervision resources, made full use of the joint efforts of internal supervision institutions, gave further full play to the role of the Supervisory Committee for supervision and coordination from the perspective of corporate governance, shared supervision information and strengthened joint inspection and collaboration to improve the overall supervision efficiency and effect of the Company by utilizing the office meetings of the chairman of Supervisory Committee as the communication platform to prompt rectification measures in respect of important compliance risk matters.

### 3. Opinions issued by the Supervisory Committee on matters relating to the Company in 2020

During the Reporting Period, the Supervisory Committee of the Company carried out supervision works in accordance with laws and regulations, on the basis of careful supervision and inspection, it issued opinions on the operation by law, the financial position and the effectiveness of the internal control of the Company and the implementation of the information disclosure management system of the Company according to related requirements. The Supervisory Committee is of the following views: the Company was able to realize standardized operation and comply with the Company Law, the Securities Law, the Rules for Governance of Securities Companies and other relevant laws and regulations as well as the requirements of the Articles of Association of the Company and other systems; the decision-making process of the Company was lawful and effective, and the Company did not impair the legitimate rights and interests of the Company and its shareholders, employees, creditors and other stakeholders; the Company's financial reports truthfully, accurately and completely reflected the Company's financial position and operating results; the Board of Directors and the management of the Company earnestly undertook its obligations under relevant resolutions of the general meetings of the Company; the Company had established and effectively implemented its information disclosure management system; and the Supervisory Committee did not find any insider trading, nor any damage to Shareholders' interests nor any loss of assets of the Company.



## CORPORATE GOVERNANCE

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. (《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》) from the Guangdong Bureau of the CSRC, pursuant to which the Guangdong Bureau of the CSRC took regulatory measures against the Company, including ordering for rectification, suspending the Company's sponsorship qualifications for six months and temporarily suspending the acceptance of related documents regarding the Company's bond underwriting business for 12 months, and ordering for limiting the rights of senior management. The Supervisory Committee urged the Company to take rectification measures, strengthen internal control management continuously and establish a long-term mechanism to ensure that the Company was in a healthy state with sound internal control at all times.

For details of the opinions issued by the Supervisory Committee on matters relating to the Company in 2020, please see the 2020 Supervisory Committee's Report of the Company.

#### 4. Existing risks of the Company identified by the Supervisory Committee during the Reporting Period

The Supervisory Committee did not raise any objections to supervision matters during the Reporting Period.



## IX. COMPLIANCE MANAGEMENT SYSTEM CONSTRUCTION AND AUDIT OF AUDITING DEPARTMENT

### 1. Compliance management system construction

The Company has established the compliance management organization system for “board of directors (risk management committee) – chief compliance officer – compliance and legal affairs department-various business lines”. The Board of Directors of the Company assumes ultimate responsibility for the effective compliance management and internal control. The Board of Directors reviews and comments on the overall objectives, basic policies, settings of the compliance department and responsibilities thereof, and compliance reports of compliance management. The senior management of the Company assumes major responsibilities of compliance operation. As the person who is responsible for compliance works of the Company, the chief compliance officer reviews, supervises and inspects the compliance of the operation management and practices of the Company and its staff. The Company has established the compliance and legal affairs department to assist the chief compliance officer in its works, and has established full-time or concurrent compliance management personnel in various departments, compliance officers in various subsidiaries, compliance managers in various branches, and full-time or concurrent compliance management personnel at all business departments to ensure full coverage of compliance management, among which:

- (1) At the level of head office departments: In 2020, the Company continued to improve the compliance management system of all departments at the head office. Firstly, in view of the basic requirements for compliance management works and the different characteristics of the business lines to which the compliance management personnel belong, the Company formulated assessment objectives and work requirements for different compliance management personnel and embedded them into the implementation and application of its performance appraisal system, so as to guide the compliance management personnel to firmly establish their compliance awareness and effectively perform their duties, strengthen the execution of duties by the front-line compliance management personnel, and further consolidate the first defense line for compliance management. Secondly, the Company further streamlined its management system for compliance management personnel, formulated and issued the Administrative Measures for Compliance Liaison Officers of Management Departments at the Head Office of GF Securities 《廣發證券總部管理部門合規聯絡員管理規定》, and amended the “Administrative Measures for Compliance Management Personnel of Various Departments at the Head Office of GF Securities” 《(廣發證券總部各部門合規管理人員管理辦法》, so as to improve the management mechanism of compliance personnel of various departments at the head office. Thirdly, the Company reinforced the construction and management of its compliance team, and further strengthened the compliance management in important business lines such as investment banking, research and investment.



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- (2) At branch level: The Company established compliance managers vertically managed by the compliance department of head office in branches to coordinate the compliance management within their jurisdiction. All 282 securities brokerage branches have established full-time or concurrent compliance management personnel to help the compliance managers of branches carry out compliance management of securities brokerage branches. The Company has realized a dynamic and procedural management on the work of the compliance managers and achieved systematic management on full-time or concurrent compliance posts in business departments. The Company will further explore corresponding mechanism to fully take advantage of the first line compliance management and improve the effectiveness of compliance management.
- (3) At the level of subsidiaries: In 2020, the Company continued to implement the regulatory requirements of 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 Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》), reinforced the construction of the Group's unified compliance management system and continued to urge its subsidiaries to improve their internal compliance management systems and process systems in accordance with their parent companies' compliance management systems; revised the Measures for the Compliance Management of Subsidiaries of GF Securities (Trial) (《廣發證券子公司合規管理辦法(試行)》) to optimize the compliance assessment scheme for the compliance officers of its subsidiaries, and strengthen the compliance management of its subsidiaries by strengthening compliance training, continuously tracking and supervising the rectification works of each subsidiary, convening regular joint meetings, reporting major compliance matters, compliance assessment, compliance inspection and other means.

### 2. Main work of compliance management during the Reporting Period

- (1) Improvement of compliance management system: In 2020, the Company continued to enhance the compliance management function of the first defense line, strengthen process management and control, and improve the efficiency of business decision-making; improved the establishment of the front-line compliance management team and explored the establishment of a long-term effective mechanism for the joint and coordinated compliance management of the first and the second defense lines, and urged the front-line business to fully play the role of compliance risk prevention and control.
- (2) Compliance management system and workflow construction: During the Reporting Period, the Company updated (including newly promulgated, revised and abolished) more than 260 rules and regulations in total, covering all procedures before, in and after business operation.



- (3) Construction of compliance management information system: In 2020, the Company continued to promote the construction of anti-money laundering, the Chinese wall, irregular transactions, compliance supervision, contract management and other systems, carried out optimizations from multiple dimensions and utilized technologies to support management to continuously improve the effectiveness of compliance management of the Company.
- (4) Management of the Chinese wall: The Company fully integrated and upgraded the existing Chinese wall systems of the Group and optimized and adjusted the infrastructure structures of the headquarters and off-site offices, revised the Chinese wall systems of the Company in accordance with the new Securities Law, further standardized the sensitive information reporting mechanism of the parent companies and subsidiary companies, standardized the daily behavior of employees, and continued to improve the management and control of the Chinese wall.
- (5) Compliance consulting and compliance review: In 2020, the compliance department of the Company issued more than 10,000 written consulting and review opinions, providing compliance and legal support for our business developments. Meanwhile, the compliance department of the Company supervised the relevant departments to rectify and improve the compliance risks identified in monitoring and inspection as well as business review, to promote the steady development of business compliance.
- (6) Compliance examination and investigation: The Company organized 23 special compliance examinations and investigations, including comprehensive risk examination, rectification, acceptance and verification, involving departments at the head office, branches and subsidiaries, and carried out routine examination on departments at the head office and branches; and continuously rectified and tracked the problems found in the examination, and strived to continuously improve the Company's compliance management mechanism and lay a solid foundation for the Company's sound operation.
- (7) Complaint handling: The Company handled and submitted a total of more than 500 customer complaints with the overall handling rate of more than 90% in 2020. The Company effectively implemented "customer-centric" service concept, properly handled customer disputes to effectively eliminate and prevent related risks.
- (8) Anti-money laundering: In 2020, the Company continued to consolidate its management works in respect of anti-money laundering, and continuously enhanced the anti-money laundering management awareness and implementation effectiveness of its departments at the head office, branches and subsidiaries by formulating rules, optimizing anti-money laundering systems, trainings and publicity, special inspections and other means, and effectively fulfilled its anti-money laundering obligations.



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- (9) Compliance appraisal and employee behavior management: In 2020, in accordance with compliance risk management appraisal and compliance accountability systems and code of conduct of the employees and in response to risk issues and other employees' practices that are not in compliance with relevant regulations, the Company investigated and punished relevant persons in accordance with relevant regulations, seriously held them accountable in appraisal to ensure that the risk prevention and control responsibilities were put in place, and guided all employees to regulate their professional practices on their own initiatives.
- (10) Compliance training and compliance culture promotion: In 2020, the Company carried out realtime compliance training and interpretation of policies and violation cases centering around the regulatory policies such as the new Securities Law, suitability management, employee practicing conduct, the Chinese wall management, anti-money laundering and product sales to promote compliance culture of sound management and fully strengthen the compliance awareness of the employees.

### 3. Audit of auditing department

During the Reporting Period, taking into account the business development of the Company, the auditing department of the Company conducted risk-orientated internal audits such as regular audit, follow-up audit, special audit and off-office auditing, which strengthened the comprehensive coverage of wholly-owned subsidiaries and various business lines. It also conducted special audits on key and innovative areas, evaluated the soundness and effectiveness of internal control of the auditing targets, revealed the defects discovered during the auditing process, proposed rectification opinions and requirements and established a long-term mechanism to urge the implementation of rectification measures. In 2020, the auditing department of the Company completed a total of 183 audit reports.

## X. APPRAISAL AND MOTIVATION OF SENIOR MANAGEMENT PERSONNEL

According to the relevant requirements in the Duty Performance Appraisal and Salary Management Regulations for Board of Directors and Supervisors in GF Securities and the Performance Appraisal and Salary Management Regulations for Operation Management Level in GF Securities, salary of the senior management of the Company will be determined by position and performance. Under the current legal framework, the Company carries out an annual performance salary motivation mechanism. The Board of Directors will give corresponding performance salary according to the business performance of the Company; individual performance-based salary of the Chairman and senior management will be distributed according to the annual appraisal results. The Independent Directors shall issue their independent opinions on the distribution plan, which will be submitted to the Board for approval after the Remuneration and Appraisal Committee has given their written comments on such distribution plan. Meanwhile, the appraisal procedures for the chief compliance officer of the Company is implemented pursuant to the relevant requirements under the Duty Performance Appraisal and Salary Management Regulations for Chief Compliance Officer of the Company.



### XI. INTERNAL CONTROL CONSTRUCTION

The Company has established a legal person governance structure consisting of the general meeting, the Board of Directors, the Supervisory Committee and the operation management and has clearly defined the responsibilities and power, rules of procedure and working procedures of the general meeting, the Board of Directors, the Supervisory Committee and the operation management, thereby ensuring the clearly divided power and responsibilities, regulated operation and effective checks and balances among the authority organization, decision-making organization, implementation organization and supervisory organization. The Company has established three defense lines of comprehensive risk management, under which business units, branches and subsidiaries, as the first defense line of comprehensive risk management, are responsible for timely identifying, evaluating, tackling and reporting relevant risks; functional departments such as the risk management department and compliance management department, as the second defense line of comprehensive risk management, are responsible for event risk management; the auditing department, as the third defense line, is responsible for independent and objective review and assessment. The Company continued to improve various rules and systems according to the internal and external requirements and incorporated various risk control measures into its rules and procedures and strengthened the implementation of risk control measures. The Company established the internal communication, reporting and feedback mechanism. The Company has also clearly defined the responsibilities and power of the Board of Directors, the Supervisory Committee, the internal control department and business management departments in respect of internal supervision, inspection and assessment.

The Company highly emphasizes the construction of internal control system and relevant mechanism. The Company comprehensively considered internal environment, risk evaluation, controlling activities, information and communication and internal supervision according to relevant stipulations under the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, Guidelines on Internal Control of Securities Firms, the Standardized Operational Guidelines for Companies Listed on Shenzhen Stock Exchange, the Hong Kong Listing Rules, and the Basic Standards for Enterprise Internal Control and its supporting guidelines, and kept improving its internal control system and further established and completed one set of internal control system which matches with the business nature, scale and complexity of the Company according to the actual condition of the Company.

Taking into account changes in internal and external environment and business development, the Company reviewed and evaluated the key aspects of the internal control process, improved the long-term mechanism for business risk prevention and control and further strengthened the internal control system through a series of works, including organizational structure adjustment, supporting systems improvement, performance appraisal optimization and information system support.

**XII. STATEMENT OF THE BOARD OF DIRECTORS ON RESPONSIBILITY OF INTERNAL CONTROL**

It is the responsibility of the Board of Directors to establish, complete and effectively implement internal control according to the stipulations in the internal control standard system of the Company, evaluate its effectiveness and reveal assessment report of internal control. The Board monitored, reviewed and evaluated the establishment, the implementation and the effectiveness of various risk management and internal control systems of the Company through the consideration of the Work Report of Risk Management Committee of the Company for the Year, the Work Report of Audit Committee for the Year, Annual Compliance Report, Internal Control and Evaluation Report for the Year and the Report of Risk Management for the Year. The Supervisory Committee supervises the Board of Directors on its establishment and implementation of internal control. Operation management level is responsible for the daily functioning of internal control.

The objectives of the internal control are to reasonably ensure validity and compliance of the operation management, assets safety, authenticity and completeness of financial reports and the relevant information and thus to enhance operation efficiency and effects so as to promote realization of the development strategy. Due to the inherent limitations of the internal control, it can only provide reasonable assurance for the realization of the above targets. The Company has established supervision and examination mechanism on internal control. Once defect in internal control is recognized, the Company will immediately adopt rectification measures. Besides, changes in the situation will cause the internal control to become inappropriate or its degree on compliance with the controlling policy and procedures will be lowered, there will be certain risks to the effectiveness of the internal control in the future as inferred by the result of the evaluation of the internal control.

The Board of Directors has reviewed the internal control of the Company according to requirements of the Basic Standards of Enterprise Internal Control. It is of the view that the internal control of the Company was effective as of December 31, 2020.

In 2021, the Company will continue improving its internal control system, standardizing implementation of its internal control system, reinforcing supervision and examination of internal control according to the provisions and requirements of the Basic Standards of Enterprise Internal Control and the Code in view of the changes in the external operation environment and actual demands of the Company's development so that the Company can have a healthy and sustainable development.



### XIII. BASIS FOR ESTABLISHING INTERNAL CONTROL FOR FINANCIAL REPORTS

The Company emphasizes the establishment and improvement of internal control system concerning financial reports and has established relevant regulations and systems in business calculation, cost expenditure, financial management and accounting information system management according to the requirements in accounting laws, accounting principles and relevant financial systems. According to the requirements in the Basic Standards of Enterprise Internal Control and Application Guidelines for Enterprise Internal Control, the Company sets scientific financial accounting organization structure, equips with qualified financial accountants, uses standard and rigorous financial accounting management system, and chooses appropriate accounting policies and reasonable accounting evaluation to ensure that the financial reports compiled by the Company conform to the requirements in the accounting principles and can genuinely, accurately and entirely reflect the financial status, operation results and cash flow of the Company. The Company's Supervisory Committee and external auditors conduct effective inspection and supervision over the Company's financial affairs in accordance with the Articles of Association of the Company and relevant requirements, and the external auditors express professional audit opinions on the Company's financial reports.

During the Reporting Period, the relevant internal control systems relating to the financial reports of the Company were sound; the smooth operation could guarantee the quality of financial reports and ensure high reliability of financial information. During the Reporting Period, there were no significant defects in the internal control relating to the financial reports of the Company and the annual financial reports of the Company are truthful, accurate and complete.

### XIV. ACCOUNT STANDARDIZATION

Standardization of the accounts in the Company was launched in July 2006. It is one of the securities companies working on this issue at the earliest time in the industry. The Company had established an account standardization leadership group and an account standardization working group with relevant chief employees as the group members to entirely arrange the work of account standardization on the principle of "overall arrangement, scattering implementation and stable promotion". Through measures including organizing structure, system arrangement, training communication and supervision and audit, it has powerfully guaranteed the launching of account standardization. The Company had checked all accounts in the system and completed account information through contacting customers by all means, and restricted the transactions and placed into other databases for the remaining unqualified accounts according to the requirements of the regulatory authorities and finally the standardization was stably completed. On April 16, 2008, the Company officially passed the review of Guangdong Bureau of the CSRC and became one of the security companies that first completed the account standardization in advance.

As of December 31, 2020, there were 6,302 unqualified accounts, 2,121,874 dormant accounts, 32,641 risk handling accounts, and 1,813 judicially frozen accounts maintained with the Company.



## CORPORATE GOVERNANCE

Account standardization is a long-term fundamental construction project. On the basis of standardizing historical accounts, the Company began constructing and improving long-term accounts management mechanism. According to the relevant arrangement of the China Securities Depository and Clearing Corporation Limited on accounts consolidation, the Company had established an accounts consolidation project team, which actively coordinated all the relevant departments and branch offices to entirely sort out and improve business process revision, business training, system testing and the organization of supervision after consolidating the accounts and successfully completed the relevant work on account consolidation.

### XV. EVALUATION OF INTERNAL CONTROL

#### 1. Details on the significant defects in internal control detected during the Reporting Period

No significant defect in the internal control was identified during the Reporting Period.

#### 2. Self-assessment report on internal control

Date of disclosure of the full text of Internal Control and Evaluation Report	March 30, 2021
Disclosure index of full text of Internal Control and Evaluation Report	For details, please visit the website of CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) on March 30, 2021
The percentage of total assets of units included in the evaluation scope to the total assets in the Company's consolidated financial statements	100%
The percentage of total operating income of units included in the evaluation scope to the operating income in the Company's consolidated financial statements	100%



Defect identification criteria

Category	Financial Report	Non-financial Report
Qualitative criteria	<p>The existing significant defects or symptoms of significant defects in internal control in the financial report of the Company, which include: malpractices are conducted by the Directors, Supervisors and senior managers; to modify the financial statements that have been published; in the current financial statements certified public accountants find material misstatements that are not discovered in the process of internal control; non-standard unqualified opinions for financial report are issued by certified public accountants; monitoring of internal control by the Company's Audit Committee and internal auditors is vitiating.</p> <p>Defects in internal control, alone or in conjunction with other defects, in the financial report fail to be prevented or detected and corrected, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p> <p>The defects which do not constitute substantial defects or defects of internal control from substantial defects are considered as general defects.</p>	<p>It is likely that event or sign of significant defects in internal control might exist in the non-financial report of the Company, which include: "three important and one substantial" matters fail to pass through the collective decision procedure; severe departure of management personnel and technicians in key positions, which affects normal course of business; systematic failure in internal control of important business; internal control defects are subject to serious legal risks; internal control defects significantly affect the Company's reputation; internal control defects are subject to serious administrative punishment; except for the losses due to policies, the Company suffers losses for years and the continuation of business is being challenged, does not meet requirements as a listed company, and may face the risk of delisting or merger in the secondary market; failure of substantial merger or reorganization, or newly expanded affiliate with substantial impact is unable to sustain.</p> <p>Defects in internal control, alone or in conjunction with other defects, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p> <p>General defects are those excluding substantial defects and important defects as mentioned above.</p>



## Defect identification criteria

Category	Financial Report	Non-financial Report	
Quantitative criteria	1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit.	1. Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit.	
	2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit.	2. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit.	
	3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.	3. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.	
The number of substantial defects in financial reports (unit: piece)			0
The number of substantial defects in non-financial reports (unit: piece)			0
The number of important defects in financial reports (unit: piece)			0
The number of important defects in non-financial reports (unit: piece)			1



**XVI. INTERNAL CONTROL AUDIT REPORT**

**Review of the internal control audit report**

In the Company's opinion, GF Securities has maintained effective internal control over financial reports in accordance with the Basic Standards for Enterprise Internal Control and related requirements in all material respects.

Disclosure of internal control audit report      Disclosed

Disclosure date of full text of internal control audit report      March 30, 2021

Disclosure index of full text of internal control audit report      For details, please see the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) on March 30, 2021

Opinion of the internal control audit report      Standard and unqualified opinion

Whether there is any substantial defect in the non-financial report      No

Has the accounting firm issued non-standard opinions with regard to the internal control audit report ?

Yes     No

Is the internal control audit report issued by the accounting firm consistent with the self-assessment report of the Board of Directors ?

Yes     No



## XVII. OTHER ISSUES ON CORPORATE GOVERNANCE

### (I) Responsibility to be borne by Directors for the financial statement

The responsibility statement of the Directors on financial statements below shall be read in conjunction with that of the certified public accountants contained in the audit report of this report, while both statements shall be comprehended separately.

The Company's Directors shall compile genuine and fair consolidated financial statements according to the disclosure requirements under the China Accounting Standards, International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance. The Company's Directors are also responsible for the necessary internal monitoring of the consolidated financial statements so that there will not be any material misstatements as a result of fraud or errors. The Company is not subject to any event or circumstance of material uncertainty, as a result of which significant doubt may be cast upon the ability of the on-going operation of the Company.

### (II) Appointment and remuneration of the auditor

Upon approval by the general meeting of Shareholders in 2019, the Company appointed Ernst & Young as its external auditor for 2020, which is responsible for providing relevant auditing services and reviewing and approving the financial statements in accordance with the China Accounting Standards and the International Financial Reporting Standards. The Company appointed Ernst & Young as the accounting firm for internal control audit. Please see details of its employment and remuneration in "VI. Appointment and Removal of Accounting Firms" in Section 6 "Significant Events" in this report.

### (III) Securities trading by Directors, Supervisors and relevant employees

The Company has formulated the Management Rule on Shares Held by Directors, Supervisors and Senior Management and Relevant Changes to intensify management of declaration, disclosure and supervision of the holding and sale of the Company's shares by Directors, Supervisors and senior management personnel. Meanwhile, the Company adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for all Directors, Supervisors and relevant employees (as defined in the Code) at the meeting of the Board on March 19, 2015. After specific enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly followed the standards in the Model Code for Securities Transactions by Directors of Listed Companies during the Reporting Period.



### (IV) Company Secretary

The 8th meeting of the Eighth session of the Board of Directors of the Company had approved the Proposal on Appointing the Joint Company Secretary and appointed Mr. Wan Ka Hung as a joint company secretary. Mr. Xu Youjun was appointed as the Secretary to the Board and a joint company secretary of the Company at the 19th meeting of the Ninth session of the Board of the Company. Mr. Xu Youjun (the Secretary to the Board) and Mr. Wan Ka Hung (a joint company secretary) are the main contact persons of the Company with the Hong Kong Stock Exchange.

During the Reporting Period, in order to better perform their duties and according to the requirements of the Hong Kong Listing Rules, Mr. Xu Youjun, the Secretary to the Board and one of the joint company secretaries, had accepted professional trainings for approximately 93 hours, including: the Training Programs for Sponsor Representatives organized by Securities Association of China, the Training Programs Leading Talents in Securities, Funds and Futures Industry for 2020 organized by China Capital Market Institute-Tsinghua University School of Economics and Management, the Follow-up Training Programs for Board Secretary of Listed Companies organized by the SZSE, the Training Programs on Interpretation of Key Revisions in the new Securities Law organized by the Company and the Reporting of Macroeconomic Situation made by the Company; and Mr. Wan Ka Hung, a joint company secretary, had received professional trainings for more than 15 hours, including: the Roundtable Meeting for Company Secretary/Board Secretary on Revisions to the Articles of Association and the Coordination Practices of the General Meeting for 2020 hosted by The Hong Kong Institute of Chartered Secretaries, a number of webinars with the theme of “HKEX Directors Training Series” hosted by Charltons Law, the webinar with the theme of “Valuation Considerations in the COVID-19 Pandemic” hosted by The Chamber of Hong Kong Listed Companies, the webinars with themes of “Latest Updates on HKEX ESG Reporting Guide and related Challenges” and “Interrelating the ESG Guide Consultation Conclusions and ESG Disclosure Review Findings” hosted by SHINEWING (HK) CPA Limited, and the professional training courses organized by Hong Kong Securities and Investment Institute.

**(V) Investor relations****1. Amendments to the Company's internal rules during the Reporting Period**

- (1) In accordance with the Provisions on the Administration of Equities of Securities Companies (CSRC Order No. 156) and the Provisions on Issues Related to the Implementation of the 'Provisions on the Administration of Equities of Securities Companies' (Announcement [2019] No. 16) issued by the CSRC, the Company revised the Articles of Association of the Company to incorporate the supervisory requirements on equity management, including the rights and obligations of shareholders, the equity lock-up period and the person responsible for equity management, into the Articles of Association.
- (2) In accordance with the Approval of the State Council on the Adjustment of the Provisions Applicable to the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) 《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號) issued by the State Council, all requirements for a joint stock limited company registered in China and listed overseas concerning the notice period for convening the general meetings, the right of shareholders to put forward proposals and the procedures for convening meetings shall be governed by the relevant provisions of the Company Law, whereas the provisions under Articles 20 to 22 of the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies 《國務院關於股份有限公司境外募集股份及上市的特別規定》 shall no longer be applicable. Accordingly, the Company revised the Articles of Association of the Company and the Rules of Procedure for the General Meeting.
- (3) The Company revised the relevant provisions of the Articles of Association of the Company, the Rules of Procedure for the General Meeting, the Rules of Procedure for the Board of Directors and the Rules of Procedure for the Supervisory Committee in accordance with the Securities Law revised and passed at the Fifteenth Session of the Standing Committee of the Thirteenth National People's Congress.
- (4) In order to further enhance its financial management, improve the internal control mechanism and prevent financial management risk, the Company revised the "Financial Management System" based on the actual situation of its business, management and other aspects in accordance with the Accounting Standards for Business Enterprises, the Basic Standards for Enterprise Internal Control and other provisions.

The relevant rules and regulations that need to be disclosed are available for inspection on the Company's website. There were no other material changes made to the Articles of Association of the Company during the Reporting Period.



**2. Investor relation activities during the Reporting Period**

In 2020, The COVID-19 pandemic was spreading around the world, posing a challenge to the maintenance of close investor relations. The Company organized various types of online/offline interactive activities for investors and analysts, based on the regulatory requirements and its business development needs. The Company had enhanced its communications with investors through various tools such as dedicated hotlines, the Company’s website, teleconference, onsite reception, strategy meetings, online interaction and results announcements. The Company’s management team and investor relation team held 27 meetings in various forms with domestic and overseas institutional investors and analysts, met over 150 institutional investors, including 2 presentation meetings on the annual results of the Company, and replied to 149 questions from investors through the interactive platform of the SZSE.

The Company was unable to hold an on-site results presentation meeting for investors in 2020 due to the impact of the pandemic. In March 2020, after its annual results announcement was issued, the Company, in order to further introduce its results and operations to investor, the Company actively took the telephone and online forms to promote communication with investors and analysts. On March 30, 2020, the Company held the 2019 annual results release briefings by way of telephone conference, at which approximately 50 analysts and important institutional investors attended. On April 2, 2020, the Company held the 2019 annual results presentation to fully and extensively communicate with investors through online interactive Q&A form, and the meeting was attended by the Chairman of the Company in person. The Company attaches great importance to communication with small and medium investors, actively responds to the concerns of investors on the Shenzhen Stock Exchange Interactive Easy Platform, and has opened two investor hotlines to maintain smooth and effective communication with investors.

In the future, the Company will continue to optimize the construction of the website for the Company’s investors relations, the functions of investor hotlines and mailbox, so that investors can understand the Company’s development in a convenient, fast, prompt and all-round way. In addition, the Company hopes to actively communicate with investors through results release briefings, results presentations and other means to further enrich investor relation activities, and provide better services to investors and analysts.

Please refer to “XII. Reception of Activities such as Research, Communication and Interview” in Section 5 “Discussion and Analysis of Operations” of this report for details on the Company’s reception of investors.



**(VI) Establishment and implementation of Information disclosure system and insider information system of the Company**

The Company has formulated the “Information Disclosure Management System” and the “Accountability System for Material Mistakes in Information Disclosure in Annual Report”, clearly stipulating the accountability of various departments for information disclosure, the basic principles for information disclosure, the contents for information disclosure, the procedures for information disclosure, the accountability for mistakes in information disclosure, etc. The board secretary and company secretary of the Company are responsible for the Company’s information disclosure and are accountable to the Company and the Board of Directors; the office of the Board of Directors of the Company is the specific executive body for information disclosure. The Company conducted information disclosure in strict accordance with the requirements of the “Information Disclosure Management System”. The Board of Directors of the Company confirmed the effective implementation of the Information Disclosure Management System, ensuring the timeliness and fairness of the Company’s relevant information disclosure, as well as the truthfulness, accuracy and completeness of such information disclosure.

The Company has formulated the Administrative Measures for Insiders of Inside Information (《内幕信息知情人管理辦法》) and the Management Procedures for Registration of Insiders of Inside Information (《内幕信息知情人登記管理規程》) to further regulate the management of inside information and strengthen the confidentiality of inside information. Pursuant to the measures, the office of the Board of Directors, which is directly led by the Secretary of the Board of Directors, is the department for management of the Company’s inside information and for specific implementation of information disclosure. The Company has signed confidentiality agreements with each of the secretary of the Board of Directors, the securities affairs representative and the staff of the office of the Board of Directors who are responsible for information disclosure which require them to undertake continuous fulfillment of their obligations of confidentiality during and after their terms of office until the relevant information is disclosed. Before the Company regularly announces periodic reports, insiders of inside information such as substantial shareholders and intermediary services agencies of the Company shall actively cooperate with the Company to complete registration of insiders of inside information. Periodic reports and the registration forms for insiders of inside information in respect of the periodic reports shall be submitted simultaneously to the SZSE.



During the daily business operation of the Company, the Chairman of the Board of Directors and the General Manager are the primary persons responsible for maintaining confidentiality of the Company's inside information; while the deputy general manager and other senior management staff are the primary persons responsible for maintaining confidentiality of business and inside information of departments; and the primary persons in charge of each branch and controlled subsidiary are the primary person responsible for maintaining confidentiality of inside information of their own units. Business staff who may access to inside information in their course of business also have obligation of confidentiality. The office of the Board of Directors is responsible for the truthful and completeness of the record of the list of insiders of inside information during all stages such as the preparation, transmission, examination and disclosure of inside information before their disclosure, and for keeping relevant records for the contents and time of inside information which are known by insiders for the purpose of the Company's self-inspection and enquiry by regulatory authorities and, based on specific matters, regularly reports insiders of inside information through the Internet Monitoring Information Platform of Guangdong Bureau of the CSRC.

The Company has formulated the Administrative Measures for Users of External Information (《外部信息使用人管理办法》) pursuant to which relevant departments and the subsidiaries of the Company shall, before external reporting of information according to laws and regulations and other requirements, make sure such information be reviewed and approved through relevant internal procedures and also reviewed and approved by the Secretary of the Board of Directors. Information to be reported externally by the Company involving significant matters shall be considered as inside information. Managing personnel of relevant departments and controlled subsidiaries of the Company shall serve to the relevant personnel of the receiving party a reminder of confidentiality. The office of the Board of Directors has established a system for registration of external use of information which is filed and recorded item by item in chronological order by designated staff. The contents for registration mainly include the departments and managers for information transmission, the information title, the serviced unit, the time of delivery, the way of delivery, whether going through approval (if any), and whether a reminder of confidentiality is provided. Meanwhile, external units and relevant staff shall be recorded and filed as insiders of inside information for inspection.



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## CORPORATE BONDS



### I. BASIC INFORMATION OF BONDS OF THE COMPANY

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

On December 26, 2012 and January 10, 2013, upon consideration and approval by the 2012 third extraordinary general meeting of the Company and the 2013 first extraordinary general meeting of the Company, our shareholders approved the Company 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 2015 first extraordinary general meeting of the Company in 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 shall not exceed RMB200 billion and shall be 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 of Issuance of Onshore and Offshore Debt Financing Instruments by the Company (《關於授權公司發行境內外債務融資工具的議案》) 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 in aggregate shall not be more than RMB200 billion. The resolution is valid for 60 months from the date of approval by the shareholders general meeting.

#### (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 bonds during this period. The details of the bonds are as follows:



## CORPORATE BONDS

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Amount of	Coupon	Debt Service
					Bond (RMB' 0,000)		
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type I)	13GF01	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)	13GF02	112182	June 17, 2013	June 17, 2018	150,000	4.75%	
Corporate bonds of GF Securities Co., Ltd. in 2013 (Type III)	13GF03	112183	June 17, 2013	June 17, 2023	900,000	5.10%	
Trading places for the listing or transfer of corporate bonds	SZSE						
Suitability arrangement 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 "13GF03" from June 17, 2019 to June 16, 2020, the interest for "13GF03" is RMB51.00 (with tax)/10 pieces.						
Performance of relevant articles during the Reporting Period, if special articles such as issuer or investor option articles and interchangeable articles for corporate bonds (if any).	<p>"13GF01" includes special articles for redemption and redenomination interest rate.</p> <p>Redemption: after the issuer has issued the announcement for whether increase the nominal interest rate of 3+2-year type of bonds 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.</p> <p>Redenomination interest rate: the issuer has the right to decide if to increase the nominal interest rate for the last 2 years of the bonds at the end of the 3rd year of the duration for such 3+2-year type of bonds. The issuer will publish on the information disclosure media designated by the CSRC an announcement on 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. If the issuer has not executed its right to increase the interest rate, the original nominal interest rate for the remaining duration of 3+2-year type of bonds will remain the same.</p> <p>On June 19, 2016, the Company chose not to increase the nominal interest rate of "13GF01" (i.e. the redenomination interest rate of "13GF01" 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年債券募集說明書》, the Company released an Announcement Regarding Non-redemption Interest Rate of "13GF01" and Implementation Measures on Redemption by Investors 《關於"13廣發01"票面利率不調整和投資者回售實施辦法的公告》. Following the announcement, none of the bondholders has chosen to sell back, all or part of, the "13GF01" at par to the issuer.</p> <p>During the Reporting Period, there was no special terms for redemption and redenomination interest rate.</p>						



## 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 first and second tranches of 2017 corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Amount of Bond (RMB' 0,000)	Coupon	Debt Service
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2017 (First Tranche)	17GF01	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 (Second Tranche)	17GF02	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 appropriateness 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	<p>On May 11, 2020, the Company paid the interest and principal for "17GF01" from May 11, 2019 to May 10, 2020 (being the last interest-bearing year), and the interest for "17GF01" is RMB46.00 (with tax)/10 pieces.</p> <p>On July 27, 2020 (maturity date will be postponed to the next business day if it is a holiday), the Company paid the interest and principal for "17GF02" from July 26, 2019 to July 25, 2020 (being the last interest-bearing year), and the interest for "17GF02" is RMB45.00 (with tax)/10 pieces.</p>						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms						



## CORPORATE BONDS

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

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Amount 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)	18GF01	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)	18GF02	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 appropriateness 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	<p>On April 27, 2020, the Company paid the interest for "18GF01" from April 27, 2019 to April 26, 2020, the interest for "18GF01" is RMB46.00 (with tax)/10 pieces.</p> <p>On August 24, 2020, the Company paid the interest for "18GF02" from August 24, 2019 to August 23, 2020, the interest for "18GF02" is RMB43.00 (with tax)/10 pieces.</p>						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms						



## 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 [2018] No. 1826) 《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 total nominal value of not more than RMB7.8 billion to qualified investors. On March 1, 2019, the Company completed the issuance of the first tranche of 2019 corporate bonds. The details of such bonds are as follows:

Name of Bond	Abbreviation of Bond	Code of Bond	Issue Date	Maturity Date	Amount 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)	19GF03	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 appropriateness 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 "19GF03" from March 1, 2019 to February 29, 2020, and the interest for "19GF03" is RMB37.00 (with tax)/10 pieces.						
Performance of the relevant terms during the Reporting Period, where there are special terms such as issuer or investor option terms and interchangeable terms for corporate bonds	No special terms such as issuer or investor option terms and interchangeable terms						



## CORPORATE BONDS

## II. INFORMATION ABOUT BOND TRUSTEE AND CREDIT RATING AGENCY

The trustee of 2013 corporate bonds:

Name	China Merchants Securities Co., Ltd.	Business address	26th Floor, China Merchants Securities Tower, No. 111, Fuhua 1st Road, Futian Sub-district, Futian District, Shenzhen	Contact	Zhang Huanhuan, Wang Dawei	Contact number	0755-83081287
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The trustee of 2017 and 2018 corporate bonds:

Name	Guosen Securities Co., Ltd.	Business address	Floors 16-26, Guosen Securities Tower, No. 1012, Hongling Middle Road, Luohu District, Shenzhen	Contact	ZHOU LEI	Contact number	0755-82130833
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The trustee of 2019 corporate bonds:

Name	Guotai Junan Securities Co., Ltd.	Business address	No. 768, Nanjin Road West, Jing'an District, Shanghai	Contact	Jiang Zhiqiang, Wang Kunpeng, Sun Yiran	Contact number	021-38676666
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Credit rating agency for tracking rating of 2013, 2017, 2018 and 2019 corporate bonds during the Reporting Period:

Name	China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司)	Business address	Building 6, Galaxy SOHO, No. 2 Nanzhugan Hutong, Chaoyangmennei Avenue, Dongcheng District, Beijing
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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 "China Chengxin International") announced that China Chengxin International has obtained license from the CSRC to carry out credit rating business in securities market. China Chengxin International has succeeded to the credit rating business in securities market of China Cheng Xin Securities Credit Rating Co., Ltd., a wholly-owned subsidiary of China Chengxin International.



## 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 in 2013, with the offering expenses deducted, were all used to replenish the Company's working capital;
	The proceeds from corporate bond offering in 2017, 2018 and 2019, with the offering expenses deducted, were all used to replenish the Company's liquidity.
Year-end balance (RMB' 0,000)	2,320,000 (as of December 31, 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 fully used to replenish the Company's working capital according to the plan set forth in the prospectus.
Consistency of the use of proceeds with the commitments, the planned use and other agreements in the prospectus	The use of proceeds is consistent with the commitments, the planned use and other agreements in the prospectus.

### IV. CORPORATE BOND RATING

When the 2013 corporate bonds were issued, the Company retained China Cheng Xin Securities Credit Rating Co., Ltd. ("CCXR") as the rating agency of these corporate bonds. Pursuant to the CCXR Credit Rating Notice (Xin Ping Wei Han Zi [2013] No. 001) 《中誠信證評信用等級通知書(信評委函字[2013]001號)》 and Credit Rating Report on 2013 Corporate Bond of GF Securities Co., Ltd. 《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 2013 corporate bonds were rated AAA at the time of issuance. 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 Report 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 Report 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 2017 corporate bonds were rated AAA at the time of issuance. This rating indicates the extremely high credit quality and low credit risks of such bonds.



## CORPORATE BONDS

When the 2018 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 [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 Report 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 Report 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 2018 corporate bonds were rated AAA at the time of issuance. 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 Report 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 analyzed the credit risks of such bonds. On April 22, 2020, China Chengxin International updated and maintained the AAA rating of the 2013, 2017, 2018 and 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 their reports on trusteeship and relevant reports on temporary trusteeship for the year of 2019, respectively. While performing the relevant responsibilities of a trustee, China Merchants Securities Co., Ltd., Guosen Securities Co., Ltd. and Guotai Junan Securities Co., Ltd. had no conflict of interests with the Company.

### **VIII. 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.



## CORPORATE BONDS

## (2) Interest payment for subordinated bonds

During the Reporting Period, the Company paid interest for a total of three tranches of subordinated bonds:

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
17 GF C1	350,000	October 20, 2017	3	5.09%	The bonds became mature on October 20, 2020, the issuer paid all the principal and the interest accrued from October 20, 2019 to October 19, 2020
18 GF C1	460,000	November 9, 2018	3	4.40%	On November 9, 2020, the issuer paid the interest accrued from November 9, 2019 to November 8, 2020
19 GF C1	400,000	January 21, 2019	3	4.15%	On January 21, 2020, the issuer paid the interest accrued from January 21, 2019 to January 20, 2020

As of the end of the Reporting Period, three tranches of the Company's subordinated bonds, with a total balance of RMB13.1 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
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".



## CORPORATE BONDS

### (3) Interest payment for private corporate bonds

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

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
17 GF 03	350,000	August 15, 2017	3	4.84%	The bonds became mature on August 17, 2020 (the maturity date, namely August 15, 2020, will be postponed to the next business day if it is a holiday), the issuer paid all the principal and the interest accrued from August 15, 2019 to August 14, 2020
17 GF 04	300,000	August 28, 2017	3	4.95%	The bonds became mature on August 28, 2020, the issuer paid all the principal and the interest accrued from August 28, 2019 to August 27, 2020
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), the issuer 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, the issuer 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), the issuer 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), the issuer paid the interest accrued from May 24, 2019 to May 23, 2020



## CORPORATE BONDS

As of the end of the Reporting Period, 15 tranches of the Company's private corporate bonds, with a total balance of RMB57.6 billion, were outstanding, with key information as follows:

<b>Bond name</b>	<b>Offering size (RMB' 0,000)</b>	<b>Value date</b>	<b>Bond maturity (years)</b>	<b>Coupon</b>
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%
20 GF 04	370,000	September 7, 2020	3	4.00%
20 GF 05	400,000	September 22, 2020	0.99	3.50%
20 GF 06	500,000	October 26, 2020	1	3.50%
20 GF 07	470,000	November 9, 2020	1	3.60%
20 GF 08	140,000	November 9, 2020	2	3.83%
20 GF 09	300,000	November 24, 2020	1	3.80%
20 GF 11	130,000	December 1, 2020	2	4.00%
20 GF 12	400,000	December 8, 2020	1.02	3.80%
20 GF 13	300,000	December 18, 2020	1.05	3.70%
20 GF 14	320,000	December 28, 2020	1.08	3.65%

Note: The corporate bonds (sixth tranche) privately issued by GF Securities Co., Ltd. in 2020 are divided into two types, of which type I is referred to as "20 GF 07" and type II is referred to as "20 GF 08".



## CORPORATE BONDS

### (4) Interest payment for short-term financing bills

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

<b>Bond name</b>	<b>Offering size (RMB' 0,000)</b>	<b>Value date</b>	<b>Bond maturity (years)</b>	<b>Coupon</b>	<b>Interest payment</b>
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
20 GF CP004	500,000	April 15, 2020	90	1.55%	Principal and interest paid on July 14, 2020
20 GF CP005BC	300,000	May 15, 2020	90	1.55%	Principal and interest paid on August 13, 2020
20 GF CP006BC	400,000	May 29, 2020	90	1.70%	Principal and interest paid on August 27, 2020
20 GF CP007BC	300,000	June 18, 2020	90	2.20%	Principal and interest paid on September 16, 2020
20 GF CP008BC	250,000	July 8, 2020	84	1.95%	Principal and interest paid on September 30, 2020

As of the end of the Reporting Period, one tranche of the Company's short-term financing bills, with a total balance of RMB3.0 billion, were outstanding, with key information as follows:

<b>Bond name</b>	<b>Offering size (RMB' 0,000)</b>	<b>Value date</b>	<b>Bond maturity (years)</b>	<b>Coupon</b>
20 GF CP009BC	300,000	October 30, 2020	90	3.10%



## CORPORATE BONDS

## (5) Interest payment for financial bonds

During the Reporting Period, the Company paid interest for one tranche of financial bonds:

Bond name	Offering size (RMB' 0,000)	Value date	Bond maturity (years)	Coupon	Interest payment
19 GF F01	500,000	July 23, 2019	3	3.63%	On July 23, 2020, the issuer paid the interest accrued from July 23, 2019 to July 22, 2020

As of the end of the Reporting Period, one tranche of the Company's financial bonds, with a total balance of RMB5.0 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%

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

The Company standardizes its operation with excellent reputation, very strong profitability and solvency, excellent credit record, and maintains excellent cooperation relationship with all large-scale commercial banks. During the Reporting Period, it obtained credit 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 fund borrowed from banks was RMB2.5 billion as of the end of Reporting Period.

## X. PERFORMANCE OF RELEVANT AGREEMENT OR COMMITMENT OF THE CORPORATE BOND DURING THE REPORTING PERIOD

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



### XI. MAJOR ISSUES OCCURRED DURING THE REPORTING PERIOD

As of March 31, 2020, the cumulative amount of new borrowings of the Group accounted for 28.16% (over 20%) of its net assets at the end of the previous year. On April 20, 2020, the Company received a written resignation from Mr. Lin Zhihai, an executive director and the general manager, who tendered his resignation as an executive director, a member of the Strategy Committee, the Nomination Committee and the Risk Management Committee under the Board of Directors of the Company as well as the general manager of GF Securities for health reason, and has ceased to hold any other position in the Company. As of October 31, 2020, the cumulative amount of new borrowings of the Group accounted for 40.95% (over 40%) of its net assets at the end of the previous year. On December 11, 2020, the Tenth Session of the Board of Directors of the Company agreed to appoint Mr. Lin Chuanhui as the general manager of the Company, and Mr. Sun Shuming, the Chairman of the Company, ceased to concurrently serve as the general manager. 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 Interim Report on Trusteeship of Corporate Bonds 《公司債券臨時受託管理事務報告》 in respect of the above issues, 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.

### XII. GUARANTOR FOR THE CORPORATE BOND

None



DOCUMENTS AVAILABLE FOR INSPECTION



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## DOCUMENTS AVAILABLE FOR INSPECTION

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- (1) Texts of the annual report with the signature of the legal representative of the Company.
- (2) Text of the annual financial report (H Share).
- (3) The original text of the auditor's report issued by Ernst & Young.
- (4) The original copies of all corporate documents and announcements publicly disclosed on newspapers designated by the CSRC during the Reporting Period.
- (5) Other relevant materials.



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**INDEPENDENT AUDITOR'S REPORT,  
CONSOLIDATED FINANCIAL STATEMENTS  
AND NOTES**



## INDEPENDENT AUDITOR'S REPORT



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

**To the Shareholders of GF Securities Co., Ltd.**

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

### OPINION

We have audited the consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 261 to 424, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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## INDEPENDENT AUDITOR'S REPORT

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### KEY AUDIT MATTERS – *continued*

#### Key audit matters

#### How our audit addressed the key audit matter

##### Valuation of financial instruments

The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, particularly those require significant unobservable inputs, usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.

We evaluated and tested the design and operating effectiveness of the key controls relating to the valuation of financial instruments.

We evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.

As at 31 December 2020, financial assets and financial liabilities measured at fair value amounted to RMB199.75 billion and RMB5.78 billion respectively, representing 43.7% and 1.6% of total assets and total liabilities respectively. Financial instruments which require significant unobservable inputs in estimating fair value, and hence categorised within level 3 of the fair value hierarchy, involve higher uncertainty in their valuation. As at 31 December 2020, 5.0% of financial assets and 45.4% of financial liabilities measured at fair value were categorised within level 3. Due to the significance of financial instruments measured at fair value and the uncertainty in valuation involving significant judgements for unlisted equity, private equity fund investments and over-the-counter derivatives, valuation of financial instruments is considered a key audit matter.

For valuations which used significant unobservable inputs, such as unlisted equity investments, private equity fund investments and derivatives instruments, we involved our internal valuation specialists in assessing the models used, and re-performing independent valuations.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

Relevant disclosures are included in notes 4 and 68 to the consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS – *continued*

#### Key audit matters

#### How our audit addressed the key audit matter

#### **Impairment assessment of debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, advances to customers, financial assets held under resale agreements and lease receivables**

According to IFRS 9 *Financial instruments*, the Group adopts the “expected credit losses model” to measure the impairment of financial assets.

The financial instruments applicable to expected credit losses model mainly include the debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, advances to customers, financial assets held under resale agreements and lease receivables, which amounted to RMB225.35 billion as at 31 December 2020, representing 49.3% of total assets, and the aggregated impairment allowance for the above financial assets amounted to RMB2.22 billion. Since impairment assessment involves significant judgement and assumptions, and in view of the significance of the amount, the impairment assessment of above financial instruments is considered a key audit matter.

Relevant disclosures are included in notes 4, 27, 28, 30, 32(ii), 33, and 35 to the consolidated financial statements.

We evaluated and tested the effectiveness of the design and implementation of key internal controls relating to the investment approval process, post approval management, credit rating, collateral monitoring and financial instrument impairment assessment, including the testing of relevant data quality and information systems.

We involved our internal specialists in assessing the model used, parameters and assumptions, which include staging, possibility of default, loss given default and exposure at default, and assessed the reasonableness of key management judgements involved.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosure of the expected credit impairment losses.



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## INDEPENDENT AUDITOR'S REPORT

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### KEY AUDIT MATTERS – *continued*

#### Key audit matters

#### How our audit addressed the key audit matter

##### Consolidation assessment of structured entities

The Group has interests in various structured entities, such as wealth management products, funds and trust plans, in conducting financial investments and asset management. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and link between power and returns.

The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, and performance fee and remuneration. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation or non-consolidation of structured entities is considered a key audit matter.

Relevant disclosures are included in notes 4 and 26 to the consolidated financial statements.

We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.

We assessed the Group's analysis and conclusions on whether it controls the structured entities based on the Group's analysis on its power over the structured entities, and the magnitude and variability of variable returns from its involvement with the structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of the structured entities by reviewing relevant term sheets, as well as the fairness of transactions between the Group and the structured entities.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.



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## INDEPENDENT AUDITOR'S REPORT

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### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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## INDEPENDENT AUDITOR'S REPORT

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### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

– *continued*

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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## INDEPENDENT AUDITOR'S REPORT

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### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

– *continued*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Benny Bing Yin Cheung.

#### **Ernst & Young**

Certified Public Accountants

Hong Kong

29 March 2021



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2020 RMB' 000	2019 RMB' 000
Revenue			
Commission and fee income	6	14,452,010	10,044,403
Interest income	7	11,698,181	10,844,582
Net investment gains	8	8,262,037	6,873,042
Total revenue		34,412,228	27,762,027
Other income and gains or losses	9	1,570,990	2,314,864
Total revenue and other income		35,983,218	30,076,891
Depreciation and amortisation	10	(786,744)	(650,193)
Staff costs	11	(9,029,829)	(6,418,921)
Commission and fee expenses	12	(337,561)	(283,635)
Interest expenses	13	(7,346,362)	(7,434,170)
Other operating expenses	14	(4,891,055)	(4,796,930)
Impairment losses	15	(1,898)	(1,535)
Credit loss expense	16	(853,695)	(679,676)
Total expenses		(23,247,144)	(20,265,060)
Share of results of associates and joint ventures		863,223	464,391
Profit before income tax		13,599,297	10,276,222
Income tax expense	17	(2,828,402)	(2,165,961)
Profit for the year		10,770,895	8,110,261
Attributable to:			
Owners of the Company		10,038,135	7,538,921
Non-controlling interests		732,760	571,340
		10,770,895	8,110,261
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	18	1.32	0.99

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 RMB' 000	2019 RMB' 000
Profit for the year	10,770,895	8,110,261
<b><i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i></b>		
Revaluation gains on equity instruments at fair value through other comprehensive income	239,024	592,044
Income tax related to the above	(59,563)	(148,276)
Share of other comprehensive loss of an associate	(1,017)	–
Total items that will not be reclassified to profit or loss in subsequent periods	<u>178,444</u>	<u>443,768</u>
<b><i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i></b>		
Exchange differences on translation of foreign operations	(351,287)	109,132
Debt instruments at fair value through other comprehensive income:		
– Net fair value changes during the year	(144,284)	91,164
– Reclassification to profit or loss on disposal	(230,824)	(121,965)
– Reclassification to profit or loss on impairment	158,578	218,779
– Income tax related to the above	53,051	(7,253)
Net (losses)/gains on debt instruments at fair value through other comprehensive income	<u>(163,479)</u>	<u>180,725</u>
Share of other comprehensive income of associates and joint ventures:		
– Share of fair value (losses)/gains on financial assets of associates and joint ventures	(107,402)	128,137
– Share of exchange differences arising on translation of associates	(2,399)	2,734
Net (losses)/gains on other comprehensive income of associates and joint ventures	<u>(109,801)</u>	<u>130,871</u>
Total items that may be reclassified to profit or loss in subsequent periods	<u>(624,567)</u>	<u>420,728</u>
Other comprehensive income for the year, net of tax	<u>(446,123)</u>	<u>864,496</u>
Total comprehensive income for the year	<u><u>10,324,772</u></u>	<u><u>8,974,757</u></u>
Attributable to:		
Owners of the Company	9,601,382	8,399,853
Non-controlling interests	<u>723,390</u>	<u>574,904</u>
	<u><u>10,324,772</u></u>	<u><u>8,974,757</u></u>

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





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Non-current assets</b>			
Property and equipment	19	3,164,197	2,044,528
Right-of-use assets	20	1,835,617	850,641
Investment properties	21	42,399	45,499
Goodwill	22	2,184	2,325
Other intangible assets	23	262,806	272,354
Investments in associates	24	4,930,337	4,173,537
Investments in joint ventures	25	2,311,812	2,745,489
Debt instruments at amortised cost	27	116,610	332,004
Equity instruments at fair value through other comprehensive income	29	11,625,078	11,386,054
Advances to customers	30	—	521
Other accounts receivable, other receivables and prepayments	32	326,587	1,113,899
Financial leasing receivables	33	558,599	1,537,281
Financial assets held under resale agreements	35	1,858,547	382,617
Financial assets at fair value through profit or loss	36	6,617,326	6,821,485
Deferred tax assets	42	1,323,840	1,058,688
<b>Total non-current assets</b>		<b>34,975,939</b>	<b>32,766,922</b>

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Current assets</b>			
Debt instruments at amortised cost	27	345,705	1,948,128
Debt instruments at fair value through other comprehensive income	28	120,182,381	98,597,038
Advances to customers	30	86,152,816	54,786,938
Accounts receivable	31	3,304,284	2,343,183
Contract assets		–	75,895
Other accounts receivable, other receivables and prepayments	32	824,098	911,829
Financial leasing receivables	33	977,034	1,534,797
Amounts due from joint ventures		99,281	13,797
Amounts due from associates	34	56,257	40,506
Financial assets held under resale agreements	35	14,935,302	20,305,993
Financial assets at fair value through profit or loss	36	61,080,068	74,091,687
Derivative financial assets	37	203,366	72,361
Deposits with exchanges and non-bank financial institutions	38	11,045,546	6,646,320
Clearing settlement funds	39	20,515,405	19,548,482
Bank balances	40	102,766,204	80,707,188
Total current assets		422,487,747	361,624,142
Total assets		457,463,686	394,391,064

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Current liabilities</b>			
Borrowings	43	2,552,786	1,038,013
Short-term financing payables	44	35,008,179	14,880,673
Financial liabilities at fair value through profit or loss	45	3,456,254	652,350
Due to banks and other financial institutions	46	6,121,286	2,984,030
Accounts payable to brokerage clients	47	102,941,105	79,680,645
Accounts payable to underwriting clients		–	117,000
Accrued staff costs	48	4,990,056	3,614,336
Other accounts payable, other payables and accruals	49	5,655,933	3,763,147
Contract liabilities		47,087	68,653
Amounts due to joint ventures		59,377	190,999
Amounts due to associates		3,638	3,525
Provisions	50	415,058	447,521
Current tax liabilities		809,470	342,366
Other liabilities	51	1,174,030	5,704,495
Derivative financial liabilities	37	214,987	201,165
Financial assets sold under repurchase agreements	52	94,611,621	95,396,421
Bonds payable	53	22,009,246	32,353,680
Long-term loans	54	1,817,940	1,507,586
Lease liabilities	20	217,522	240,929
Total current liabilities		<u>282,105,575</u>	<u>243,187,534</u>
Net current assets		<u>140,382,172</u>	<u>118,436,608</u>
Total assets less current liabilities		<u>175,358,111</u>	<u>151,203,530</u>

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	45	123,161	597,676
Accrued staff costs	48	3,140,364	2,482,112
Other accounts payable, other payables and accruals	49	49,510	96,430
Deferred tax liabilities	42	418,323	281,428
Bonds payable	53	67,740,617	50,325,973
Long-term loans	54	365,129	2,025,776
Lease liabilities	20	435,539	460,648
Other liabilities	51	811,882	796,891
Total non-current liabilities		<u>73,084,525</u>	<u>57,066,934</u>
Net assets		<u>102,273,586</u>	<u>94,136,596</u>
<b>Capital and reserves</b>			
Share capital	55	7,621,088	7,621,088
Capital reserve		31,199,360	31,205,149
Investment revaluation reserve	56	1,048,326	1,139,901
Translation reserve		57,872	403,050
General reserves	57	24,282,969	21,209,246
Retained profits	58	33,952,582	29,655,551
Equity attributable to owners of the Company		<u>98,162,197</u>	<u>91,233,985</u>
Non-controlling interests		<u>4,111,389</u>	<u>2,902,611</u>
Total equity		<u>102,273,586</u>	<u>94,136,596</u>

Approved and authorised for issue by the Board of Directors on 29 March 2021.

**Sun Shuming**  
Chairman

**Lin Chuanhui**  
Executive Director and President

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal		
	RMB' 000 (Note 55)	RMB' 000	RMB' 000 (Note 56)	RMB' 000	RMB' 000 (Note 57)	RMB' 000 (Note 58)	RMB' 000	RMB' 000	RMB' 000
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 year	-	-	-	-	-	10,038,135	10,038,135	732,760	10,770,895
Other comprehensive income for the year	-	-	(91,575)	(345,178)	-	-	(436,753)	(9,370)	(446,123)
Total comprehensive income for the year	-	-	(91,575)	(345,178)	-	10,038,135	9,601,382	723,390	10,324,772
Capital injection from non-controlling shareholders	-	(10,626)	-	-	-	-	(10,626)	864,401	853,775
Appropriation to general reserves	-	-	-	-	3,073,723	(3,073,723)	-	-	-
Dividends recognised as distribution (Note 59)	-	-	-	-	-	(2,667,381)	(2,667,381)	(365,513)	(3,032,894)
Others	-	4,837	-	-	-	-	4,837	(13,500)	(8,663)
At 31 December 2020	7,621,088	31,199,360	1,048,326	57,872	24,282,969	33,952,582	98,162,197	4,111,389	102,273,586

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal		
	RMB' 000 (Note 55)	RMB' 000	RMB' 000 (Note 56)	RMB' 000	RMB' 000 (Note 57)	RMB' 000 (Note 58)	RMB' 000	RMB' 000	RMB' 000
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 year	-	-	-	-	-	7,538,921	7,538,921	571,340	8,110,261
Other comprehensive income for the year	-	-	752,698	108,234	-	-	860,932	3,564	864,496
Total comprehensive income for the year	-	-	752,698	108,234	-	7,538,921	8,399,853	574,904	8,974,757
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	3,217	3,217
Acquisition of non-controlling interests	-	(749,950)	-	-	-	-	(749,950)	(640,050)	(1,390,000)
Appropriation to general reserves	-	-	-	-	2,394,368	(2,394,368)	-	-	-
Dividends recognised as distribution (Note 59)	-	-	-	-	-	(1,524,217)	(1,524,217)	(7,852)	(1,532,069)
Others	-	90,283	-	-	-	-	90,283	(638,766)	(548,483)
At 31 December 2019	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

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 RMB' 000	2019 RMB' 000
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	13,599,297	10,276,222
Adjustments for:		
Interest expenses	7,346,362	7,434,170
Share of results of associates and joint ventures	(863,223)	(464,391)
Depreciation and amortisation	786,744	650,193
Impairment losses	1,898	1,535
Credit loss expense	853,695	679,676
Gain on disposal of property and equipment and other intangible assets	(35,215)	(1,470)
Gain on disposal of a subsidiary, associates and joint ventures	(677)	(49,532)
Foreign exchange gains, net	(34,604)	(5,354)
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	(230,824)	(121,965)
Dividend income and interest income from financial instruments at fair value through other comprehensive income	(3,250,770)	(3,919,290)
Interest income from debt instruments at amortised cost	(65,251)	(241,699)
Unrealised fair value changes in financial assets at fair value through profit or loss	(2,130,625)	(1,572,711)
Unrealised fair value changes in financial liabilities at fair value through profit or loss	(83,887)	126,851
Unrealised fair value changes in derivatives	(18,806)	27,100

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

	2020	2019
	RMB' 000	RMB' 000
Operating cash flows before movements in working capital	15,874,114	12,819,335
Increase in advances to customers	(31,617,864)	(9,493,417)
Decrease in financial assets held under resale agreements	3,476,364	16,015,071
Decrease in financial assets at fair value through profit or loss	10,075,902	7,312,848
Increase in deposits with exchanges and non-bank financial institutions	(4,402,410)	(360,850)
Increase in restricted bank deposits	(2,280,143)	(1,691,204)
(Increase)/Decrease in other current assets	(12,895)	2,732,403
Decrease/(Increase) in clearing settlement funds-clients	383,203	(1,353,805)
Increase in cash held on behalf of customers	(22,104,288)	(18,849,826)
Increase in financial liabilities at fair value through profit or loss	2,476,238	528,579
Increase in accounts payable to brokerage clients	23,536,413	21,155,040
Increase in accrued staff costs	2,032,502	999,840
Increase/(Decrease) in other accounts payable, other payables and accruals and other liabilities	2,919,694	(5,860,647)
(Decrease)/Increase in financial assets sold under repurchase agreements	(544,457)	9,303,036
Increase/(Decrease) in amounts due to banks and other financial institutions	3,250,248	(8,643,825)
(Decrease)/Increase in provision	(7,916)	406,887
Cash from operations	3,054,705	25,019,465
Income taxes paid	(2,471,213)	(2,414,953)
Interest paid	(2,668,548)	(2,509,718)
<b>Net cash (used in)/from operating activities</b>	<b>(2,085,056)</b>	<b>20,094,794</b>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 RMB' 000	2019 RMB' 000
<b>INVESTING ACTIVITIES</b>		
Dividends and interest received from investments	3,716,650	4,310,539
Purchases of property and equipment and other intangible assets	(3,047,082)	(391,646)
Proceeds from disposal of property and equipment and other intangible assets	42,042	4,390
Capital injection to associates and joint ventures	(552,684)	(506,131)
Proceeds from disposal of interests in associates and joint ventures	289,422	174,717
Acquisition of a subsidiary	–	(70,861)
Proceeds from disposal of a subsidiary	–	232,762
Purchase or proceeds from disposal of financial instruments at fair value through other comprehensive income, net	(21,531,586)	(18,663,735)
Purchase or proceeds from disposal of debt instruments at amortised cost, net	1,633,727	4,781,736
<b>Net cash used in investing activities</b>	<b>(19,449,511)</b>	<b>(10,128,229)</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 RMB' 000	2019 RMB' 000
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders and non-controlling interests	(3,032,894)	(1,531,878)
Repayment of interest of borrowings	(123,127)	(206,330)
Repayment of short-term financing payables and bond interest	(4,302,361)	(4,166,141)
Repayment of interest of long-term loans	(142,914)	(224,767)
Capital injection from non-controlling shareholders	853,775	–
Capital reduction by non-controlling shareholders	(13,500)	(1,398,020)
Proceeds from short-term financing payables and bonds issued	115,101,917	67,772,930
Repayment of short-term financing payables and bonds	(88,014,094)	(63,197,659)
Proceeds from borrowings	2,143,722	764,102
Repayment of borrowings	(518,704)	(5,392,468)
Proceeds from long-term loans	265,837	872,669
Repayment of long-term loans	(1,545,901)	(2,835,937)
Payment of principal and interest on lease liabilities	(288,408)	(235,783)
Proceeds from other financing activities	3,000	–
Repayment of other financing activities	(130,000)	(197,589)
<b>Net cash from/(used in) financing activities</b>	<b>20,256,348</b>	<b>(9,976,871)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,278,219)</b>	<b>(10,306)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>21,302,612</b>	<b>21,285,579</b>
<b>Effect of foreign exchange rate changes</b>	<b>(117,188)</b>	<b>27,339</b>
<b>Cash and cash equivalents at end of the year</b>	<b>19,907,205</b>	<b>21,302,612</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION OF THE GROUP

With the approval of the People's Bank of China, Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank) established a securities department on 9 April 1991. With the approval of the Guangdong Administration for Industry and Commerce, 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 consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



### 2.2 BASIS OF CONSOLIDATION – *continued*

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Group serves as the manager of asset management schemes and funds. These asset management schemes and funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 Consolidated Financial Statements, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such asset management schemes and funds for cash. These are presented as "Third-party interests in consolidated structured entities" within other liabilities in the consolidated statement of financial position.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for the current year:

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the revised IFRSs has had no significant impact on the Group’s consolidated financial statements.

### 2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
IFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>3,5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>2</sup></i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021  
<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022  
<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023  
<sup>4</sup> No mandatory effective date yet determined but available for adoption  
<sup>5</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The application of the new and revised IFRSs will not have a significant impact on the Group’s consolidated financial statements.



### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within a group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

#### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Investments in associates and joint ventures – *continued*

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.



**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Investments in associates and joint ventures – continued**

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Revenue recognition – *continued*

#### *Revenue from contracts with customers – continued*

##### (a) *Securities brokerage and investment consulting business*

Income from the securities brokerage is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognised when the related services are rendered.

Income from the investment consulting business is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

##### (b) *Underwriting and sponsorship business*

Income from the underwriting and sponsorship business is recognised when the obligation of underwriting or sponsoring is completed.

##### (c) *Asset management business*

Income from regular management fees is recognised periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognised when the performance fee is determinable based on actual performance measurement, as and when contingent criteria associated are met.

##### (d) *Other business*

Income from other business is recognised when control of goods or services is transferred to the customers.

#### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.



**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods and services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Contract costs**

Other than the costs which are capitalised as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### *Leases – continued*

#### *Group as a lessee – continued*

#### *(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases – *continued*

*Group as a lessee – continued*

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

*Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

<b>Classes</b>	<b>Estimated residual value rates</b>	<b>Useful lives</b>
Properties and buildings	nil	30 – 50 years
Electronic and communication equipment	nil	3 – 5 years
Motor vehicles	nil	4 – 6 years
Office equipment	nil	5 – 11 years
Improvements	nil	5 – 10 years





3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

**Intangible assets**

*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading seats) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

The estimated useful lives of each class of intangible assets with finite useful lives are as follows:

<b>Classes</b>	<b>Useful lives</b>
Computer software	5 years
Others	5 years

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### *Intangible assets – continued*

#### *Intangible assets acquired in a business combination – continued*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### **Impairment of tangible and intangible assets other than goodwill and financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Employee benefits**

In the reporting period in which an employee has rendered services, the Group recognises the employee benefit expenses for those services in profit or loss.

***Short-term social welfare***

Short-term social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on a certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

***Defined contribution plans***

Payments to defined contribution plans which include the mandatory the social pension insurance plan and unemployment insurance plan managed by the mainland government, the Mandatory Provident Fund Scheme to the employees in Hong Kong and the annuity scheme for qualified employees, are recognised as expenses when employees have rendered service entitling them to the contributions.

***Early retirement benefits***

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognised when the employees voluntarily retired before the normal retirement date, as approved by management. The early retirement benefits represented the liability at the end of the reporting period with the changes recognised in profit or loss.

***Other long-term benefits***

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### **Taxation – *continued***

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments

##### *Financial assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

*Financial assets – continued*

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value changes recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### *Financial instruments – continued*

#### *Financial assets – continued*

#### *Subsequent measurement – continued*

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets*

The Group recognises an allowance for ECLs (Expected Credit Loss) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (“a 12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

#### *Impairment of financial assets – continued*

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

#### *Simplified approach*

For accounts receivables, contract assets and other receivables and prepayments that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivables, contract assets and other receivables and prepayments that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### Financial instruments – *continued*

##### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term financing payables, due to banks and other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### *Financial instruments – continued*

#### *Financial liabilities – continued*

#### *Subsequent measurement – continued*

#### Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### *Derivative financial instruments*

#### *Initial recognition and subsequent measurement*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

*Financial instruments – continued*

*Financial assets held under resale agreements and financial assets sold under repurchase agreements*

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognised in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase is recognised as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

*Accounts payable to brokerage customers*

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognises the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of the purchased securities exceeds that of the sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of the sold securities exceeds that of the purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

*Margin financing and securities lending services*

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

*Margin financing services*

The Group recognises margin financing services to customers as margin accounts receivable, and recognises the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivable is determined with reference to the policy of provision for impairment of financial assets measured at amortised cost.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

#### *Financial instruments – continued*

#### *Margin financing and securities lending services – continued*

#### *Securities lending services*

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognised as interest income according to the margin financing agreement. The securities lending services are not derecognised. The financial assets are recognised as securities lending services in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, and are subsequently measured according to financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Determination of consolidation scope**

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.



**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

– *continued*

**Fair values of financial assets and derivative financial instruments determined using valuation techniques**

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model. In practice, the discounted cash flow analysis model makes the maximum use of observable inputs, but management still needs to make estimations on counterparty credit risk, the volatility of the market interest rate and correlation factors. If there is a change in any assumption of the above factors, the assessment of the fair value of financial instruments will be affected.

**Impairment of financial instruments**

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgement and estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such judgement and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economic indicators, and industrial risk.

**Income taxes**

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 42.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter referred to as the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group’s basis of organisation, whereby the businesses are organised and managed separately as individual strategic business units that offer different services and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group’s operating segments are as follows:

- (a) Investment banking, which primarily includes underwriting commissions and sponsorship and advisory fees from equity and debt underwriting and financial advisory services;
- (b) Wealth management, which primarily includes fees and commissions earned from providing brokerage and investment advisory services to retail clients, as well as interest income earned from margin financing and securities lending activities, reverse repurchase transactions, financial leasing, cash held on behalf of clients and fees earned from selling financial products developed by the Group and other financial institutions;
- (c) Trading and institution, which primarily includes investment gains and interest income earned from investment trading of, and market-making in equity, fixed income, derivative securities and other financial products, as well as investment gains from alternative investments, and fees and commissions earned from providing investment research and prime brokerage services to institutional clients;
- (d) Investment management, which primarily includes management and advisory fees earned from providing asset management, mutual fund management, private fund management services to clients and etc;
- (e) Others, which primarily includes income from head office operations.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expenses as well as the share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities. Inter-segment balances mainly resulted from branches’ operating funds injected by the head office are eliminated on consolidation. The segment results exclude income tax expense and share of results of associates and joint ventures, while the segment assets and liabilities include prepaid taxes, current tax liabilities as well as interests in associates and joint ventures, respectively.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. SEGMENT REPORTING – continued

The operating and reportable segment information provided to the chief operating decision maker for the years ended 31 December 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
<b>For the year ended</b>								
<b>31 December 2020</b>								
<b>Segment revenue and results</b>								
Segment revenue	672,174	13,354,929	9,571,194	10,673,299	140,632	34,412,228	-	34,412,228
Segment other income and gains or losses	3,589	1,853,987	13,584	(1,076,401)	776,231	1,570,990	-	1,570,990
Segment revenue and other income	675,763	15,208,916	9,584,778	9,596,898	916,863	35,983,218	-	35,983,218
Segment expenses	(632,500)	(8,945,834)	(6,017,731)	(4,667,023)	(2,984,056)	(23,247,144)	-	(23,247,144)
Segment results	43,263	6,263,082	3,567,047	4,929,875	(2,067,193)	12,736,074	-	12,736,074
Share of results of associates and joint ventures	-	1,013	(25,596)	905,635	(17,829)	863,223	-	863,223
Profit/(loss) before income tax	43,263	6,264,095	3,541,451	5,835,510	(2,085,022)	13,599,297	-	13,599,297
<b>As at 31 December 2020</b>								
<b>Segment assets and liabilities</b>								
Segment assets	269,549	115,340,134	163,809,010	32,162,714	146,023,439	457,604,846	(1,465,000)	456,139,846
Deferred tax assets								1,323,840
Group's total assets								<u>457,463,686</u>
Segment liabilities	111,457	98,133,843	91,847,434	9,144,335	155,534,708	354,771,777	-	354,771,777
Deferred tax liabilities								418,323
Group's total liabilities								<u>355,190,100</u>
<b>Other segment information</b>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	3,967	311,587	16,095	105,566	349,529	786,744	-	786,744
Impairment losses	-	1,848	-	-	50	1,898	-	1,898
Credit loss expense	7,094	499,929	344,083	2,687	(98)	853,695	-	853,695
Capital expenditure	3,808	128,724	16,328	855,743	900,974	1,905,577	-	1,905,577

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. 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
<b>For the year ended</b>								
<b>31 December 2019</b>								
<b>Segment revenue and results</b>								
Segment revenue	1,484,380	10,306,004	9,378,929	6,250,684	342,030	27,762,027	–	27,762,027
Segment other income and gains or losses	6,139	1,969,946	(5,950)	(180,023)	524,752	2,314,864	–	2,314,864
Segment revenue and other income	1,490,519	12,275,950	9,372,979	6,070,661	866,782	30,076,891	–	30,076,891
Segment expenses	(694,269)	(8,369,737)	(6,036,669)	(3,119,049)	(2,045,336)	(20,265,060)	–	(20,265,060)
Segment results	796,250	3,906,213	3,336,310	2,951,612	(1,178,554)	9,811,831	–	9,811,831
Share of results of associates and joint ventures	–	1,356	(91,432)	553,640	827	464,391	–	464,391
Profit/(loss) before income tax	796,250	3,907,569	3,244,878	3,505,252	(1,177,727)	10,276,222	–	10,276,222
<b>As at 31 December 2019</b>								
<b>Segment assets and liabilities</b>								
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>
<b>Other segment information</b>								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	16,917	348,570	27,881	69,165	187,660	650,193	–	650,193
Impairment losses	–	1,485	–	–	50	1,535	–	1,535
Credit loss expense	18,794	265,440	317,389	79,965	(1,912)	679,676	–	679,676
Capital expenditure	3,646	120,754	18,951	41,128	521,651	706,130	–	706,130

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operations in the PRC. The Group's inter-segment revenue is not material and is not included in the report to the CODM.

No single customer from which the revenue amounted to over 10% to the Group's revenue for the years ended 31 December 2020 and 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. COMMISSION AND FEE INCOME

	2020 RMB' 000	2019 RMB' 000
Securities brokerage business commission and fee income	6,460,467	4,099,301
Asset management and fund management fee income	6,598,048	3,910,623
Underwriting and sponsorship fee income	557,551	1,296,418
Consultancy and financial advisory fee income	273,897	250,775
Futures brokerage business commission and fee income	418,307	320,380
Others	143,740	166,906
	<u>14,452,010</u>	<u>10,044,403</u>

### 7. INTEREST INCOME

	2020 RMB' 000	2019 RMB' 000
Margin financing and securities lending	4,852,447	3,575,485
Debt instruments at fair value through other comprehensive income	3,242,108	3,233,746
Deposits with exchanges and financial institutions	2,473,596	2,155,897
Financial assets held under resale agreements	827,638	1,282,742
Debt instruments at amortised cost	65,251	241,699
Leasing business	207,960	312,721
Others	29,181	42,292
	<u>11,698,181</u>	<u>10,844,582</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. NET INVESTMENT GAINS

	2020 RMB' 000	2019 RMB' 000
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	230,824	121,965
Net realised gains from disposal of financial instruments at fair value through profit or loss	3,846,207	1,956,385
Dividend income and interest income from financial instruments at fair value through profit or loss	2,247,440	2,780,029
Dividend income from financial instruments at fair value through other comprehensive income	8,662	685,544
Net realised losses from derivatives and others	(191,830)	(3,612)
Unrealised fair value changes of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	2,130,625	1,572,711
– Financial liabilities at fair value through profit or loss	83,887	(126,851)
– Derivatives	(93,778)	(113,129)
	<u>8,262,037</u>	<u>6,873,042</u>

### 9. OTHER INCOME AND GAINS OR LOSSES

	2020 RMB' 000	2019 RMB' 000
Trading business income	1,758,440	1,897,918
Third-party interests in consolidated structured entities <sup>(i)</sup>	(1,410,929)	(495,659)
Government grants <sup>(ii)</sup>	1,087,532	761,361
Commission from tax withholding and remitting	44,617	63,958
Gains on disposal of subsidiaries, associates and joint ventures	677	49,532
Others	90,653	37,754
	<u>1,570,990</u>	<u>2,314,864</u>

- (i) In 2020 and 2019, amounts of RMB98.04 million and RMB242.32 million were attributable to priority tranche holders of structured entities.
- (ii) The government grants were received unconditionally by the Group from the local government to support operations in the designated locations.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. DEPRECIATION AND AMORTISATION

	2020 RMB' 000	2019 RMB' 000
Depreciation of property and equipment	358,971	314,373
Depreciation of investment properties	3,100	2,987
Depreciation of right-of-use assets	321,899	230,569
Amortisation of other intangible assets	102,774	102,264
	<u>786,744</u>	<u>650,193</u>

### 11. STAFF COSTS

	2020 RMB' 000	2019 RMB' 000
Salaries, bonuses and allowances and other long-term benefits	8,012,204	5,282,933
Short-term social welfares	307,493	318,001
Defined contribution plans	309,864	429,452
Others	400,268	388,535
	<u>9,029,829</u>	<u>6,418,921</u>

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans.

In addition to the above social welfare plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. These annuity schemes are defined contribution plans.

The Group also operates the Mandatory Provident Fund Scheme, also a defined contribution plan, for all qualified employees in Hong Kong. The Group contributes a certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The contributions to the defined contribution plans are expensed as incurred. The Group cannot withdraw or utilise its fund contributions made to the defined contribution plans under any circumstance.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. COMMISSION AND FEE EXPENSES

	<b>2020</b>	2019
	<b>RMB' 000</b>	RMB' 000
Securities and futures brokerage business expenses	<b>307,112</b>	222,055
Underwriting and sponsorship fee expenses	<b>16,619</b>	38,572
Other service expenses	<b>13,830</b>	23,008
	<b><u>337,561</u></b>	<u>283,635</u>

Note: Distribution expenses for the fund and asset management business amounting to RMB1,333.97 million (2019: RMB682.42 million) are classified under other operating expenses as described in note 14.

### 13. INTEREST EXPENSES

	<b>2020</b>	2019
	<b>RMB' 000</b>	RMB' 000
Bonds payable	<b>3,577,931</b>	3,832,965
Financial assets sold under repurchase agreements	<b>1,950,889</b>	1,846,373
Short-term financing payables	<b>771,923</b>	634,105
Borrowings	<b>124,862</b>	196,213
Due to banks and other financial institutions	<b>281,241</b>	179,325
Accounts payable to brokerage clients	<b>333,404</b>	232,022
Long-term loans	<b>134,599</b>	217,332
Lease liabilities	<b>32,537</b>	28,466
Others	<b>138,976</b>	267,369
	<b><u>7,346,362</u></b>	<u>7,434,170</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. OTHER OPERATING EXPENSES

	2020 RMB' 000	2019 RMB' 000
Trading business costs	1,752,904	1,897,442
General and administrative expenses	692,520	698,307
Taxes and surcharges	169,844	135,373
Rents and utilities	161,943	224,715
Distribution expenses for fund and asset management business	1,333,968	682,418
Post and telecommunications expenses	231,793	205,327
Securities and futures investor protection funds	103,135	86,508
Advertisement and business development expenses	117,327	112,586
Auditors' remuneration	8,534	12,228
Provision expenses	–	409,230
Sundry expenses	319,087	332,796
	<u>4,891,055</u>	<u>4,796,930</u>

### 15. IMPAIRMENT LOSSES

	2020 RMB' 000	2019 RMB' 000
Other intangible assets	50	50
Others	1,848	1,485
	<u>1,898</u>	<u>1,535</u>

### 16. CREDIT LOSS EXPENSE

	2020 RMB' 000	2019 RMB' 000
Debt instruments at amortised cost	148,869	149,415
Debt instruments at fair value through other comprehensive income	158,578	218,779
Advances to customers	81,452	122,471
Accounts receivable	35,870	59,241
Lease receivables	306,858	164,895
Financial assets held under resale agreements	64,409	(52,828)
Others	57,659	17,703
	<u>853,695</u>	<u>679,676</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. INCOME TAX EXPENSE

	2020 RMB' 000	2019 RMB' 000
Current tax:		
PRC Enterprise Income Tax	2,917,096	2,151,249
Hong Kong Profits Tax and other jurisdictions	20,624	2,157
Subtotal	2,937,720	2,153,406
Deferred income tax (Note 42)	(109,318)	12,555
	<u>2,828,402</u>	<u>2,165,961</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 years. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2020 RMB' 000	2019 RMB' 000
Profit before income tax	13,599,297	10,276,222
Tax at the statutory tax rate of 25%	3,399,824	2,569,056
Tax effect of share of profits of associates and joint ventures	(163,515)	(98,488)
Tax effect of costs, expenses and losses not deductible for tax purpose	39,130	111,367
Tax effect of income not taxable for tax purposes	(473,323)	(454,758)
Tax effect of tax losses and temporary differences not recognised	75,193	36,796
Utilisation of tax losses and temporary differences previously not recognised	(22,010)	(17,528)
Effect of different tax rates of subsidiaries	(38,042)	18,676
Others	11,145	840
Income tax expense for the year	<u>2,828,402</u>	<u>2,165,961</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. EARNINGS PER SHARE

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

	2020	2019
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company (in thousand)	<u>10,038,135</u>	<u>7,538,921</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	<u>1.32</u>	<u>0.99</u>
– Diluted	<u>1.32</u>	<u>0.99</u>

There were no potential dilutive ordinary shares outstanding for 2020 and 2019.

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 CONSOLIDATED FINANCIAL STATEMENTS

### 19. PROPERTY AND EQUIPMENT

	Properties and buildings RMB' 000	Electronic and communication equipment RMB' 000	Motor vehicles RMB' 000	Office equipment RMB' 000	Improvements RMB' 000	Total RMB' 000
<b>Cost</b>						
As at 1 January 2020	1,543,949	932,797	122,618	248,976	957,363	3,805,703
Additions	708,090	87,719	7,501	17,264	49,939	870,513
Transfers during the year	629,853	–	–	–	–	629,853
Disposals/write-off	(21,060)	(57,777)	(10,067)	(19,450)	(78,877)	(187,231)
Effect of foreign currency exchange differences	–	(2,681)	(190)	(265)	(1,757)	(4,893)
As at 31 December 2020	<u>2,860,832</u>	<u>960,058</u>	<u>119,862</u>	<u>246,525</u>	<u>926,668</u>	<u>5,113,945</u>
<b>Accumulated depreciation and impairment</b>						
As at 1 January 2020	399,826	623,743	81,954	136,722	518,930	1,761,175
Charge for the year	107,612	123,943	13,935	32,369	84,865	362,724
Disposals/write-off	(19,750)	(57,394)	(10,046)	(19,214)	(63,704)	(170,108)
Effect of foreign currency exchange differences	–	(2,134)	(161)	(219)	(1,529)	(4,043)
As at 31 December 2020	<u>487,688</u>	<u>688,158</u>	<u>85,682</u>	<u>149,658</u>	<u>538,562</u>	<u>1,949,748</u>
<b>Net carrying amount</b>						
As at 31 December 2020	<u>2,373,144</u>	<u>271,900</u>	<u>34,180</u>	<u>96,867</u>	<u>388,106</u>	<u>3,164,197</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. PROPERTY AND EQUIPMENT – *continued*

	Properties and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Improvements	Construction in progress	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>Cost</b>							
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	<u>1,543,949</u>	<u>932,797</u>	<u>122,618</u>	<u>248,976</u>	<u>957,363</u>	<u>–</u>	<u>3,805,703</u>
<b>Accumulated depreciation and impairment</b>							
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	<u>399,826</u>	<u>623,743</u>	<u>81,954</u>	<u>136,722</u>	<u>518,930</u>	<u>–</u>	<u>1,761,175</u>
<b>Net carrying amount</b>							
As at 31 December 2019	<u>1,144,123</u>	<u>309,054</u>	<u>40,664</u>	<u>112,254</u>	<u>438,433</u>	<u>–</u>	<u>2,044,528</u>

As at 31 December 2020, the Group's properties and buildings amounting to RMB376.52 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 RMB39.28 million as at 31 December 2020 (31 December 2019: RMB13.42 million) and GF Securities Tower with a carrying amount of RMB1,996.62 million. 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 CONSOLIDATED FINANCIAL STATEMENTS

### 20. 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 year are as follows:

	Properties and buildings RMB' 000	Land use rights RMB' 000	Total RMB' 000
<b>Cost</b>			
As at 1 January 2020	936,860	231,065	1,167,925
Additions	255,854	940,841	1,196,695
Transfers during the year	–	154,043	154,043
Disposals/write-off	(133,420)	–	(133,420)
Effect of foreign currency exchange differences	(6,501)	–	(6,501)
As at 31 December 2020	<u>1,052,793</u>	<u>1,325,949</u>	<u>2,378,742</u>
<b>Accumulated depreciation and impairment</b>			
As at 1 January 2020	223,945	93,339	317,284
Charge for the year	280,337	41,562	321,899
Disposals/write-off	(91,476)	–	(91,476)
Effect of foreign currency exchange differences	(4,582)	–	(4,582)
As at 31 December 2020	<u>408,224</u>	<u>134,901</u>	<u>543,125</u>
<b>Net carrying amount</b>			
As at 31 December 2020	<u><u>644,569</u></u>	<u><u>1,191,048</u></u>	<u><u>1,835,617</u></u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. 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
<b>Cost</b>			
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 differences	1,930	–	1,930
As at 31 December 2019	936,860	231,065	1,167,925
<b>Accumulated depreciation and impairment</b>			
As at 1 January 2019	–	86,649	86,649
Charge for the year	223,879	6,690	230,569
Disposals/write-off	(636)	–	(636)
Effect of foreign currency exchange differences	702	–	702
As at 31 December 2019	223,945	93,339	317,284
<b>Net carrying amount</b>			
As at 31 December 2019	712,915	137,726	850,641

#### (2) Lease liabilities

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

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Properties and buildings		
Current	217,522	240,929
Non-current	435,539	460,648
	653,061	701,577



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. LEASES – *continued*

The Group as a lessee – *continued*

(3) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2020 RMB' 000	2019 RMB' 000
Interest on lease liabilities	32,537	28,466
Depreciation of right-of-use assets	321,899	230,569
Expense relating to short-term leases (included in other operating expenses)	<u>29,180</u>	<u>81,518</u>
Total amount recognised in profit or loss	<u><u>383,616</u></u>	<u><u>340,553</u></u>

### 21. INVESTMENT PROPERTIES

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>COST</b>		
At the beginning of the year	92,865	52,087
Transfers during the year	–	40,778
At the end of the year	<u>92,865</u>	<u>92,865</u>
<b>ACCUMULATED DEPRECIATION</b>		
At the beginning of the year	47,366	32,020
Provided for the year	3,100	2,987
Transfers during the year	–	12,359
At the end of the year	<u>50,466</u>	<u>47,366</u>
<b>NET CARRYING AMOUNT</b>		
At the end of the year	<u><u>42,399</u></u>	<u><u>45,499</u></u>



22. GOODWILL

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>COST</b>		
Unit A – securities brokerage branches	76,574	76,574
Unit B – GF Financial Markets (UK) Limited	<u>2,040</u>	<u>2,040</u>
At the beginning and the end of the year	<u><u>78,614</u></u>	<u><u>78,614</u></u>
<b>ACCUMULATED IMPAIRMENT LOSSES</b>		
Unit A – securities brokerage branches	76,574	76,574
Unit B – GF Financial Markets (UK) Limited	<u>–</u>	<u>–</u>
At the beginning and the end of the year	<u><u>76,574</u></u>	<u><u>76,574</u></u>
<b>NET CARRYING AMOUNT</b>		
Unit A – securities brokerage branches	–	–
Unit B – GF Financial Markets (UK) Limited	2,040	2,040
Unit B – effect of foreign currency exchange differences	<u>144</u>	<u>285</u>
At the end of the year	<u><u>2,184</u></u>	<u><u>2,325</u></u>

Unit A is the securities brokerage CGU acquired, the acquisition cost of which exceeds the fair value of the net identifiable assets. The commercial registration of these securities brokerage branches in the prior year was changed. As the CGU no longer generated future cash flows, Unit A was fully impaired in the prior year.

Unit B is the CGU of GF Financial Markets (UK) Limited by GF Futures (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company. As at 31 December 2020, the management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. OTHER INTANGIBLE ASSETS

	Trading seats RMB' 000	Computer software RMB' 000	Others RMB' 000	Total RMB' 000
<b>COST</b>				
As at 1 January 2019	76,506	681,238	1,368	759,112
Additions	–	114,518	600	115,118
Acquired on acquisition of a subsidiary	–	1,064	–	1,064
Disposals/write-off	–	(17,596)	–	(17,596)
Disposal of a subsidiary	–	(3,526)	–	(3,526)
Effect of foreign currency exchange differences	17	414	–	431
As at 31 December 2019	76,523	776,112	1,968	854,603
Additions	–	94,230	–	94,230
Disposals/write-off	–	(12,416)	–	(12,416)
Effect of foreign currency exchange differences	(47)	(1,678)	–	(1,725)
As at 31 December 2020	76,476	856,248	1,968	934,692
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
As at 1 January 2019	74,065	422,473	768	497,306
Charge for the year	–	102,264	–	102,264
Acquired on acquisition of a subsidiary	–	263	–	263
Disposals/write-off	–	(17,495)	–	(17,495)
Disposal of a subsidiary	–	(386)	–	(386)
Effect of foreign currency exchange differences	–	247	–	247
Impairment loss recognised in the year	50	–	–	50
As at 31 December 2019	74,115	507,366	768	582,249
Charge for the year	–	102,773	–	102,773
Disposals/write-off	–	(12,199)	–	(12,199)
Effect of foreign currency exchange differences	–	(987)	–	(987)
Impairment loss recognised in the year	50	–	–	50
As at 31 December 2020	74,165	596,953	768	671,886
<b>NET CARRYING AMOUNT</b>				
As at 31 December 2020	2,311	259,295	1,200	262,806
As at 31 December 2019	2,408	268,746	1,200	272,354



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24. INVESTMENTS IN ASSOCIATES

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Cost of unlisted investments in associates	<b>2,119,005</b>	1,648,430
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>2,766,066</b>	2,333,046
	<b>4,885,071</b>	3,981,476
Unlisted investment in an associate at fair value through profit or loss (Note)	<b>45,266</b>	192,061
	<b>4,930,337</b>	4,173,537

Note: The Group elects to measure its investment in GEJIA Corporation of RMB45.27 million (31 December 2019: RMB192.06 million) held through GF Xinde Capital Management Limited, a venture capital organisation and an indirectly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this associate on a fair value basis as at 31 December 2020. The valuation determination, including valuation techniques, key inputs and fair value information, for the associate measured at fair value through profit or loss is set out in note 68.

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

Name of associate	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 31.12.2020	As at 31.12.2019	
易方達基金管理有限公司 E Fund Management Co., Limited ("E Fund")	PRC 17 April 2001	<b>22.65%</b>	22.65%	Publicly offered securities investment fund management, fund sale, asset management for specific customers

#### Summarised financial information of the material associate

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents the amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. INVESTMENTS IN ASSOCIATES – *continued*

Summarised financial information of the material associate – *continued*

*E Fund*

	<b>As at</b>	As at
	<b>31.12.2020</b>	31.12.2019
	<b>RMB' 000</b>	RMB' 000
Total assets	<b>18,434,196</b>	14,675,399
Total liabilities	<b>7,415,881</b>	4,579,305
Net assets	<b>11,018,315</b>	10,096,094
	<b>2020</b>	2019
	<b>RMB' 000</b>	RMB' 000
Total revenue	<b>9,247,480</b>	6,182,579
Profit for the year	<b>2,749,521</b>	1,726,334
Other comprehensive income/(expense)	<b>(26,802)</b>	63,909
Total comprehensive income	<b>2,722,719</b>	1,790,243
Dividend received from the associate during the year	<b>422,745</b>	240,000

The reconciliation of the above summarised financial information to the carrying amount of the interest in E Fund recognised in the consolidated financial statements:

	<b>As at</b>	As at
	<b>31.12.2020</b>	31.12.2019
	<b>RMB' 000</b>	RMB' 000
Net assets attributable to equity holders of the associate	<b>11,011,261</b>	10,087,381
Proportion of the Group's ownership interest	<b>22.65%</b>	22.65%
Proportion of equity interest held by the Group	<b>2,494,051</b>	2,284,792
Other adjustments	<b>(1,912)</b>	(579)
Carrying amount of the Group's interest	<b>2,492,139</b>	2,284,213



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. INVESTMENTS IN ASSOCIATES – *continued*

Aggregate information of associates that are not individually material

	2020 RMB' 000	2019 RMB' 000
The Group's share of profit	210,161	60,217
The Group's share of other comprehensive income	<u>(44,389)</u>	636
The Group's share of total comprehensive income	<u>165,772</u>	<u>60,853</u>
	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Aggregate carrying amount of the Group's interests in these associates	<u>2,438,198</u>	<u>1,889,324</u>

25. INVESTMENTS IN JOINT VENTURES

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Cost of unlisted investments in joint ventures	2,341,664	2,667,273
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>(29,852)</u>	78,216
	<u>2,311,812</u>	<u>2,745,489</u>

Aggregate information of joint ventures that are not individually material

	2020 RMB' 000	2019 RMB' 000
The Group's share of profit	(7,876)	(28,402)
The Group's share of other comprehensive income	<u>(35,300)</u>	116,406
The Group's share of total comprehensive income	<u>(43,176)</u>	<u>88,004</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities, managed or held by the Group mainly include investment funds and asset management plans, etc. The nature and objective of the structured entities is to manage investors' assets and collect management fees, and it is financed through issue of investment products to investors. The interests held by the Group in these unconsolidated structured entities mainly involve the investments held by the Group or management fees and performance fees collected from managed structured entities.

At the end of 2020, the net assets of the unconsolidated structured entities which were sponsored and whose financial interest held by the Group were RMB442,016.01 million. The carrying amounts of the interests held by the Group were RMB12,963.33 million, which were classified as financial assets at fair value through profit or loss in the consolidated statement of financial position. The carrying amounts are approximate to the maximum loss exposure.

At the end of 2020, the carrying amounts of the interests held by the Group from unconsolidated structured entities sponsored by third parties were RMB27,112.46 million, of which RMB14,911.38 million were classified as financial assets at fair value through profit or loss, RMB10,813.73 million were classified as equity instruments at fair value through other comprehensive income, RMB1,382.67 million were classified as debt instruments at fair value through other comprehensive income and RMB4.68 million were classified as debt instruments at amortised cost in the consolidated statement of financial position. The carrying amounts are approximate to the maximum loss exposure.

During the year, the management fee income earned from the unconsolidated structured entities managed by the Group in which the Group held no interests was RMB4,716.59 million (2019: RMB2,588.10 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. DEBT INSTRUMENTS AT AMORTISED COST

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
Secured loan receivables	319,241	318,672
Debt securities	–	153,128
Entrusted loans	–	4,586
Less: Allowance for ECLs	<u>202,631</u>	<u>144,382</u>
	<b><u>116,610</u></b>	<b><u>332,004</u></b>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(i)</sup>	–	50,833
Unlisted	<u>116,610</u>	<u>281,171</u>
	<b><u>116,610</u></b>	<b><u>332,004</u></b>
<b>Current</b>		
Debt securities	163,075	1,392,232
Entrusted loans	23,937	17,908
Secured loan receivables	168,919	202,924
Asset management schemes launched by securities companies	304,370	561,870
Less: Allowance for ECLs	<u>314,596</u>	<u>226,806</u>
	<b><u>345,705</u></b>	<b><u>1,948,128</u></b>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(i)</sup>	153,038	853,843
Unlisted	<u>192,667</u>	<u>1,094,285</u>
	<b><u>345,705</u></b>	<b><u>1,948,128</u></b>
Total	<b><u>462,315</u></b>	<b><u>2,280,132</u></b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. DEBT INSTRUMENTS AT AMORTISED COST – *continued*

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

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
At beginning of year	371,188	222,459
Charge for the year <sup>(ii)</sup>	169,568	170,813
Reversal	(20,699)	(21,398)
Effect of foreign currency exchange differences	(2,830)	(686)
At end of year	<u>517,227</u>	<u>371,188</u>

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

In this year, the debt instruments at amortised cost with gross carrying amount of RMB300.57 million was transferred from Stage 1 to Stage 3, and the corresponding impairment allowance was RMB4.06 million. Other transfers among stages were not significant.

As at 31 December 2020, the provision of debt instruments at amortised cost classified within Stage 1, Stage 2 and Stage 3 were RMB0.05 million, nil, and RMB517.18 million, respectively (As at 31 December 2019: RMB5.98 million, RMB4.26 million, and RMB360.95 million).

Debt securities are analysed by external rating as follows:

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
External rating grade		
AAA	60,842	648,113
AA+ ~ A-	–	620,595
Not rated	102,184	274,923
Total	<u>163,026</u>	<u>1,543,631</u>



**28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>Current</b>		
Debt securities	<u>120,182,381</u>	<u>98,597,038</u>
Analysed as:		
Listed outside Hong Kong <sup>(i)</sup>	<u>45,094,799</u>	36,111,685
Unlisted	<u>75,087,582</u>	<u>62,485,353</u>
	<u><b>120,182,381</b></u>	<u><b>98,597,038</b></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 year are as follows:

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
At beginning of year	453,749	233,826
Charge for the year <sup>(ii)</sup>	266,374	292,492
Reversal	(107,796)	(73,713)
Effect of foreign currency exchange differences	<u>(4,094)</u>	<u>1,144</u>
At end of year	<u><b>608,233</b></u>	<u><b>453,749</b></u>

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

In this year, the debt instruments at fair value through other comprehensive income with gross carrying amount of RMB328.55 million was transferred from Stage 1 to Stage 2, and the corresponding impairment allowance was RMB0. Other transfers among stages were not significant.

As at 31 December 2020, the provision of debt instruments at fair value through other comprehensive income classified within Stage 1, Stage 2 and Stage 3 were RMB218.98 million, RMB8.12 million and RMB381.13 million, respectively (As at 31 December 2019: RMB151.44 million, RMB1.78 million, and RMB300.53 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – *continued*

Debt securities are analysed by external rating as follows:

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>External rating grade</b>		
AAA	87,764,511	74,184,730
AA+ ~ A-	2,393,856	6,608,212
BBB+ ~ B-	–	84,026
CCC+ ~ C-	90,804	–
Not rated	29,933,210	17,720,070
Total	<u>120,182,381</u>	<u>98,597,038</u>

Fair values of the Group's debt instruments at fair value through other comprehensive income ("FVTOCI") are determined in the manner described in note 68.

### 29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
China Securities Finance Co., Ltd. <sup>(i)</sup>	10,813,726	10,572,875
Jilin Aodong Pharmaceutical Group Co., Ltd.	713,357	715,956
E-Capital Transfer Co., Ltd.	80,000	80,000
Others	17,995	17,223
	<u>11,625,078</u>	<u>11,386,054</u>
<b>Analysed as:</b>		
Listed outside Hong Kong <sup>(ii)</sup>	713,357	715,956
Unlisted	10,911,721	10,670,098
	<u>11,625,078</u>	<u>11,386,054</u>

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – continued**

During the year ended 31 December 2020, the Group received dividends in the amounts of RMB8.66 million from Jilin Aodong Pharmaceutical Group Co., Ltd.

As at 31 December 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 with a total fair value of RMB0.08 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 68.

- (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 (31 December 2019: 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.

**30. ADVANCES TO CUSTOMERS**

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
Restricted equity incentive financing	–	524
Less: Allowance for ECLs	–	3
	<u>–</u>	<u>521</u>
<b>Current</b>		
Loans to margin clients	<b>86,466,776</b>	54,951,893
Restricted equity incentive financing	<b>26,828</b>	111,212
Less: Allowance for ECLs	<b>340,788</b>	276,167
	<u><b>86,152,816</b></u>	<u>54,786,938</u>
<b>Total</b>	<u><b>86,152,816</b></u>	<u>54,787,459</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. ADVANCES TO CUSTOMERS – *continued*

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

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
At beginning of year	<b>276,170</b>	149,538
Charge for the year <sup>(i)</sup>	<b>108,282</b>	263,972
Reversal	<b>(26,830)</b>	(141,501)
Effect of foreign currency exchange differences	<b>(16,834)</b>	4,161
At end of year	<b><u>340,788</u></b>	<u>276,170</u>

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

In this year, the transfers of advances to customers among stages were not significant.

As at 31 December 2020, the provision of advances to customers classified within Stage 1, Stage 2 and Stage 3 were RMB54.09 million, nil, and RMB286.70 million, respectively (As at 31 December 2019: RMB34.30 million, RMB0.54 million, RMB241.33 million).

The credit facility limits to margin clients and restricted equity incentive financing clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients and restricted equity incentive financing clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 47 are interest-bearing. The Group maintains a list of approved stocks at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call where the customers have to make up the difference.

Advances to customers as at 31 December 2020 were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with an undiscounted market value of approximately RMB307,739.82 million (31 December 2019: RMB194,681.62 million).

There were 19 impaired debts for the year ended 31 December 2020 (2019: 22), and after the force sale, the amount of uncollected principal and accrued interest were approximately RMB60.29 million (31 December 2019: RMB62.20 million) which had been reclassified as accounts receivable and was fully impaired.

The concentration of credit risk is limited due to the size and uncorrelated nature of the customer base.

As at 31 December 2020 and 2019, the overall advances to customers have been assessed for impairment on a forward-looking approach in accordance with the policies as set out in note 3.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. ACCOUNTS RECEIVABLE

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Accounts receivable from/related to:		
<b>Current</b>		
Commission and fee	1,696,726	1,184,085
Brokers	189,516	509,607
Cash clients	477,336	146,082
Clearing house	204,405	134,299
Others	936,874	537,262
Less: Allowance for ECLs	200,573	168,152
	<u>3,304,284</u>	<u>2,343,183</u>

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

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Current</b>		
Within 1 year	3,039,563	2,182,537
Between 1 and 2 years	151,550	99,037
Between 2 and 3 years	57,390	29,453
More than 3 years	55,781	32,156
	<u>3,304,284</u>	<u>2,343,183</u>

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

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
At beginning of year	168,152	109,695
Charge for the year <sup>(i)</sup>	46,618	126,593
Reversal	(10,748)	(67,352)
Amounts written off as uncollectible	(2,319)	(923)
Effect of foreign currency exchange differences	(1,130)	139
At end of year	<u>200,573</u>	<u>168,152</u>

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

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management and most of them were impaired as at 31 December 2020 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
Investment prepayments	103,500	137,774
Receivables arising from sale and leaseback arrangements <sup>(ii)</sup>	47,942	204,581
Other receivables	248,685	9,034
Other long-term assets	–	783,896
Less: Allowance for impairment	73,540	21,386
	<u>326,587</u>	<u>1,113,899</u>
<b>Current</b>		
Investment prepayments	–	13,226
Receivables arising from sale and leaseback arrangements <sup>(ii)</sup>	221,157	322,284
Other receivables	509,985	475,888
Others	141,399	120,240
Less: Allowance for impairment	48,443	19,809
	<u>824,098</u>	<u>911,829</u>
<b>Total</b>	<u>1,150,685</u>	<u>2,025,728</u>

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

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
At beginning of year	41,195	6,758
Charge for the year <sup>(i)</sup>	100,120	36,922
Reversal	(17,673)	(1,012)
Amounts written off as uncollectible	(1,530)	(1,485)
Effect of foreign currency exchange differences	(129)	12
At end of year	<u>121,983</u>	<u>41,195</u>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

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

	As at 31 December 2020		As at 31 December 2019	
	Minimum lease payments RMB' 000	Present value RMB' 000	Minimum lease payments RMB' 000	Present value RMB' 000
Within 1 year (including 1 year)	231,507	221,157	360,588	322,284
Between 1 year and 2 years (including 2 years)	47,027	44,425	171,271	160,374
Between 2 and 3 years (including 3 years)	2,363	1,645	41,687	39,978
Between 3 and 4 years (including 4 years)	2,100	1,872	2,363	2,227
Between 4 and 5 years (including 5 years)	–	–	2,100	2,003
<b>Total</b>	<b>282,997</b>	<b>269,099</b>	<b>578,009</b>	<b>526,866</b>
Less: Unrealised finance income	13,898	N/A	51,143	N/A
Balance of receivables arising from sale and leaseback arrangements	269,099	269,099	526,866	526,866
Less: Allowance for ECLs	42,593	42,593	16,199	16,199
Receivables arising from sale and leaseback arrangements, net	<b>226,506</b>	<b>226,506</b>	<b>510,667</b>	<b>510,667</b>

As at 31 December 2020, the effective interest rates ranged from 3% to 13% (31 December 2019: 6% to 14%) per annum.

Movements of ECLs during the year are as follows:

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
At beginning of year	16,199	–
Charge for the year(iii)	33,907	16,199
Reversal	(7,513)	–
At 31 December 2020/31 December 2019	<b>42,593</b>	<b>16,199</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

In this year, transfers of receivables arising from sale and leaseback arrangements among stages were not significant.

As at 31 December 2020, the provision of receivables arising from sale and leaseback arrangements which were classified within Stage 1, Stage 2 and Stage 3 were RMB5.68 million, RMB0.23 million and RMB36.68 million, respectively (As at 31 December 2019: RMB12.65 million, RMB3.55 million and nil).

### 33. FINANCIAL LEASING RECEIVABLES

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Analysed as:		
Current assets	<b>977,034</b>	1,534,797
Non-current assets	<b>558,599</b>	1,537,281
	<b><u>1,535,633</u></b>	<u>3,072,078</u>

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

	<b>As at 31 December 2020</b>		As at 31 December 2019	
	<b>Minimum lease payments RMB' 000</b>	<b>Present value RMB' 000</b>	Minimum lease payments RMB' 000	Present value RMB' 000
Within 1 year (including 1 year)	<b>1,515,591</b>	<b>1,447,918</b>	1,822,895	1,675,139
Between 1 year and 2 years (including 2 years)	<b>515,698</b>	<b>483,674</b>	1,065,122	983,482
Between 2 and 3 years (including 3 years)	<b>92,691</b>	<b>87,993</b>	561,777	529,145
Between 3 and 4 years (including 4 years)	–	–	92,128	87,801
Total	<b><u>2,123,980</u></b>	<b><u>2,019,585</u></b>	<u>3,541,922</u>	<u>3,275,567</u>
Less: Unrealised finance income	<b>104,395</b>	N/A	266,355	N/A
Balance of financial leasing receivables	<b><u>2,019,585</u></b>	<b><u>2,019,585</u></b>	<u>3,275,567</u>	<u>3,275,567</u>
Less: Allowance for ECLs	<b>483,952</b>	<b>483,952</b>	203,489	203,489
Financial leasing receivables, net	<b><u>1,535,633</u></b>	<b><u>1,535,633</u></b>	<u>3,072,078</u>	<u>3,072,078</u>

As at 31 December 2020, the effective interest rate ranged from 5% to 19% (31 December 2019: 5% to 17%) per annum.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. FINANCIAL LEASING RECEIVABLES – *continued*

Movements of ECLs during the year are as follows:

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
At beginning of year	<b>203,489</b>	54,793
Charge for the year <sup>(i)</sup>	<b>291,498</b>	150,982
Reversal	<b>(11,035)</b>	(2,286)
At end of year	<b><u>483,952</u></b>	<u>203,489</u>

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

In this year, the financial leasing receivables with gross carrying amount of RMB130.24 million was transferred from Stage 1 to Stage 2, and the corresponding impairment allowance was RMB0.96 million. The gross carrying amount of financial leasing receivables transferred from Stage 2 to Stage 3 was RMB261.27 million, with a corresponding impairment allowance of RMB47.24 million. Other transfers among stages were not significant.

As at 31 December 2020, the provision of financial leasing receivables which were classified within Stage 1, Stage 2 and Stage 3 were RMB12.35 million, RMB12.98 million and RMB458.62 million, respectively (As at 31 December 2019: RMB25.67 million, RMB47.24 million and RMB130.57 million).

### 34. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2020, amounts due from associates are unsecured, repayable on demand, and non-interest-bearing. The Group expected that the amounts due from associates can be recovered within one year from the end of the year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
Analysed by collateral type:		
Stocks <sup>(i)</sup>	1,873,550	384,100
Less: Allowance for ECLs	15,003	1,483
	<u>1,858,547</u>	<u>382,617</u>
Analysed by market:		
Stock exchanges	1,858,547	382,617
	<u>1,858,547</u>	<u>382,617</u>
<b>Current</b>		
Analysed by collateral type:		
Stocks <sup>(i)</sup>	10,645,240	11,847,564
Bonds <sup>(ii)</sup>	4,500,970	8,618,448
Less: Allowance for ECLs	210,908	160,019
	<u>14,935,302</u>	<u>20,305,993</u>
Analysed by market:		
Stock exchanges	10,454,334	11,713,374
Interbank bond market	4,414,896	7,663,331
Over the counter	66,072	929,288
	<u>14,935,302</u>	<u>20,305,993</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 RMB46,211.98 million as at 31 December 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 agreements and inter-bank outright resale agreements, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB5,216.33 million as at 31 December 2020 (31 December 2019: RMB10,361.55 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – *continued*

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

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
At beginning of year	161,502	214,329
Charge for the year <sup>(iii)</sup>	142,563	88,034
Reversal	(78,154)	(140,862)
Effect of foreign currency exchange differences	–	1
At end of year	<u>225,911</u>	<u>161,502</u>

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

In this year, the financial assets held under resale agreements with gross carrying amount of RMB100.27 million was transferred from Stage 1 to Stage 3, and the corresponding impairment allowance was RMB0.31 million. Other transfers among stages were not significant.

As at 31 December 2020, the provision of financial assets held under resale agreements classified within Stage 1, Stage 2 and Stage 3 were RMB63.58 million, nil, and RMB162.33 million (As at 31 December 2019: RMB76.50 million, RMB10.39 million and RMB74.62 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
At fair value through profit or loss <sup>(i)</sup> :		
Listed equity securities	116,424	420,997
Unlisted equity instruments	6,264,212	5,666,524
Funds	96,482	307,226
Convertible debt instruments	37,793	73,580
Convertible preference shares	45,672	176,172
Asset management schemes launched by securities companies <sup>(ii),(iii)</sup>	56,743	176,986
	<u>6,617,326</u>	<u>6,821,485</u>
Analysed as:		
Listed outside Hong Kong <sup>(iv)</sup>	116,424	420,997
Unlisted <sup>(v)</sup>	6,500,902	6,400,488
	<u>6,617,326</u>	<u>6,821,485</u>
<b>Current</b>		
At fair value through profit or loss <sup>(i)</sup> :		
Debt securities	23,631,968	29,353,195
Listed equity securities	9,221,504	6,166,542
Unlisted equity instruments	555,745	–
Funds	20,920,752	28,830,953
Convertible debt instruments	4,159	162,000
Asset management schemes launched by securities companies <sup>(ii),(iii)</sup>	3,196,361	3,198,710
Collective trust	9,423	8,939
Wealth management products launched by banks <sup>(iii)</sup>	2,460,273	5,640,364
Redeemable convertible preference shares	226,892	178,455
Other investments <sup>(iii)</sup>	852,991	552,529
	<u>61,080,068</u>	<u>74,091,687</u>
Analysed as:		
Listed in Hong Kong	1,234,376	515,982
Listed outside Hong Kong <sup>(iv)</sup>	19,015,736	17,770,060
Unlisted <sup>(v)</sup>	40,829,956	55,805,645
	<u>61,080,068</u>	<u>74,091,687</u>
<b>Total</b>	<u>67,697,394</u>	<u>80,913,172</u>



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

- (i) During the year, 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 OCI.
- (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 RMB658.29 million as at 31 December 2020 (31 December 2019: RMB1,104.23 million).
- (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, redeemable convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.

As at 31 December 2020, the listed equity securities of the Group included restricted shares of approximately RMB2,979.83 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 to dispose of them within the specified period.

As at 31 December 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 RMB377.16 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 68.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31.12.2020			As at 31.12.2019		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>Interest rate derivatives</b>						
– Interest rate swaps	169,480,000	693	275	155,320,000	881	647
– Standard bond forward	85,637	–	–	87,252	–	–
– Interest rate options	1,000,000	110	110	–	–	–
<b>Currency derivatives</b>						
– Currency swaps	–	–	–	98,504	3,288	–
– Currency forward	–	–	–	7,870	–	44
<b>Equity derivatives</b>						
– Stock index futures <sup>(i)</sup>	9,794,503	11,129	1,884	3,155,820	26	945
– Over-the-counter options	4,472,423	22,894	74,856	1,863,985	14,193	–
– Structured notes <sup>(ii)</sup>	–	3,252	5,483	–	–	20,530
– Exchange-traded options	8,065,030	110,403	89,823	4,823,614	39,392	65,835
– Equity Swaps	1,300,219	9,629	5,657	–	–	–
<b>Credit derivatives</b>						
– Credit default swaps	40,000	174	–	75,000	892	512
– Credit risk mitigation warrants	34,000	466	–	20,000	17	–
<b>Others</b>						
– Treasury bond futures <sup>(iii)</sup>	2,964,029	–	511	8,911,261	–	15
– Commodity futures <sup>(iii)</sup>	2,758,992	–	–	1,745,920	–	–
– Others	4,953,019	44,616	36,388	4,141,477	13,672	112,637
<b>Total</b>	<b>204,947,852</b>	<b>203,366</b>	<b>214,987</b>	<b>180,250,703</b>	<b>72,361</b>	<b>201,165</b>

- (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 31 December 2020 and 31 December 2019. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the year end date. Balances as at 31 December 2020 were the unrealised profits and losses from stock index futures in Hong Kong or other overseas areas.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

Details of the Group's PRC stock index futures are set out below:

	As at 31 December			
	2020		2019	
	Nominal amounts RMB' 000	Fair value RMB' 000	Nominal amounts RMB' 000	Fair value RMB' 000
PRC SIF	4,541,539	(89,923)	1,724,767	(26,307)
PRC SIH	2,083,904	(16,518)	599,349	(9)
PRC SIC	2,439,001	(16,631)	765,916	(4,695)
Less: Settlement		<u>(123,072)</u>		<u>(31,011)</u>
Net position of PRC stock index future contracts		<u>–</u>		<u>–</u>

- (ii) The amount represents the fair value of embedded derivatives of structured notes, details of which are set out in notes 44 and 53.
- (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 in treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2020 and 31 December 2019. Accordingly, the net position of the treasury bond future contracts and commodity future contracts was nil at the year-end dates. Balances as at 31 December 2020 were the unrealised profits or losses from treasury bond futures in overseas areas.

Details of the Group's treasury bond futures and commodity futures are set out below:

	As at 31 December			
	2020		2019	
	Nominal amounts RMB' 000	Fair value RMB' 000	Nominal amounts RMB' 000	Fair value RMB' 000
Treasury bond futures	2,964,029	(2,914)	8,911,261	4,934
Commodity futures	2,758,992	2,964	1,745,920	2,741
Less: Settlement		<u>561</u>		<u>7,690</u>
Net position of treasury bond futures contracts and commodity futures contracts		<u>(511)</u>		<u>(15)</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Deposits with stock exchanges:		
Shanghai Stock Exchange	596,037	608,913
Shenzhen Stock Exchange	310,027	197,982
Hong Kong Stock Exchange	43,532	20,320
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	150,068	204,049
Shanghai Futures Exchange	1,242,978	1,155,451
Zhengzhou Commodity Exchange	482,718	239,992
Dalian Commodity Exchange	1,113,296	660,977
China Financial Futures Exchange	4,300,843	1,946,273
Intercontinental Exchange, Inc.	194,953	254,392
China Securities Finance Corporation Limited	1,173,945	104,072
Shanghai Clearing House	150,924	169,358
Guarantee fund paid to China Financial Futures Exchange	37,647	20,127
LME Clear Limited	328,084	572,748
Brokers	821,772	462,674
Shanghai International Energy Exchange Co., Ltd.	85,658	19,947
Others	13,064	9,045
Total	<b>11,045,546</b>	<b>6,646,320</b>

### 39. CLEARING SETTLEMENT FUNDS

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Clearing settlement funds held with clearing houses for:		
House accounts	3,810,360	2,460,234
Clients	16,705,045	17,088,248
	<b>20,515,405</b>	<b>19,548,482</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 40. BANK BALANCES

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Bank balances:		
House accounts	<b>22,296,487</b>	22,341,547
Cash held on behalf of customers <sup>(i)</sup>	<b>80,469,717</b>	58,365,641
	<b><u>102,766,204</u></b>	<u>80,707,188</u>

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

As at 31 December 2020, the Group's bank balances of RMB3,198.39 million were restricted.

- (i) The Group maintain accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 47).

### 41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Bank balances – house accounts	<b>16,099,816</b>	18,843,915
Clearing settlement funds – house accounts	<b>3,807,389</b>	2,458,697
	<b><u>19,907,205</u></b>	<u>21,302,612</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42. 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:

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Deferred tax assets	<b>1,323,840</b>	1,058,688
Deferred tax liabilities	<b>(418,323)</b>	(281,428)
	<b><u>905,517</u></b>	<u>777,260</u>

The following are the major deferred tax assets/liabilities recognised and movements thereon during the current and prior years:

	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	Properties and equipment RMB' 000	Others RMB' 000	Total RMB' 000
At 1 January 2019	270,544	(143,335)	635,625	150,129	(18,149)	52,245	947,059
Charge/(credit) to profit or loss (Note 17)	(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	<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 17)	<u>(227,745)</u>	<u>26,964</u>	<u>223,535</u>	<u>166,406</u>	<u>984</u>	<u>(80,826)</u>	<u>109,318</u>
Charge/(credit) to other comprehensive income	<u>1,947</u>	<u>(6,583)</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>23,518</u>	<u>18,939</u>
At 31 December 2020	<u><u>(283,390)</u></u>	<u><u>(217,551)</u></u>	<u><u>1,013,554</u></u>	<u><u>375,457</u></u>	<u><u>(16,182)</u></u>	<u><u>33,629</u></u>	<u><u>905,517</u></u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. DEFERRED TAXATION – *continued*

As at 31 December 2020, the Group has unused tax losses of approximately RMB1,638.99 million (31 December 2019: RMB1,755.56 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. Most of these tax losses may be carried forward indefinitely.

## 43. BORROWINGS

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Secured short-term bank loans <sup>(i)</sup>	160,439	134,523
Unsecured short-term bank loans <sup>(ii)</sup>	<u>2,392,347</u>	<u>903,490</u>
Total	<u><u>2,552,786</u></u>	<u><u>1,038,013</u></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 31 December 2020, the total market value of securities pledged amounted to RMB2,986.56 million (31 December 2019: RMB2,204.28 million) and the credit facilities utilised amounted to RMB148.42 million (31 December 2019: RMB89.45 million) which bear interest rates of cost of fund rate of lending bank+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 RMB12.02 million (31 December 2019: RMB45.08 million) secured by rights and interests in financial leasing receivables. The loan bears fixed interest rate 5.22% (31 December 2019: 6.10%).

- (ii) As at 31 December 2020, the Group's unsecured short-term bank loans bear fixed interest rates ranging from 4.26% to 5.66% (31 December 2019: 4.35% to 6.35%), or variable interest rates ranging from LIBOR+0.65% to LIBOR+2.20% or HIBOR+1.30% (31 December 2019: LIBOR+1.30% to LIBOR+1.65%).

The principal amount of the group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HKD RMB' 000	USD RMB' 000
As at 31 December 2020	25,248	1,993,357
As at 31 December 2019	<u><u>73,456</u></u>	<u><u>621,719</u></u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 44. SHORT-TERM FINANCING PAYABLES

	<b>As at</b>	As at
	<b>31.12.2020</b>	31.12.2019
	<b>RMB' 000</b>	RMB' 000
Unsecured and unguaranteed:		
Short-term financing bills (Note 1)	<b>3,016,008</b>	6,031,421
Corporate bonds (Note 2)	<b>11,774,902</b>	–
Structured notes (Note 3)	<b>20,217,269</b>	8,849,252
<b>Total</b>	<b><u>35,008,179</u></b>	<b><u>14,880,673</u></b>

#### Note 1: Short-term financing bills

The details of short-term financing bills as at 31 December 2020 are as follows:

Name	Issue amount	Value date	Maturity date	Coupon rate
	RMB' 000			
20GFCP009BC	2,999,852	30/10/2020	28/01/2021	3.10%

#### Note 2: Corporate bonds

The details of corporate bonds as at 31 December 2020 are as follows:

Name	Issue amount	Value date	Maturity date	Coupon rate
	RMB' 000			
20GF05	3,999,900	22/09/2020	17/09/2021	3.50%
20GF07	4,699,883	09/11/2020	09/11/2021	3.60%
20GF09	2,999,925	24/11/2020	24/11/2021	3.80%

#### Note 3: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interest. The structured notes bear fixed rate interest or variable rate 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 consolidated financial statements after being bifurcated from their respective host contracts.



45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
At fair value through profit or loss:		
Equity return swaps	–	597,676
Designated at fair value through profit or loss:		
Structured notes	<u>123,161</u>	–
	<u><b>123,161</b></u>	<u>597,676</u>
Analysed as:		
Unlisted	<u><b>123,161</b></u>	<u>597,676</u>
<b>Current</b>		
At fair value through profit or loss:		
Equity return swaps	562,911	–
Bonds	77,440	652,350
Designated at fair value through profit or loss:		
Structured notes	<u>2,815,903</u>	–
	<u><b>3,456,254</b></u>	<u>652,350</u>
Analysed as:		
Unlisted	<u><b>3,456,254</b></u>	<u>652,350</u>
<b>Total</b>	<u><b>3,579,415</b></u>	<u>1,250,026</u>

As at 31 December 2020, the fair value of the Group's financial liabilities designated at fair value through profit or loss had no significant change related to the changes in the credit risk of the Group.

Fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 68.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 46. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>As at</b>	As at
	<b>31.12.2020</b>	31.12.2019
	<b>RMB' 000</b>	RMB' 000
Due to banks and other financial institutions	<u><b>6,121,286</b></u>	<u>2,984,030</u>

As at 31 December 2020, the effective interest rates on due to banks ranged from 2.36% to 3.20% (31 December 2019: 2.72% to 3.10%) per annum. Included in the balance was an amount of RMB2,110.62 million (31 December 2019: RMB683.25 million) which was secured by the Group's securities amounting to RMB2,496.50 million as at 31 December 2020 (31 December 2019: RMB805.96 million).

### 47. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

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

As at 31 December 2020, accounts payable to brokerage clients of approximately RMB7,849.05 million (31 December 2019: RMB6,379.76 million) were related to cash collateral received from clients for margin financing and securities lending arrangements.



48. ACCRUED STAFF COSTS

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
Other long-term benefits	<u>3,140,364</u>	<u>2,482,112</u>
<b>Current</b>		
Salaries, bonuses and allowances	4,816,200	3,508,909
Short-term social welfares	947	866
Defined contribution plans <sup>(i)</sup>	108,906	47,985
Others	<u>64,003</u>	<u>56,576</u>
	<u>4,990,056</u>	<u>3,614,336</u>
<b>Total</b>	<u><u>8,130,420</u></u>	<u><u>6,096,448</u></u>

- (i) The defined contribution plans refer to the social pension insurance plan and the unemployment insurance plan required by the government, and the annuity schemes launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the Group sets up the annuity schemes and Mandatory Provident Fund Scheme for qualified employees in Mainland China and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis. Except for the amounts contributed, the Group will assume no further payment obligations. The amounts accrued have been paid in subsequent periods.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 49. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
Deposits of financial leasing business	<u>49,510</u>	<u>96,430</u>
<b>Current</b>		
Interest payable	70,784	52,102
Payables for open-ended fund clearing and other clearing	1,898,746	712,385
Payable for property and equipment purchases and construction expenditure	450,018	1,089,221
Other taxes	536,650	363,357
Commission payable and related accrued expenses for the sale of funds	681,840	307,108
Accrued expenses	200,602	151,694
Futures risk reserve	154,115	139,217
Block trade deposits	100,000	100,000
Fund risk reserve	224,357	156,672
Payables for securities investor protection fund and futures investor protection fund	48,673	30,024
Deposits of return swaps	210,165	30,046
Others <sup>(i)</sup>	<u>1,079,983</u>	<u>631,321</u>
	<u>5,655,933</u>	<u>3,763,147</u>
<b>Total</b>	<u>5,705,443</u>	<u>3,859,577</u>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 50. PROVISIONS

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
At beginning of year	447,521	33,360
Addition	1,490	414,161
Reduction	33,953	–
At end of year (Note)	<u>415,058</u>	<u>447,521</u>

Note During the year ended 31 December 2019, the Group recognised a provision of USD58.27 million in connection with a potential litigation that may arise relating to the matters of GTEC Pandion Multi-Strategy Fund SP (the "Fund") (which is currently under receivership after the termination of contracts by the Fund's prime broker in 2019, details are described in the 2019 annual report).

There is no further development related to the matters during 2020 and up to the date of this financial statements which requires an adjustment on the estimation of the provision amount. As such, the Group maintained the provision of USD58.27 million, approximately RMB380.21 million, as at 31 December 2020.

### 51. OTHER LIABILITIES

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
Third-party interests in consolidated structured entities	<u>811,882</u>	<u>796,891</u>
<b>Current</b>		
Third-party interests in consolidated structured entities	<u>1,174,030</u>	<u>5,704,495</u>
Total	<u>1,985,912</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 there is a contractual obligation for the Group to repurchase or redeem the unit for cash.

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

As at 31 December 2020 and 2019, the balances of payables to priority tranche holders of structured entities were nil and RMB4,609.18 million, respectively.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	<b>As at</b>	As at
	<b>31.12.2020</b>	31.12.2019
	<b>RMB' 000</b>	RMB' 000
<b>Current</b>		
Analysed by collateral type:		
Bonds <sup>(i)</sup>	<b>85,278,320</b>	89,281,817
Gold <sup>(ii)</sup>	<b>8,773,992</b>	5,639,804
Others	<b>559,309</b>	474,800
	<b><u>94,611,621</u></b>	<u>95,396,421</u>
Analysed by market:		
Stock exchanges	<b>34,182,641</b>	35,249,722
Interbank bond market	<b>49,696,511</b>	52,235,859
Shanghai gold exchange	<b>8,773,992</b>	5,639,804
Over the counter	<b>1,958,477</b>	2,271,036
	<b><u>94,611,621</u></b>	<u>95,396,421</u>
<b>Total</b>	<b><u>94,611,621</u></b>	<u>95,396,421</u>

- (i) As at 31 December 2020, included in the balance was an amount of RMB8,467.60 million (31 December 2019: RMB9,122.34 million) which was secured by bonds borrowed from the interbank bond market, which were not recognised in the consolidated financial statements as it is the banks rather than the Group that are subject to all the risks and returns of the bonds, and the fair value of such bonds was RMB9,589.23 million (31 December 2019: RMB10,096.17 million).
- (ii) As at 31 December 2020, the fair value of gold transferred, which was from leasing and is not recognised in the consolidated financial statements, was RMB9,018.36 million (31 December 2019: RMB6,645.60 million).

Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in note 60.



53. BONDS PAYABLE

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Unsecured and unguaranteed:		
<b>Non-current</b>		
Corporate bonds (Note 1)	53,671,530	36,648,285
Subordinated bonds (Note 1)	8,500,000	8,600,000
Structured notes (Note 2)	571,683	81,949
Financial bond (Note 1)	4,997,404	4,995,739
	<u>67,740,617</u>	<u>50,325,973</u>
<b>Current</b>		
Corporate bonds (Note 1)	16,917,977	20,000,715
Subordinated bonds (Note 1)	4,921,220	3,721,924
Structured notes (Note 2)	89,493	8,550,485
Financial bond (Note 1)	80,556	80,556
	<u>22,009,246</u>	<u>32,353,680</u>
Total	<u>89,749,863</u>	<u>82,679,653</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 53. BONDS PAYABLE – *continued*

Note 1: Details of the bonds as of 31 December 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%
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%
20GF04	3,699,908	07/09/2020	07/09/2023	4.00%
20GF06	4,999,875	26/10/2020	27/10/2021	3.50%
20GF08	1,399,965	09/11/2020	09/11/2022	3.83%
20GF11	1,299,968	01/12/2020	01/12/2022	4.00%
20GF12	3,999,900	08/12/2020	15/12/2021	3.80%
20GF13	2,999,925	18/12/2020	07/01/2022	3.70%
20GF14	3,199,920	28/12/2020	27/01/2022	3.65%
Subordinated bonds				
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 represents principal received from investors for subscription of structured notes issued by the Company and accrued interest. As at 31 December 2020, the undue structured notes bear interest at fixed interest rates ranging from 2.70% to 4.00% per annum (31 December 2019: 3.40% to 5.10%). Structured notes maturing within one year as at 31 December 2020 amounting to RMB89.49 million (31 December 2019: RMB8,550.49 million) are classified under current liabilities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 54. LONG-TERM LOANS

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>Non-current</b>		
Unsecured long-term loans <sup>(i)</sup>	55,419	1,309,717
Secured long-term loans <sup>(ii)</sup>	<u>309,710</u>	<u>716,059</u>
	<u><b>365,129</b></u>	<u>2,025,776</u>
<b>Current</b>		
Unsecured long-term loans <sup>(i)</sup>	1,178,342	147,786
Secured long-term loans <sup>(ii)</sup>	<u>639,598</u>	<u>1,359,800</u>
	<u><b>1,817,940</b></u>	<u>1,507,586</u>
<b>Total</b>	<u><b>2,183,069</b></u>	<u>3,533,362</u>

- (i) As at 31 December 2020, the syndicated loan amounting to RMB1,014.05 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 one year. The remaining unsecured loans amounted to RMB219.71 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 RMB161.90 million (31 December 2019: RMB144.56 million) due within one year, principal amounting to RMB32.54 million (31 December 2019: RMB161.90 million) due within two years, and the remaining due within three years.
- (ii) As at 31 December 2020, the long-term loans amounting to RMB949.31 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 RMB630.75 million (31 December 2019: RMB1,346.90 million) due within one year, principal amounting to RMB268.76 million (31 December 2019: RMB544.06 million) due within two years, and the remaining due within three years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 55. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31.12.2020	As at 31.12.2019
Number of registered, issued and fully paid ordinary shares of RMB1 each (in thousands):		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>
Share capital (in RMB' 000)		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
Total	<u>7,621,088</u>	<u>7,621,088</u>

### 56. INVESTMENT REVALUATION RESERVE

The movements of investment revaluation reserve of the Group are set out below:

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
At beginning of the year	1,139,901	387,203
Equity instruments at fair value through other comprehensive income		
Revaluation gains on equity instruments at fair value through other comprehensive income	239,024	592,044
Income tax impact	(59,563)	(148,276)
Debt instruments at fair value through other comprehensive income		
Net fair value changes during the year	(144,284)	91,164
Reclassification to profit or loss	(230,824)	(121,965)
Changes in allowance for expected credit losses	158,578	218,779
Income tax impact	53,051	(7,253)
Share of fair value gains/(losses) on financial assets of associates and joint ventures	(107,557)	128,205
At end of the year	<u>1,048,326</u>	<u>1,139,901</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 57. GENERAL RESERVES

General reserves comprise the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalisation. If the statutory reserve is capitalised into share capital, the remaining reserve is required to be no less than 25% of the Company's registered capital before capitalisation.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk; and in accordance with *Interim Measures for the Supervision and Administration of Risk Reserve of the Public Offering of Securities Investment Fund*, the Company, as a custodian of securities investment fund, is required to appropriate no less than 2.50% of fund custodian revenue as reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve, the reserve for general risk and the transaction risk reserve.

The movements of general reserves of the Group are set out below:

#### As at 31 December 2020

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	6,175,331	734,039	6,909,370
Discretionary reserve	169,428	—	169,428
Reserve for general risk	8,007,830	1,500,593	9,508,423
Transaction risk reserve	6,856,657	839,091	7,695,748
	<u>21,209,246</u>	<u>3,073,723</u>	<u>24,282,969</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 57. GENERAL RESERVES – *continued*

#### As at 31 December 2019

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	5,582,392	592,939	6,175,331
Discretionary reserve	169,428	–	169,428
Reserve for general risk	6,897,540	1,110,290	8,007,830
Transaction risk reserve	6,165,518	691,139	6,856,657
	<u>18,814,878</u>	<u>2,394,368</u>	<u>21,209,246</u>

### 58. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
At beginning of the year	29,655,551	26,035,215
Profit for the year	10,038,135	7,538,921
Appropriation to general reserve	(3,073,723)	(2,394,368)
Dividends recognised as distribution	(2,667,381)	(1,524,217)
At end of the year	<u>33,952,582</u>	<u>29,655,551</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 59. DIVIDENDS

	<b>As at</b> <b>31.12.2020</b> <b>RMB' 000</b>	As at 31.12.2019 RMB' 000
Dividends recognised as distribution	<u><b>2,667,381</b></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 year 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.

### 60. TRANSFER OF FINANCIAL ASSETS

#### Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells securities, rights and interests in financial leasing receivables (collectively as “the transferred assets”) and simultaneously agrees to repurchase them (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of the transferred assets. The transferred assets are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of the transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights of the cash flows of the transferred assets, it does not have the ability to use the transferred assets during the term of the arrangements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 60. TRANSFER OF FINANCIAL ASSETS – *continued*

#### Repurchase agreements – *continued*

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

#### As at 31 December 2020

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at amortised cost RMB' 000	Debt instruments at fair value through other comprehensive income RMB' 000	Financial assets held under resale arrangements RMB' 000	Total RMB' 000
Carrying amount of transferred assets	10,021,800	153,038	73,281,122	557,839	84,013,799
Carrying amount of associated liabilities	8,716,333	113,985	68,077,944	462,121	77,370,383
Net position	<u>1,305,467</u>	<u>39,053</u>	<u>5,203,178</u>	<u>95,718</u>	<u>6,643,416</u>

#### As at 31 December 2019

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at amortised cost RMB' 000	Debt instruments at fair value through other comprehensive income RMB' 000	Financial assets held under resale arrangements RMB' 000	Total RMB' 000
Carrying amount of transferred assets	9,939,521	800,522	75,408,262	1,495,449	87,643,754
Carrying amount of associated liabilities	8,674,158	803,595	70,019,766	1,136,758	80,634,277
Net position	<u>1,265,363</u>	<u>(3,073)</u>	<u>5,388,496</u>	<u>358,691</u>	<u>7,009,477</u>



60. TRANSFER OF FINANCIAL ASSETS – *continued*

**Securities lending arrangements**

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss with carrying amount totalling RMB377.16 million as at 31 December 2020 (31 December 2019: RMB276.96 million), equity instruments at fair value through other comprehensive income with carrying amount totalling RMB0.08 million as at 31 December 2020 (31 December 2019: RMB0.04 million), which are secured by client’s securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore have not derecognised these securities in the consolidated financial statements.

**Securities borrowing from banks**

As at 31 December 2020 and 2019, the type and fair values of securities borrowed through inter-bank securities market trading platform and Shanghai Stock Exchange fixed income trading platform are as follows:

Type of securities	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Government bonds	<b>6,475,208</b>	7,997,548
Financial bond	<b>916,991</b>	3,906,587
Local government bonds	<b>2,524,052</b>	–
	<b><u>9,916,251</u></b>	<u>11,904,135</u>

As at 31 December 2020 and 2019, the above securities were due to return to banks before 8 July 2021 and 13 March 2020, respectively.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 60. TRANSFER OF FINANCIAL ASSETS – *continued*

#### Securities borrowing from banks – *continued*

In order to borrow the securities mentioned above from banks, the Group has pledged its assets to banks, the type and fair values of assets pledged to banks as at 31 December 2020 and 2019 are as follows:

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Type of assets		
Debt instruments at fair value through other comprehensive income	<b>8,606,106</b>	4,060,665
Financial assets at fair value through profit or loss	<b>1,129,362</b>	4,181,260
Financial assets at amortised cost	–	112,309
Financial assets held under resale agreements	–	237,252
	<b><u>9,735,468</u></b>	<u>8,591,486</u>

### 61. CAPITAL COMMITMENTS

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	<b><u>62,892</u></b>	<u>52,430</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 62. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year is as follows:

For the year ended 31 December 2020

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>A) EXECUTIVE DIRECTORS:</b>					
Sun Shuming	–	1,767	43	2,106	3,916
Sun Xiaoyan	–	1,543	56	2,181	3,780
Qin Li	–	1,564	56	2,196	3,816
Lin Zhihai <sup>(ii)</sup>	–	465	–	923	1,388
Subtotal	–	5,339	155	7,406	12,900

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>B) NON-EXECUTIVE DIRECTORS:</b>					
Shang Shuzhi	180	–	–	–	180
Li Xiulin	180	–	–	–	180
Guo Jingyi <sup>(x)</sup>	–	–	–	–	–
Liu Xuetao <sup>(ix)</sup>	–	–	–	–	–
Subtotal	360	–	–	–	360

The non-executive directors' emoluments shown above were for their services as directors of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 62. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2020 – *continued*

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>C) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>					
Fan Lifu	270	–	–	–	270
Hu Bin <sup>(iii)</sup>	135	–	–	–	135
Leung Shek Ling Olivia <sup>(iv)</sup>	135	–	–	–	135
Li Wenjing <sup>(v)</sup>	135	–	–	–	135
Yang Xiong	158	–	–	–	158
Tang Xin	158	–	–	–	158
Chan Kalok	158	–	–	–	158
Subtotal	<u>1,149</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,149</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>D) SUPERVISORS:</b>					
Zhang Shaohua	–	1,152	54	2,357	3,563
Lai Jianhuang <sup>(vi)</sup>	75	–	–	–	75
Xie Shisong <sup>(vii)</sup>	75	–	–	–	75
Lu Xin <sup>(viii)</sup>	75	–	–	–	75
Cheng Huaiyuan	–	689	48	2,729	3,466
Tan Yue	88	–	–	–	88
Gu Naikang	88	–	–	–	88
Lan Hailin	88	–	–	–	88
Subtotal	<u>489</u>	<u>1,841</u>	<u>102</u>	<u>5,086</u>	<u>7,518</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.



62. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2019

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>A) EXECUTIVE DIRECTORS:</b>					
Sun Shuming	–	1,356	30	612	1,998
Lin Zhihai <sup>(ii)</sup>	–	1,298	39	600	1,937
Qin Li	–	1,271	40	720	2,031
Sun Xiaoyan	–	1,198	40	756	1,994
Subtotal	–	5,123	149	2,688	7,960

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>B) NON-EXECUTIVE DIRECTORS:</b>					
Shang Shuzhi	180	–	–	–	180
Li Xiulin	180	–	–	–	180
Liu Xuetao <sup>(ix)</sup>	105	–	–	–	105
Subtotal	465	–	–	–	465

The non-executive directors' emoluments shown above were for their services as directors of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 62. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2019 – *continued*

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>C) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>					
Yang Xiong	270	–	–	–	270
Tang Xin	270	–	–	–	270
Chan Kalok	270	–	–	–	270
Fan Lifu	270	–	–	–	270
Subtotal	<u>1,080</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,080</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total <sup>(i)</sup> RMB' 000
<b>D) SUPERVISORS:</b>					
Zhang Shaohua	–	1,049	38	828	1,915
Cheng Huaiyuan	–	644	33	2,876	3,553
Tan Yue	150	–	–	–	150
Gu Naikang	150	–	–	–	150
Lan Hailin	150	–	–	–	150
Subtotal	<u>450</u>	<u>1,693</u>	<u>71</u>	<u>3,704</u>	<u>5,918</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**62. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued**

During the year ended 31 December 2020, no directors or supervisors of the Company waived any emoluments and during the year ended 31 December 2019, no directors or supervisors of the Company waived any emoluments.

During the years ended 31 December 2020 and 31 December 2019, no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

- (i) The Company did not have any share option scheme during the years ended 31 December 2020 and 31 December 2019.
- (ii) Lin Zhihai resigned as executive director in April 2020.
- (iii) Hu Bin was appointed as independent non-executive director in June 2020.
- (iv) Leung Shek Ling Olivia was appointed as independent non-executive director in June 2020.
- (v) Li Wenjing was appointed as independent non-executive director in June 2020.
- (vi) Lai Jianhuang was appointed as supervisor in June 2020.
- (vii) Xie Shisong was appointed as supervisor in June 2020.
- (viii) Lu Xin was appointed as supervisor in June 2020.
- (ix) Liu Xuetao resigned as non-executive director in September 2020.
- (x) Guo Jingyi was appointed as non-executive director in October 2020.

**63. FIVE HIGHEST PAID EMPLOYEES**

No directors (2019: No directors) are included in the five highest paid employees during the year and the details of directors' remuneration are set out in note 63 above. Details of the remuneration for the year of the five (2019: five) highest paid employees who is neither a director nor supervisor of the Company are as follows:

	2020 RMB' 000	2019 RMB' 000
Basic salaries and allowances	5,873	4,714
Bonuses	55,892	45,991
Employer's contribution to pension schemes	195	142
	<u>61,960</u>	<u>50,847</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 63. FIVE HIGHEST PAID EMPLOYEES – *continued*

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2020 and 31 December 2019.

There are five (2019 : five) highest paid employees who are not director nor supervisor of the Company, among which, no (2019: nil) employee's remuneration is more than HKD25.00 million and five (2019: five) employees are below HKD25.00 million. The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows: four between HKD10.00 million to HKD15.00 million and one between HKD15.00 million to HKD20.00 million.

### 64. RELATED PARTY TRANSACTIONS

#### (1) Shareholders

##### *Holding equity interests in shareholders and their subsidiaries*

	As at 31.12.2020		As at 31.12.2019	
	Number of shares/ bonds '000	Carrying amount RMB'000	Number of shares/ bonds '000	Carrying amount RMB'000
<b>Financial assets at FVTPL – stocks</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	168	2,762	110	1,821
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	81	1,958	1	11
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	3,996	205,529	3,975	146,666
中山公用事業集團股份有限公司 – Zhongshan Public Utilities Group Co., Ltd.*	57	473	–	–
<b>Financial assets at FVTPL – bonds</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	899	93,818	899	99,301
<b>Financial assets at FVTOCI – stocks</b>				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	43,312	713,357	43,312	715,956

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

\* English names are translated for identification purposes only.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

64. RELATED PARTY TRANSACTIONS – *continued*

(1) Shareholders – *continued*

*Cash dividends arising from equity interests in shareholders and their subsidiaries*

	2020 RMB' 000	2019 RMB' 000
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.*	8,685	8,687
遼寧成大生物股份有限公司		
– Liaoning Cheng Da Biotechnology Co., Ltd.*	<u>2,397</u>	<u>2,289</u>

*Transaction with shareholders*

	2020 RMB' 000	2019 RMB' 000
<b>Commission and fee income</b>		
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co., Ltd.*	95	3,605
遼寧成大生物股份有限公司		
– Liaoning Cheng Da Biotechnology Co., Ltd.*	–	3,452
遼寧成大股份有限公司		
– Liaoning Cheng Da Co., Ltd.*	236	–
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	<u>843</u>	<u>203</u>

*Balance with a shareholder*

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Contract liabilities</b>		
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co., Ltd.*	<u>306</u>	<u>–</u>

\* English names are translated for identification purposes only.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 64. RELATED PARTY TRANSACTIONS – *continued*

#### (2) Other related parties

##### *Transactions with associates/joint ventures*

	2020 RMB' 000	2019 RMB' 000
<b>Commission and fee income</b>		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	96,382	21,657
中證信用增進股份有限公司		
– China Securities Credit Investment Co., Ltd.	–	312
廣發信德匯金(龍岩)股權投資合夥企業(有限合夥)		
– GF XindeHuijin (Longyan) Equity Investment Partnership L.P.*	16,509	19,227
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.*	9,124	10,894
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.*	14,237	10,566
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.*	–	4,057
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.*	7,547	7,547
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	5,698
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.*	9,318	9,292
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.*	3,656	3,656
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	2,736
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.*	3,184	3,184
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.*	2,783	2,607



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

64. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

*Transactions with associates/joint ventures – continued*

	2020 RMB' 000	2019 RMB' 000
<b>Commission and fee income – <i>continued</i></b>		
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.*	1,191	2,830
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.*	1,564	1,684
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.*	5,547	2,292
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.*	7,585	3,304
珠海盈米基金銷售有限公司		
– Zhuhai Yingmi Fund Selling Co., Ltd.*	226	–
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	–
廣州廣發信德二期創業投資合夥企業(有限合夥)		
– Guangzhou GF Xinde Phase II Venture Capital Partnership L.P.*	5,428	–
中山廣發信德致遠科技創業投資合夥企業(有限合夥)		
– Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership L.P.*	1,210	–
中山中匯廣發信德股權投資基金(有限合夥)		
– Zhongshan Zhonghui GF Xinde Equity Investment Fund L.P.	285	–
<b>Interest income</b>		
– GHS Investment Management (Cayman) Company Limited	403	375
<b>Other income and gains or losses</b>		
– Horizon Partners Fund, L.P.	870	870

\* English names are translated for identification purposes only.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 64. RELATED PARTY TRANSACTIONS – *continued*

#### (2) Other related parties – *continued*

##### *Transactions with associates/joint ventures – continued*

	2020 RMB' 000	2019 RMB' 000
<b>Interest expenses</b>		
– Global Health Science Fund I, L.P.	–	319
– Global Health Science Fund II, L.P.	3,243	7,690
– Horizon Partners Fund, L.P.	–	162
上海樹融數據科技有限公司		
– Shanghai Shurong Data Technology Co., Ltd.	–	26
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	<u>326</u>	<u>–</u>
<b>Other operating expenses</b>		
珠海盈米基金銷售有限公司		
– Zhuhai Yingmi Fund Selling Co., Ltd.*	14,175	9,760
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.*	2,304	3,072
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	<u>7,506</u>	<u>34</u>

##### *Balances with associates/joint ventures*

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Commission receivable from exchange trading units and distributing financial products</b>		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	<u>25,386</u>	<u>6,357</u>
<b>Receivables for custodian fee</b>		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	<u>431</u>	<u>427</u>

\* English names are translated for identification purposes only.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 64. RELATED PARTY TRANSACTIONS – *continued*

#### (2) Other related parties – *continued*

##### *Balances with associates/joint ventures – continued*

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Receivables for asset and fund management fee income</b>		
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.*	8,000	–
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.*	3,875	–
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.*	5,615	–
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>5,126</u>	<u>6,040</u>
<b>Amount due from associates – costs and dividends receivables</b>		
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 Environmental Protection Industrial Investment Fund Partnership L.P.	–	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>
<b>Amount due from joint ventures- costs and dividends receivables</b>		
珠海廣發信德厚源投資企業(有限合夥)		
– Zhuhai GF Xinde Houyuan Investment Partnership L.P.*	<u>82,782</u>	<u>–</u>
<b>Amounts due from joint ventures – other receivables</b>		
– GHS Investment Management (Cayman) Company Limited	9,099	8,745
– Global Health Science Fund II, L.P.	<u>7,400</u>	<u>5,052</u>

\* English names are translated for identification purposes only.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 64. RELATED PARTY TRANSACTIONS – *continued*

#### (2) Other related parties – *continued*

##### *Balances with associates/joint ventures – continued*

	<b>As at 31.12.2020 RMB' 000</b>	As at 31.12.2019 RMB' 000
<b>Amounts due to joint ventures – notes payable and other payables</b>		
– Global Health Science Fund II, L.P.	<b>59,377</b>	190,972
– Global Health Science Fund I, L.P.	<u>–</u>	<u>27</u>
<b>Amounts due to associates – advance from customers and other payables</b>		
珠海盈米基金銷售有限公司		
– Zhuhai Yingmi Fund Selling Co., Ltd.*	<b>3,392</b>	3,525
廣州廣發信德二期創業投資合夥企業(有限合夥)		
– Guangzhou GF Xinde Phase II Venture Capital Partnership L.P.*	<u><b>246</b></u>	<u>–</u>

#### (3) Key management personnel

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

	<b>2020 RMB' 000</b>	2019 RMB' 000
Short-term benefits		
– Salaries, allowance and bonuses	<b>156,562</b>	167,088
Post-employment benefits		
– Employer's contribution to pension schemes/annuity schemes	<u><b>567</b></u>	<u>357</u>
Total	<u><b>157,129</b></u>	<u>167,445</u>

\* English names are translated for identification purposes only.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 65. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on a net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements**

	As at 31 December 2020					
	Gross amounts of financial assets recognised in the consolidated statement of financial position	Gross amounts of financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
Type of financial assets	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral received	
Advances to customers	3,776,279	(1,095,819)	2,680,460	-	(2,680,460)	-
Accounts receivable from clearing houses, brokers and cash clients	2,408,764	(1,407,445)	1,001,319	(456,060)	-	545,259
Deposits with exchanges and non-bank financial institutions	18,648,741	(17,591,991)	1,056,750	(161,568)	(44,550)	850,632
<b>Total</b>	<b>24,833,784</b>	<b>(20,095,255)</b>	<b>4,738,529</b>	<b>(617,628)</b>	<b>(2,725,010)</b>	<b>1,395,891</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 65. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements – *continued*

Type of financial liabilities	As at 31 December 2020					Net amount RMB' 000
	Gross amounts of financial liabilities RMB' 000	Gross amounts of financial liabilities set off in the consolidated statement of financial position RMB' 000	Net amounts of financial liabilities presented in the consolidated statement of financial position RMB' 000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments RMB' 000	Collateral received RMB' 000	
Accounts payable to brokerage clients	24,156,806	(18,687,810)	5,468,996	(536,829)	–	4,932,167
Payables for open-ended fund clearing and other clearing	1,515,547	(1,407,445)	108,102	(63,317)	–	44,785
<b>Total</b>	<b>25,672,353</b>	<b>(20,095,255)</b>	<b>5,577,098</b>	<b>(600,146)</b>	<b>–</b>	<b>4,976,952</b>

Type of financial assets	As at 31 December 2019					Net amount RMB' 000
	Gross amounts of financial assets RMB' 000	Gross amounts of financial liabilities set off in the consolidated statement of financial position RMB' 000	Net amounts of financial assets presented in the consolidated statement of financial position RMB' 000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments RMB' 000	Collateral received RMB' 000	
Advances to customers	3,048,735	(393,826)	2,654,909	–	(2,654,909)	–
Accounts receivable from clearing houses, brokers and cash clients	1,305,585	(550,265)	755,320	(182,505)	–	572,815
Deposits with exchanges and non-bank financial institutions	15,514,740	(14,599,412)	915,328	(54,605)	(1,754)	858,969
<b>Total</b>	<b>19,869,060</b>	<b>(15,543,503)</b>	<b>4,325,557</b>	<b>(237,110)</b>	<b>(2,656,663)</b>	<b>1,431,784</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

65. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements – *continued*

	As at 31 December 2019					
	Gross amounts of financial assets set off in the consolidated statement of financial liabilities	Gross amounts of financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
Type of financial liabilities	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral received	RMB' 000
Accounts payable to brokerage clients	19,528,476	(14,993,238)	4,535,238	(176,135)	(1,754)	4,357,349
Payables for open-ended fund clearing and other clearing	643,096	(550,265)	92,831	(60,974)	-	31,857
<b>Total</b>	<b>20,171,572</b>	<b>(15,543,503)</b>	<b>4,628,069</b>	<b>(237,109)</b>	<b>(1,754)</b>	<b>4,389,206</b>

The tables below reconcile the “Net amount of financial assets and financial liabilities presented in the consolidated statement of financial position” as set out above, to the line items presented in the consolidated statement of financial position:

Advances to customers

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Net amount of advances to customers as stated above	2,680,460	2,654,909
Amount not in the scope of offsetting disclosures	83,472,356	52,132,550
<b>Total amount of advances to customers as stated in note 30</b>	<b>86,152,816</b>	<b>54,787,459</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

65. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Accounts receivable

	<b>As at</b>	As at
	<b>31.12.2020</b>	31.12.2019
	<b>RMB' 000</b>	RMB' 000
Net amount of accounts receivable as stated above	<b>1,001,319</b>	755,320
Amount not in the scope of offsetting disclosures	<b>2,302,965</b>	1,587,863
Total amount of accounts receivable as stated in note 31	<b><u>3,304,284</u></b>	<u>2,343,183</u>

Deposits with exchanges and non-bank financial institutions

	<b>As at</b>	As at
	<b>31.12.2020</b>	31.12.2019
	<b>RMB' 000</b>	RMB' 000
Net amount of deposits with exchanges and non-bank financial institutions as stated above	<b>1,056,750</b>	915,328
Amount not in the scope of offsetting disclosures	<b>9,988,796</b>	5,730,992
Total amount of deposits with exchanges and non-bank financial institutions as stated in note 38	<b><u>11,045,546</u></b>	<u>6,646,320</u>

Accounts payable to brokerage clients

	<b>As at</b>	As at
	<b>31.12.2020</b>	31.12.2019
	<b>RMB' 000</b>	RMB' 000
Net amount of accounts payable to brokerage clients as stated above	<b>5,468,996</b>	4,535,238
Amount not in the scope of offsetting disclosures	<b>97,472,109</b>	75,145,407
Total amount of accounts payable to brokerage clients as stated in note 47	<b><u>102,941,105</u></b>	<u>79,680,645</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 65. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

#### Other accounts payable, other payables and accruals

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Net amount of payables for open-ended fund clearing and other clearing as stated above	108,102	92,831
Amount not in the scope of offsetting disclosures	<u>1,790,644</u>	<u>619,554</u>
Total amount of payables for open-ended fund clearing and other clearing as stated in note 49	<u><u>1,898,746</u></u>	<u><u>712,385</u></u>

### 66. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	As at 31 December 2020			Financial assets at fair value through profit or loss
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income		
Financial assets		Debt investments	Equity investments	
Bank balances	102,766,204			
Clearing settlement funds	20,515,405			
Advances to customers	86,152,816			
Financial assets at fair value through profit or loss				67,697,394
Derivative financial assets				203,366
Financial assets held under resale agreements	16,793,849			
Account receivable	3,304,284			
Deposits with exchanges and non-bank financial institutions	11,045,546			
Debt instruments at amortised cost	462,315			
Debt instruments at fair value through other comprehensive income		120,182,381		
Equity instruments at fair value through other comprehensive income			11,625,078	
Financial leasing receivables	1,535,633			
Other financial assets	793,886			
Total	<u><u>243,369,938</u></u>	<u><u>120,182,381</u></u>	<u><u>11,625,078</u></u>	<u><u>67,900,760</u></u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 66. FINANCIAL INSTRUMENTS – *continued*

#### Categories of financial instruments – *continued*

Financial liabilities	As at 31 December 2020		
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	
		Classified at fair value through profit or loss	Designated at fair value through profit or loss
Borrowings	2,552,786		
Short-term financing payables	35,008,179		
Due to banks and other financial institutions	6,121,286		
Financial liabilities at fair value through profit or loss		640,351	2,939,064
Derivative financial liabilities		214,987	
Financial assets sold under repurchase agreements	94,611,621		
Accounts payable to brokerage clients	102,941,105		
Other liabilities		1,985,912	
Long-term loans	2,183,069		
Bonds payable	89,749,863		
Other financial liabilities	5,031,204		
<b>Total</b>	<b>338,199,113</b>	<b>2,841,250</b>	<b>2,939,064</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 66. FINANCIAL INSTRUMENTS – *continued*

#### Categories of financial instruments – *continued*

	As at 31 December 2019			Financial assets at fair value through profit or loss
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income Debt investments	Equity investments	
<b>Financial assets</b>				
Bank balances	80,707,188			
Clearing settlement funds	19,548,482			
Advances to customers	54,787,459			
Financial assets at fair value through profit or loss				80,913,172
Derivative financial assets				72,361
Financial assets held under resale agreements	20,688,610			
Account receivable	2,343,183			
Deposits with exchanges and non-bank financial institutions	6,646,320			
Debt instruments at amortised cost	2,280,132			
Debt instruments at fair value through other comprehensive income		98,597,038		
Equity instruments at fair value through other comprehensive income			11,386,054	
Financial leasing receivables	3,072,078			
Other financial assets	1,059,250			
<b>Total</b>	<b>191,132,702</b>	<b>98,597,038</b>	<b>11,386,054</b>	<b>80,985,533</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 66. FINANCIAL INSTRUMENTS – *continued*

#### Categories of financial instruments – *continued*

	As at 31 December 2019	
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss
Financial liabilities		
Borrowings	1,038,013	
Short-term financing payables	14,880,673	
Due to banks and other financial institutions	2,984,030	
Financial liabilities at fair value through profit or loss		1,250,026
Derivative financial liabilities		201,165
Financial assets sold under repurchase agreements	95,396,421	
Accounts payable to brokerage clients	79,680,645	
Accounts payable to underwriting clients	117,000	
Other liabilities	4,609,183	1,892,203
Long-term loans	3,533,362	
Bonds payable	82,679,653	
Other financial liabilities	3,539,050	
Total	<u>288,458,030</u>	<u>3,343,394</u>



## 67. FINANCIAL RISK MANAGEMENT

### 67.1 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 the Group's 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.

#### (2) *Structure of the risk-management organisation*

The Group adopts a four-level risk management organisation structure system, namely "board of directors and its subordinated risk management committee, management executives and relevant professional committees, various control and supporting departments, and business departments". First-line risk management organisations or staff have been set up in all major business departments of the Company. Organisations and staff of all levels perform their authorised risk management duties with clear segregation of duties and emphasis on mutual collaboration. The business department, risk management department, compliance and legal affairs department and internal auditing department 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.1 Risk management policies and organisation structure – *continued*

##### (2) *Structure of the risk-management organisation – continued*

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.

#### 67.2 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: 1) fixed income financial assets; 2) 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); 3) 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.



**67. FINANCIAL RISK MANAGEMENT – *continued***

**67.2 Credit risk – *continued***

In terms of the financing business, the credit risk exposure of margin financing and securities lending, securities transactions with repurchase agreements, stock-pledged repos and financial leasing is derived from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. As at 31 December 2020 and 2019, the average ratios of guarantee maintained by the Group for all the clients who have liabilities in margin financing and securities lending of the Group were 281.67% and 281.58% respectively. As at 31 December 2020 and 2019, the average coverage ratios of contract performance for clients of security transactions with repurchase agreements were 231.26% and 264.56%, respectively, and the average coverage ratios of contract performance securities for clients of the stock-pledged repos were 337.78% and 311.80%, respectively. The guarantees provided are sufficient and the credit risk of the financing business is managed at an acceptable level.

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

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

The credit risk of the financing business of the Group is mainly managed through the following measures: 1) the establishment of a strict business due diligence requirements, credit facility management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conduction of business, and the preliminary identification and assessment of business credit risks; 2) the research and development of business review process, guarantees and other elements of transactions, and the adoption of tailored risk mitigating measures; 3) the continuous post-transaction tracking and management on counterparties, guarantees and the actual performance of transaction agreements, the collection of transaction-related information on a regular basis and assessment of risks, as well as timely actions adopted upon the occurrence of risk events.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.2 Credit risk – *continued*

During the year, the Group's impairment assessment was 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 bank balances, clearing settlement funds, advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost and financial leasing receivables, etc. Under the simplified approach, the Group measures the loss allowance at an amount equal to the lifetime ECL. Under the general approach, the Group measures the allowance of financial assets in the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

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

#### *Criteria for judging significant increases in credit risk*

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

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

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



67. FINANCIAL RISK MANAGEMENT – *continued*

67.2 Credit risk – *continued*

*Definition of credit-impaired financial asset*

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether 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;
- 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.

*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.



67. FINANCIAL RISK MANAGEMENT – *continued*

67.2 Credit risk – *continued*

*Parameters of ECL measurement – continued*

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 Guangfa Securities Co., Ltd., taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment.
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. LGD is the percentage of the loss of EAD when default occurs, calculated based on the next 12 months or throughout the entire remaining lifetime.
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

*Forward-looking information*

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

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group 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.

In 2020, the Group considered the impact of the novel coronavirus ("COVID-19") on the macroeconomic and industry shocks when evaluating the forward-looking information used in the ECL measurement model.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.2 Credit risk – *continued*

##### *Forward-looking information – continued*

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Advances to customers	86,152,816	54,787,459
Accounts receivable	3,304,284	2,343,183
Other accounts receivable and other receivables	638,346	1,004,948
Financial leasing receivables	1,535,633	3,072,078
Amounts due from joint ventures	99,281	13,797
Amount due from associates	56,257	40,506
Financial assets held under resale agreements	16,793,849	20,688,610
Financial assets at fair value through profit or loss <sup>(i)</sup>	45,415,960	65,099,347
Including: Monetary funds	15,379,549	25,685,482
Including: Securities lent to customers	377,158	276,960
Equity instruments at fair value through other comprehensive income <sup>(ii)</sup>	84	43
Including: Securities lent to customers	84	43
Debt instruments at fair value through other comprehensive income	120,182,381	98,597,038
Debt instruments at amortised cost	462,315	2,280,132
Derivative financial assets	1,575,347	1,957,588
Deposits with exchanges and non-bank financial institutions	11,045,546	6,646,320
Clearing settlement funds	20,515,405	19,548,482
Bank balances	102,766,204	80,707,188
	<b>410,543,708</b>	<b>356,786,719</b>

(i) Financial assets at fair value through profit or loss contain only debt securities, monetary funds managed by third parties, debt financing products and securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.

(ii) Equity instruments at fair value through other comprehensive income contain only securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.2 Credit risk – *continued*

##### *Forward-looking information – continued*

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.

#### 67.3 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.



**67. FINANCIAL RISK MANAGEMENT – *continued***

**67.3 Market risk – *continued***

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.

***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, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.3 Market risk – *continued*

##### *Interest rate risk – continued*

The tables below summarise the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

	As at 31 December 2020						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest- bearing RMB' 000	
<b>Financial assets</b>							
Advances to customers	13,787,606	19,464,134	51,710,866	-	-	1,190,210	86,152,816
Investment in an associate at fair value through profit or loss	-	-	-	-	-	45,266	45,266
Amounts due from associates	-	-	-	-	-	56,257	56,257
Amounts due from joint ventures	-	-	-	-	-	99,281	99,281
Accounts receivable	322,151	-	-	-	-	2,982,133	3,304,284
Debt instruments at fair value through other comprehensive income	2,139,415	6,048,162	42,684,847	67,222,984	149,284	1,937,689	120,182,381
Financial leasing receivables	45,980	198,182	573,337	558,599	-	159,535	1,535,633
Debt instruments at amortised cost	10,097	99,984	105,949	3,540	-	242,745	462,315
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	11,625,078	11,625,078
Other accounts receivable, other receivables and prepayments	20,911	42,684	105,074	44,930	-	424,747	638,346
Financial assets held under resale agreements	4,974,431	1,219,049	8,376,560	1,858,547	-	365,262	16,793,849
Financial assets at fair value through profit or loss	2,786,319	14,068,528	12,415,136	12,299,731	760,160	25,367,520	67,697,394
Derivative financial assets	-	-	-	-	-	203,366	203,366
Deposits with exchanges and non-bank financial institutions	4,050,145	-	-	-	-	6,995,401	11,045,546
Clearing settlement funds	20,499,501	-	-	-	-	15,904	20,515,405
Bank balances	88,995,522	4,363,526	8,912,720	-	-	494,436	102,766,204
<b>Total</b>	<b>137,632,078</b>	<b>45,504,249</b>	<b>124,884,489</b>	<b>81,988,331</b>	<b>909,444</b>	<b>52,204,830</b>	<b>443,123,421</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.3 Market risk – *continued*

##### *Interest rate risk – continued*

	As at 31 December 2020						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest- bearing RMB' 000	
<b>Financial liabilities</b>							
Borrowings	1,103,412	1,103,794	342,700	-	-	2,880	2,552,786
Short-term financing payables	6,819,664	4,496,143	23,417,387	-	-	274,985	35,008,179
Due to banks and other financial institutions	5,110,620	1,000,000	-	-	-	10,666	6,121,286
Accounts payable to brokerage clients	93,062,011	-	-	-	-	9,879,094	102,941,105
Other payables and accruals	-	-	-	-	-	4,968,190	4,968,190
Amounts due to associates	-	-	-	-	-	3,638	3,638
Amounts due to joint ventures	-	-	-	56,763	-	2,614	59,377
Other liabilities	-	-	-	-	-	1,985,912	1,985,912
Financial liabilities at fair value through profit or loss	-	-	-	-	-	3,579,415	3,579,415
Derivative financial liabilities	-	-	-	-	-	214,987	214,987
Financial assets sold under repurchase agreement	85,658,342	5,057,324	3,719,768	-	-	176,187	94,611,621
Lease liabilities	9	4,047	23,713	459,104	163,473	2,715	653,061
Bonds payable	5,260	8,250	20,070,679	67,736,244	-	1,929,430	89,749,863
Long-term loans	97,932	140,805	1,567,969	365,129	-	11,234	2,183,069
<b>Total</b>	<b>191,857,250</b>	<b>11,810,363</b>	<b>49,142,216</b>	<b>68,617,240</b>	<b>163,473</b>	<b>23,041,947</b>	<b>344,632,489</b>
Net exposure	(54,225,172)	33,693,886	75,742,273	13,371,091	745,971	29,162,883	98,490,932



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.3 Market risk – *continued*

##### *Interest rate risk – continued*

	As at 31 December 2019						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest- bearing RMB' 000	
<b>Financial assets</b>							
Advances to customers	6,456,149	11,245,013	36,342,246	419	–	743,632	54,787,459
Investment in an associate at fair value							
through profit or loss	–	–	–	–	–	192,061	192,061
Amounts due from associates	–	–	–	–	–	40,506	40,506
Amounts due from joint ventures	–	–	–	–	–	13,797	13,797
Accounts receivable	370,175	–	–	–	–	1,973,008	2,343,183
Debt instruments at fair value through							
other comprehensive income	2,240,957	6,777,646	38,371,008	48,717,612	792,516	1,697,299	98,597,038
Financial leasing receivables	113,639	303,209	1,009,545	1,537,281	–	108,404	3,072,078
Debt instruments at amortised cost	–	299,814	1,493,386	157,520	–	329,412	2,280,132
Equity instruments at fair value through							
other comprehensive income	–	–	–	–	–	11,386,054	11,386,054
Other accounts receivable, other							
receivables and prepayments	44,431	45,847	225,415	199,523	–	489,732	1,004,948
Financial assets held under resale							
agreements	8,738,978	1,897,321	9,540,989	382,617	–	128,705	20,688,610
Financial assets at fair value through							
profit or loss	2,142,843	25,811,809	20,739,492	11,000,254	879,286	20,339,488	80,913,172
Derivative financial assets	–	–	–	–	–	72,361	72,361
Deposits with exchanges and non-bank							
financial institutions	1,975,341	–	–	–	–	4,670,979	6,646,320
Clearing settlement funds	19,536,344	–	–	–	–	12,138	19,548,482
Bank balances	71,914,864	2,339,730	6,041,703	–	–	410,891	80,707,188
<b>Total</b>	<b>113,533,721</b>	<b>48,720,389</b>	<b>113,763,784</b>	<b>61,995,226</b>	<b>1,671,802</b>	<b>42,608,467</b>	<b>382,293,389</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.3 Market risk – *continued*

##### *Interest rate risk – continued*

	As at 31 December 2019						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest- bearing RMB' 000	
<b>Financial liabilities</b>							
Borrowings	711,235	-	325,500	-	-	1,278	1,038,013
Short-term financing payables	3,571,447	4,466,882	6,719,263	-	-	123,081	14,880,673
Due to banks and other financial institutions	2,981,762	-	-	-	-	2,268	2,984,030
Accounts payable to brokerage clients	67,521,441	-	-	-	-	12,159,204	79,680,645
Accounts payable to underwriting clients	117,000	-	-	-	-	-	117,000
Other payables and accruals	-	-	-	-	-	3,344,526	3,344,526
Amounts due to associates	-	-	-	-	-	3,525	3,525
Amounts due to joint ventures	-	-	-	183,498	-	7,501	190,999
Other liabilities	1,617,984	2,991,199	-	-	-	1,892,203	6,501,386
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1,250,026	1,250,026
Derivative financial liabilities	-	-	-	-	-	201,165	201,165
Financial assets sold under repurchase agreement	90,145,984	3,065,156	2,014,690	-	-	170,591	95,396,421
Lease liabilities	-	793	27,182	510,093	159,974	3,535	701,577
Bonds payable	12,750	42,530	30,241,033	50,324,345	-	2,058,995	82,679,653
Long-term loans	72,601	304,264	1,114,601	2,025,776	-	16,120	3,533,362
<b>Total</b>	<u>166,752,204</u>	<u>10,870,824</u>	<u>40,442,269</u>	<u>53,043,712</u>	<u>159,974</u>	<u>21,234,018</u>	<u>292,503,001</u>
Net exposure	<u>(53,218,483)</u>	<u>37,849,565</u>	<u>73,321,515</u>	<u>8,951,514</u>	<u>1,511,828</u>	<u>21,374,449</u>	<u>89,790,388</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.3 Market risk – *continued*

##### *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.

	2020 RMB' 000	2019 RMB' 000
<b>Profit before income tax for the year</b>		
Increase by 100bps	(529,967)	(534,819)
Decrease by 100bps	536,619	557,908
	2020 RMB' 000	2019 RMB' 000
<b>Other comprehensive income before income tax</b>		
Increase by 100bps	(1,393,872)	(1,038,612)
Decrease by 100bps	1,432,354	1,067,888

##### *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.



67. FINANCIAL RISK MANAGEMENT – *continued*

67.3 Market risk – *continued*

*Price risk*

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instrument prices, and commodity prices that cause financial loss during the Group’s on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income, mainly including equity investments, shares (with 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, stress testing indicators in daily risk monitoring of price risk.

*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.

	2020 RMB' 000	2019 RMB' 000
<b>Profit before income tax for the year</b>		
Increase by 10%	1,154,533	1,075,076
Decrease by 10%	(1,132,195)	(1,071,818)
	2020 RMB' 000	2019 RMB' 000
<b>Other comprehensive income before income tax</b>		
Increase by 10%	1,154,508	1,130,605
Decrease by 10%	(1,154,508)	(1,130,605)



67. FINANCIAL RISK MANAGEMENT – *continued*

67.4 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.

As at 31 December 2020 and 31 December 2019, cash and bank deposits and clearing settlement funds held by the Group amounted to RMB117.00 billion and RMB96.69 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounted to RMB26.61 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 CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.4 Liquidity risk – *continued*

##### *Undiscounted cash flows by contractual maturities*

The tables below present the cash flows payable by the Group within the remaining contractual maturities as at 31 December 2020 and 31 December 2019. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is based on the interest rate at the end of the year.

##### **As at 31 December 2020**

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Borrowings	-	2,218,101	347,687	-	-	2,565,788	2,552,786
Short-term financing payables	-	11,472,375	24,178,446	-	-	35,650,821	35,008,179
Due to banks and other financial institutions	2,110,620	4,011,247	-	-	-	6,121,867	6,121,286
Accounts payable to brokerage clients	102,278,405	662,700	-	-	-	102,941,105	102,941,105
Other financial liabilities	2,335,988	2,317,175	270,882	59,939	-	4,983,984	4,968,189
Amounts due to associates	246	3,392	-	-	-	3,638	3,638
Amounts due to joint ventures	-	-	59,377	-	-	59,377	59,377
Financial liabilities at fair value through profit or loss	2,185,324	-	1,310,407	83,684	-	3,579,415	3,579,415
Other liabilities	139,350	-	1,118,364	728,198	-	1,985,912	1,985,912
Financial assets sold under repurchase agreements	-	90,908,437	3,771,119	-	-	94,679,556	94,611,621
Bonds payable	-	1,632,033	21,923,994	71,780,947	-	95,336,974	89,749,863
Lease liabilities	-	67,841	170,135	439,820	40,126	717,922	653,061
Long-term loans	-	258,428	1,605,086	382,668	-	2,246,182	2,183,069
<b>Total</b>	<b>109,049,933</b>	<b>113,551,729</b>	<b>54,755,497</b>	<b>73,475,256</b>	<b>40,126</b>	<b>350,872,541</b>	<b>344,417,501</b>
Derivative financial liabilities net settlement	-	126,862	86,093	2,620	517	216,092	214,987



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.4 Liquidity risk – *continued*

##### *Undiscounted cash flows by contractual maturities – continued*

##### **As at 31 December 2019**

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Borrowings	–	717,293	329,434	–	–	1,046,727	1,038,013
Short-term financing payables	–	8,096,798	6,894,416	–	–	14,991,214	14,880,673
Due to banks and other financial institutions	683,246	2,301,344	–	–	–	2,984,590	2,984,030
Accounts payable to brokerage clients	79,470,233	210,412	–	–	–	79,680,645	79,680,645
Accounts payable to underwriting clients	117,000	–	–	–	–	117,000	117,000
Other financial liabilities	983,199	1,147,818	1,117,077	96,431	–	3,344,525	3,344,526
Amounts due to associates	–	3,525	–	–	–	3,525	3,525
Amounts due to joint ventures	27	–	–	190,972	–	190,999	190,999
Financial liabilities at fair value through profit or loss	652,350	–	–	597,676	–	1,250,026	1,250,026
Other liabilities	1,481,432	4,858,408	–	180,020	–	6,519,860	6,501,386
Financial assets sold under repurchase agreements	160,435	93,267,204	2,082,269	–	–	95,509,908	95,396,421
Bonds payable	–	938,426	33,040,474	54,607,326	–	88,586,226	82,679,653
Lease liabilities	–	68,159	197,967	450,430	61,385	777,941	701,577
Long-term loans	–	416,822	1,194,849	2,085,839	–	3,697,510	3,533,362
<b>Total</b>	<b>83,547,922</b>	<b>112,026,209</b>	<b>44,856,486</b>	<b>58,208,694</b>	<b>61,385</b>	<b>298,700,696</b>	<b>292,301,836</b>
Derivative financial liabilities net settlement	–	157,445	42,569	1,192	–	201,206	201,165



67. FINANCIAL RISK MANAGEMENT – *continued*

67.4 Liquidity risk – *continued*

*Capital management*

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revised in 2020) (the "Administrative Measures") issued by the China Securities Regulatory Commission ("CSRC"), the Company is required to meet the following standards for risk indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100%;
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet and off-balance-sheet assets) shall be no less than 8%;
3. Liquidity coverage ratio (high quality liquidity assets divided by net cash outflow in 30 days) shall be no less than 100%;
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100%;
5. The ratio of net capital divided by net assets shall be no less than 20%;
6. The ratio of net capital divided by liabilities shall be no less than 8%;
7. The ratio of net assets divided by liabilities shall be no less than 10%;
8. The ratio of the value of proprietary equity securities and securities derivatives held divided by net capital shall not exceed 100% ("equity concentration ratio"); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% ("non-equity concentration ratio").



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 67. FINANCIAL RISK MANAGEMENT – *continued*

#### 67.4 Liquidity risk – *continued*

##### *Capital management – continued*

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemented capital and other adjustments as defined in the Administrative Measures.

As at 31 December 2020 and 2019, the Company maintained the above ratios as follows:

	<b>As at 31.12.2020</b>	As at 31.12.2019
Net capital (RMB' 000)	<b>64,897,184</b>	60,863,538
Risk coverage ratio	<b>197.62%</b>	213.08%
Capital leverage ratio	<b>18.24%</b>	19.73%
Liquidity coverage ratio	<b>206.96%</b>	361.45%
Net stable funding ratio	<b>179.15%</b>	183.29%
The ratio of net capital divided by net assets	<b>75.90%</b>	75.30%
The ratio of net capital divided by liabilities	<b>27.79%</b>	30.46%
The ratio of net assets divided by liabilities	<b>36.61%</b>	40.46%
Equity concentration ratio	<b>35.33%</b>	27.51%
Non-equity concentration ratio	<b>243.89%</b>	250.54%

The above ratios are calculated based on the financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC. According to Regulations on the Calculation Standards for Risk Control Indicators of Securities Companies (Announcement of No. [2020] 10 issued by the CSRC), the above net capital indicators as at 31 December 2019 were restated.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.



**68. FAIR VALUES 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 than the entity can access at the measurement date

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

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

There were no significant transfers between Level 1 and 2 as at 31 December 2020 and 31 December 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 68. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

#### (1) Fair value hierarchy – *continued*

As at 31 December 2020

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>Financial assets:</b>				
Debt instruments at fair value through other comprehensive income:				
– Debt securities	45,003,995	74,894,661	283,725	120,182,381
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	713,357	–	92,228	805,585
– Other investments	–	10,819,493	–	10,819,493
Financial assets at fair value through profit or loss				
– Equity instruments	5,277,102	2,129,215	9,024,132	16,430,449
– Debt instruments	7,878,955	15,494,169	300,796	23,673,920
– Funds	20,680,423	202,755	134,056	21,017,234
– Other investments	–	6,473,407	102,384	6,575,791
Other investment:				
– Unlisted investment in an associate	–	–	45,266	45,266
Derivative financial assets	121,532	33,003	48,831	203,366
<b>Total</b>	<b>79,675,364</b>	<b>110,046,703</b>	<b>10,031,418</b>	<b>199,753,485</b>
<b>Financial liabilities:</b>				
Financial liabilities at fair value through profit or loss	–	(77,440)	(562,911)	(640,351)
Financial liabilities designated at fair value through profit or loss	–	(2,659,149)	(279,915)	(2,939,064)
Derivative financial liabilities	(92,219)	(31,253)	(91,515)	(214,987)
Other liabilities	(48,396)	(246,290)	(1,691,226)	(1,985,912)
<b>Total</b>	<b>(140,615)</b>	<b>(3,014,132)</b>	<b>(2,625,567)</b>	<b>(5,780,314)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 68. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

#### (1) Fair value hierarchy – *continued*

As at 31 December 2019

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>Financial assets:</b>				
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
<b>Total</b>	<b>77,127,491</b>	<b>105,065,117</b>	<b>8,968,078</b>	<b>191,160,686</b>
<b>Financial liabilities:</b>				
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	(425,582)	(287,054)	(1,179,567)	(1,892,203)
<b>Total</b>	<b>(492,378)</b>	<b>(943,768)</b>	<b>(1,907,248)</b>	<b>(3,343,394)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 68. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

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

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

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate to their fair values as at 31 December 2020 and 31 December 2019.

	As at 31 December 2020			Fair value hierarchy
	Carrying amount	Fair value	Difference	
	RMB' 000	RMB' 000	RMB' 000	
Bonds payable – corporate bonds	70,589,507	70,550,239	39,268	Level 1
Bonds payable – subordinated bonds	13,421,220	13,295,371	125,849	Level 1
Bonds payable – financial bond	5,077,960	5,099,780	21,820	Level 1

	As at 31 December 2019			Fair value hierarchy
	Carrying amount	Fair value	Difference	
	RMB' 000	RMB' 000	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.

(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 values are available on China bond pricing system on the valuation date, the fair value are measured using the latest valuation results published by China bond pricing system.



**68. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued***

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

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose values are not available in active markets, equity instruments at fair value through profit or loss, asset management schemes, the fair values are determined by recent transaction prices, bid prices and valuation technique. 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 are determined by different valuation techniques. For interest rate swaps and currency forward, the fair values are measured by discounting the differences between the contract prices and market prices of the underlying financial instruments. For commodity options, currency swaps and currency options, the fair values are using the bid prices made by market dealers.

During the year ended 31 December 2020, there were no significant changes of valuation techniques for level 2.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 68. FAIR VALUES 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

For instruments, such as restricted shares, unlisted equity investments, other investments, financial liabilities, derivatives, the Group adopts the valuation techniques and quotation from counterparties quotations or valuation techniques to determine the fair values. Valuation techniques include a 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. Fair value change resulting from changes in the unobservable inputs was not significant. The fair values of the financial instruments in level 3 are not significantly sensitive to a reasonable change in these unobservable inputs.

During the year ended 31 December 2020, there were no significant changes of valuation techniques for level 3.

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
	31 December 2020 RMB' 000	31 December 2019 RMB' 000			
1) Financial assets					
Debt instruments	41,952	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	542,569	893,208	Discounted cash flows calculated based on the probability of default (the probability of the underlying asset not achieving an agreed result), loss given default and expected loss	Probability of default	The higher the probability, the lower the fair value
Equity instruments	3,119,340	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	5,997,020	6,009,840	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Funds	134,056	69,771	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment the higher the fair value



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

68. FAIR VALUES 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
	31 December 2020 RMB' 000	31 December 2019 RMB' 000			
Equity return swaps	22,894	-	Black Scholes Model. Exercise price and volatility of the underlying investment	The fair value of the underlying equity instruments	The higher the fair value of the underlying equity instruments, the higher the fair value
Equity options	-	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
Commodity options	22,685	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
Structured notes	3,252	-	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
Other investments	102,384	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
Unlisted investment in an associate	45,266	192,061	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
	<u>10,031,418</u>	<u>8,968,078</u>			



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 68. FAIR VALUES 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
	31 December 2020 RMB' 000	31 December 2019 RMB' 000			
<b>2) Financial liabilities</b>					
Equity return swaps	562,911	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
Equity return swaps	74,856	–	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Structured notes	128,644	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
Structured notes	156,754	–	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
Commodity options	11,176	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
Third-party interests	1,691,226	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>2,625,567</u>	<u>1,907,248</u>			


 68. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

## (6) Reconciliation of Level 3 fair value measurements

For the year ended 31 December 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	1,116,391	(67,347)	191,254	36,601	(17,453)	(1,376,431)
– Profit or loss	1,116,391	–	191,254	36,601	(17,453)	(1,376,431)
– Other comprehensive income	–	(67,347)	–	–	–	–
Additions	455,959	–	(275,805)	12,230	(74,062)	–
Settlements/disposals	(974,877)	–	(160,599)	(16,095)	130,005	864,024
Transfers into level 3	2,253,347	–	–	–	–	748
Transfers out of level 3	(1,606,074)	–	–	–	–	–
As at 31 December 2020	<u>9,561,368</u>	<u>375,953</u>	<u>(842,826)</u>	<u>48,831</u>	<u>(91,515)</u>	<u>(1,691,226)</u>
Total unrealised gains/losses for the year for assets/liabilities held as at 31 December 2020						
– Included in profit or loss	<u>920,461</u>	<u>–</u>	<u>191,254</u>	<u>36,601</u>	<u>(17,453)</u>	<u>(1,376,431)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

68. FAIR VALUES 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						
– Included in profit or loss	<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 CONSOLIDATED FINANCIAL STATEMENTS

### 69. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

#### General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the year are set out below:

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2020	Principal activities
			2020	2019		
廣發期貨有限公司 GF Futures Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 23 March 1993	100%	100%	RMB1,400,000,000	Commodity futures brokerage, financial futures brokerage, investment consulting and asset management
廣發商貿有限公司 GF Commodities Co., Ltd.*	有限責任公司 Limited liability company	PRC 3 April 2013	100%	100%	RMB200,000,000	Trading and trading agent
廣發期貨(香港)有限公司 GF Futures (Hong Kong) Co., Limited	有限責任公司 Limited liability company	Hong Kong 8 May 2006	100%	100%	HKD777,000,000	Futures brokerage
GF Financial Markets (UK) Limited	有限責任公司 Limited liability company	United Kingdom 2 February 1976	100%	100%	GBP55,969,014	Commodities and futures brokerage
廣發乾和投資有限公司 GF Qianhe Investment Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 11 May 2012	100%	100%	RMB3,603,500,000	Project investment, investment management and financial advisory
廣發合信產業投資管理有限公司 GF Hexin Industry Investment Management Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 27 August 2015	100%	100%	RMB100,000,000	Project investment
廣發融資租賃(廣東)有限公司 Guangfa Financial Leasing (Guangdong) Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 5 June 2015	100%	100%	RMB800,000,000	Financial leasing
廣發基金管理有限公司 GF Fund Management Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 5 August 2003	54.53%	60.59%	RMB140,978,000	Fund raising, fund sales and fund management
廣發國際資產管理有限公司 GF International Investment Management Limited	有限責任公司 Limited liability company	Hong Kong 10 December 2010	54.53%	60.59%	HKD500,000,000	Asset management



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 69. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

#### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2020	Principal activities
			2020	2019		
瑞元資本管理有限公司 Ruiyuan Capital Asset Management Co., Ltd.* (Note 1)	有限責任公司 Limited liability company	PRC 14 June 2013	29.11%	32.35%	RMB75,000,000	Project investment, investment management and investment advisory
珠海瑞元祥和股權投資基金 合夥企業(有限合夥) Zhuhai Ruiyuan Xianghe Equity Investment Fund Partnership Enterprise L.P.* (Note 2)	有限合夥 Limited Partnership	PRC 9 April 2014	21.55%	23.94%	RMB22,069,764	Non-listed company investment
GF International Asset Management (UK) Company Limited	有限責任公司 Limited liability company	London 1 November 2014	54.53%	60.59%	GBP 7,000,100	Asset management
廣發控股(香港)有限公司 GF Holdings (Hong Kong) Corporation Limited <sup>(1)</sup>	有限責任公司 Limited liability company	Hong Kong 14 June 2006	100%	100%	HKD5,600,000,000	Investment holding
廣發投資(香港)有限公司 GF Investments (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 21 September 2011	100%	100%	HKD5,000,000	Investment holding
廣發融資(香港)有限公司 GF Capital (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD130,000,000	Advisory services
廣發資產管理(香港)有限公司 GF Asset Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD325,000,000	Asset management
廣發證券(香港)經紀有限公司 GF Securities (Hong Kong) Brokerage Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD2,800,000,000	Securities brokerage
廣發財富管理(香港)有限公司 GF Wealth Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 20 November 2014	100%	100%	HKD15,000,000	Financial management
廣發投資管理(香港)有限公司 GF Investment Management (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 7 October 2011	100%	100%	HKD3,800,000	Advisory services



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 69. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

#### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2020	Principal activities
			2020	2019		
廣發證券(加拿大)有限公司 GF Securities (Canada) Company Limited	有限責任公司 Limited liability company	Canada 10 March 2014	100%	100%	CAD16,400,000	Financial management
廣發金控(深圳)投資管理 有限公司 GF Financial Holdings (Shenzhen) Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 1 April 2014	100%	100%	RMB10,000,000	Investment advisory
廣發信德資本管理有限公司 Guangfa Xinde Capital Management Limited	有限責任公司 Limited liability company	British Virgin Islands 3 September 2014	100%	100%	USD100	Investment management
GF Bright Investment Limited <sup>(2)</sup>	有限責任公司 Limited liability company	British Virgin Islands 21 August 2014	100%	100%	USD0	Equity investment
GF Energy Investment Limited	有限責任公司 Limited liability company	British Virgin Islands 6 February 2015	91.85%	91.85%	USD1	Equity investment
GF Wise Limited	有限責任公司 Limited liability company	British Virgin Islands 9 August 2012	100%	100%	USD50,000	Investment trading
廣發投資(開曼)有限公司 GF Investments (Cayman) Company Limited	有限責任公司 Limited liability company	Cayman Islands 8 September 2011	100%	100%	USD600,000	Advisory services
廣發合夥有限公司 GF Partners Ltd.	有限責任公司 Limited liability company	Cayman Islands 26 May 2011	51%	51%	USD1	Investment trading
廣發中國優勢基金(有限合夥) GF China Advantage Fund L.P. (Note 2)	有限合夥 Limited partnership	Cayman Islands 2 June 2011	57.12%	57.12%	USD20,004,400	Investment trading
廣發全球資本有限公司 GF Global Capital Limited	有限責任公司 Limited liability company	Hong Kong 26 November 2015	100%	100%	HKD1,600,000,000	Investment trading
Canton Fortune Limited	有限責任公司 Limited liability company	Hong Kong 3 December 2015	100%	100%	USD6,510,410	Investment holding



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 69. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

#### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2020	Principal activities
			2020	2019		
GF GTEC Investment Management Limited	有限責任公司 Limited liability company	Cayman Islands 13 May 2016	100%	100%	USD100	Asset management
GF Optimus Ltd. <sup>(2)</sup>	有限責任公司 Limited liability company	British Virgin Islands 26 February 2016	100%	100%	USD0	Equity Investment
GF Global Partners Ltd.	有限責任公司 Limited liability company	Cayman Islands 31 August 2015	100%	100%	USD0.01	Investment holding
GFGI Limited	有限責任公司 Limited liability company	Cayman Islands 23 December 2016	100%	100%	USD0.01	Equity investment
GF Global Investment Fund I, L.P. (Note 2)	有限合夥 Limited partnership	Cayman Islands 25 September 2015	50.50%	50.44%	USD40,678,400	Equity investment
Horizon Holdings	有限責任公司 Limited liability company	Cayman Islands 7 July 2017	36.86%	36.86%	USD1	Investment holding
廣發信德投資管理有限公司 GF Xinde Investment Management Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 3 December 2008	100%	100%	RMB2,800,000,000	Investment management and provision of equity investment services for customers
深圳前海廣發信德中山公用 併購基金管理有限公司 Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 11 July 2015	60%	60%	RMB10,000,000	Equity investment and equity investment management
珠海廣發信德新界泵業產業 投資基金(有限合夥) GFXD Shimage Pump Industry Fund L.P.* (Note 2)	有限合夥 Limited partnership	PRC 11 July 2015	40%	40%	RMB56,680,000	Equity investment
廣發信德智勝投資管理有限公司 GF Xinde Zhisheng Investment Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 18 November 2014	100%	100%	RMB100,000,000	Equity investment and trust management



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 69. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

#### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2020	Principal activities
			2020	2019		
廣發信德醫療資本管理有限公司 GF Xinde Healthcare Capital Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 12 September 2013	55%	55%	–	Investment management
珠海廣發信德康東醫藥產業股權投資中心(有限合夥) Zhuhai GF Xinde Aodong Medical Industry Equity Investment Centre L.P.* (Note 2)	有限合夥 Limited partnership	PRC 28 October 2015	60%	60%	RMB323,930,700	Equity investment
中山廣發信德公用環保夾層投資企業(有限合夥) Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P.* (Note 2)	有限合夥 Limited partnership	PRC 30 September 2015	60%	60%	RMB317,633,333	Equity investment
珠海廣發信德今緣股權投資基金(有限合夥) Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P.* (Note 2)	有限合夥 Limited partnership	PRC 13 June 2016	60%	60%	RMB210,187,501	Equity investment
上海廣發永霄投資管理合夥企業(有限合夥) Shanghai GF Yongxu Equity Investment partnership L.P.*(Note 2)	有限合夥 Limited partnership	PRC 10 November 2015	99%	99%	RMB100,200,000	Investment management and asset management
上海廣發永霄醫療投資管理中心(有限合夥) Shanghai GF Yongxu Medicine Investment management Center L.P.*(Note 2)	有限合夥 Limited partnership	PRC 9 November 2015	89.59%	89.59%	RMB105,200,000	Investment management and asset management
深圳市大河信德企業管理有限公司 Shenzhen Dahe Xinde Corporate Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 29 January 2007	100%	100%	RMB453,600,000	Financial consulting and management consulting



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 69. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

#### General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2020	Principal activities
			2020	2019		
廣發證券資產管理(廣東)有限公司 GF Securities Asset Management (Guangdong) Co., Ltd.* <sup>(1)</sup>	有限責任公司 Limited liability company	PRC 2 January 2014	100%	100%	RMB1,000,000,000	Asset management
GF Canada Holdings Company Limited	Limited liability company	Canada 26 February 2018	100%	100%	CAD3,000,000	Investment holding
GF Asset Management (Canada) Company Limited	Limited liability company	Canada 26 February 2018	100%	100%	CAD3,000,000	Asset management
Ever Glory Limited	Limited liability company	Cayman Islands 23 January 2018	100%	100%	USD1	Investment trading
Ever Alpha Fund L.P. (Note 2)	Limited partnership	Cayman Islands 23 January 2018	21.43%	21.43%	USD70,000,000	Equity Investment

\* These subsidiaries do not have official English names. English names are translated for identification purposes only.

(1) These subsidiaries are directly held by the Company.

(2) The capital injections are still in the process.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. The major operation area of the principal subsidiaries is in the Mainland China.

Note 1: Ruiyuan Capital Asset Management Co., Ltd. (“Ruiyuan Capital”) is a non-wholly-owned subsidiary of GF Fund Management Co., Ltd. (“GF Fund”). According to the Company Articles of Ruiyuan Capital, GF Fund has majority vote rights in the board of directors, thus the Group is able to exercise control over its operations. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.

Note 2: The Group holds certain financial interests in such limited partnership and acts as its general partner to exercise control over its operations according to the partnership agreement. The Group’s financial interests in the limited partnership exposed it to significant variable return and such partnership is regarded as consolidated structured entities of the Group. The effective equity interest in the subsidiary represents equity interest held directly or indirectly by the Group.



69. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

Details of a non-wholly-owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary, GF Fund, which was acquired in 2014, and has material non-controlling interests before certain intragroup adjustments:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Non-controlling interests as at	
		2020	2019	2020	2019	31.12.2020	31.12.2019
				RMB' 000	RMB' 000	RMB' 000	RMB' 000
GF Fund <sup>(i)</sup>	PRC/Mainland China	<u>45.47%</u>	<u>39.41%</u>	<u>709,409</u>	<u>551,125</u>	<u>3,939,127</u>	<u>2,747,279</u>

(i) GF Fund was accounted for as an associate of the Group prior to its acquisition by the Group in 2014.

Summarised financial information in respect of GF Fund that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup adjustments.

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
Total assets	<u>12,520,402</u>	<u>9,648,220</u>
Total liabilities	<u>3,721,985</u>	<u>2,565,786</u>
Equity attributable to owners of GF Fund	<u>8,663,133</u>	<u>6,971,020</u>
Non-controlling interests of subsidiaries of GF Fund	<u>135,284</u>	<u>111,414</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 69. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

Details of a non-wholly-owned subsidiary that has material non-controlling interests – *continued*

	<b>Year ended 31 December 2020 RMB' 000</b>	Year ended 31 December 2019 RMB' 000
Total revenue	<u><b>6,181,982</b></u>	<u>3,258,093</u>
Expenses	<u><b>3,870,888</b></u>	<u>1,772,179</u>
Profit for the year	<u><b>1,823,944</b></u>	<u>1,183,261</u>
Profit attributable to owners	<u><b>1,800,074</b></u>	<u>1,167,381</u>
Profit attributable to the non-controlling interests	<u><b>23,870</b></u>	<u>15,880</u>
Profit for the year	<u><b>1,823,944</b></u>	<u>1,183,261</u>
Other comprehensive income attributable to owners	<u><b>(22,078)</b></u>	<u>7,636</u>
Other comprehensive income for the year	<u><b>(22,078)</b></u>	<u>7,636</u>
Total comprehensive income attributable to owners	<u><b>1,777,996</b></u>	<u>1,175,017</u>
Total comprehensive income attributable to the non-controlling interests	<u><b>23,870</b></u>	<u>15,880</u>
Total comprehensive income for the year	<u><b>1,801,866</b></u>	<u>1,190,897</u>
Dividends paid to non-controlling interests	<u><b>350,000</b></u>	<u>–</u>
Net cash inflow from operating activities	<u><b>1,639,345</b></u>	<u>125,285</u>
Net cash outflow from investing activities	<u><b>(1,200,374)</b></u>	<u>(27,930)</u>
Net cash outflow from financing activities	<u><b>(79,985)</b></u>	<u>(24,977)</u>
Effect of foreign exchange rate changes	<u><b>(8,976)</b></u>	<u>1,581</u>
Net cash inflow	<u><b>350,010</b></u>	<u>73,959</u>



## 70. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings	Short-term financing payables	Bonds payable	Long-term loans	Dividends Payable
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Note 43)	(Note 44)	(Note 53)	(Note 54)	
At 1 January 2020	1,038,013	14,880,673	82,679,653	3,533,362	–
Financing cash flows	1,500,391	19,355,583	3,429,879	(1,426,409)	(3,032,894)
Foreign exchange	(111,980)	–	–	(61,914)	–
Interest expenses	124,862	771,923	3,577,931	134,599	–
Other non-cash movements	1,500	–	62,400	3,431	–
Dividend declared	–	–	–	–	3,032,894
At 31 December 2020	<u>2,552,786</u>	<u>35,008,179</u>	<u>89,749,863</u>	<u>2,183,069</u>	<u>–</u>

	Borrowings	Short-term financing payables	Bonds payable	Long-term loans	Dividends Payable
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Note 43)	(Note 44)	(Note 53)	(Note 54)	
At 1 January 2019	5,504,515	24,049,740	68,697,054	5,472,646	–
Financing cash flows	(4,834,696)	(9,803,172)	10,212,302	(2,188,035)	(1,531,878)
Foreign exchange	31,981	–	–	28,250	–
Interest expenses	196,213	634,105	3,832,965	217,332	–
Other non-cash movements	140,000	–	(62,668)	3,169	(191)
Dividend declared	–	–	–	–	1,532,069
At 31 December 2019	<u>1,038,013</u>	<u>14,880,673</u>	<u>82,679,653</u>	<u>3,533,362</u>	<u>–</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 71. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

#### Statement of financial position

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Non-current assets</b>		
Property and equipment	2,950,326	1,806,428
Right-of-use assets	910,196	660,891
Investment properties	16,593	18,330
Other intangible assets	187,370	198,190
Investments in subsidiaries	16,443,143	16,443,143
Investments in associates	1,198,948	1,198,948
Investments in joint ventures	984,308	990,000
Debt instruments at amortised cost	–	152,981
Equity instruments at fair value through other comprehensive income	11,577,082	11,338,831
Advances to customers	–	521
Other accounts receivable, other receivables and prepayments	–	783,896
Financial assets held under resale agreements	1,858,547	382,617
Financial assets at fair value through profit or loss	1,373,780	1,457,718
Deferred tax assets	836,530	658,901
Total non-current assets	<u>38,336,823</u>	<u>36,091,395</u>
<b>Current assets</b>		
Debt instruments at amortised cost	301,382	1,869,639
Debt instruments at fair value through other comprehensive income	119,319,241	96,312,634
Advances to customers	83,472,357	52,132,029
Accounts receivable	1,164,329	812,616
Contract assets	–	75,895
Other accounts receivables, other receivables and prepayments	236,306	178,777
Amounts due from subsidiaries	1,573,629	1,536,866
Amounts due from associates	25,817	6,784
Financial assets held under resale agreements	14,849,228	19,350,896
Financial assets at fair value through profit or loss	38,463,934	50,972,426
Derivative financial assets	157,486	59,081
Deposits with exchanges and non-bank financial institutions	2,203,562	1,067,073
Clearing settlement funds	17,559,636	17,261,909
Bank balances	76,971,739	64,903,837
Total current assets	<u>356,298,646</u>	<u>306,540,462</u>
Total assets	<u>394,635,469</u>	<u>342,631,857</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 71. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

#### Statement of financial position– *continued*

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Current liabilities</b>		
Short-term financing payables	35,008,179	14,880,673
Financial liabilities at fair value through profit or loss	2,062,163	578,311
Due to banks and other financial institutions	4,010,666	2,300,784
Accounts payable to brokerage clients	77,832,618	63,950,633
Accounts payable to underwriting clients	–	117,000
Accrued staff costs	3,330,571	2,596,209
Other accounts payable, other payables and accruals	3,485,134	2,526,307
Contract liabilities	38,752	59,039
Amounts due to subsidiaries	27,599	4,835
Provisions	34,850	35,134
Current tax liabilities	399,612	157,896
Derivative financial liabilities	201,626	200,093
Financial assets sold under repurchase agreements	92,653,144	91,504,338
Bonds payable	22,009,246	32,353,680
Lease liabilities	166,891	156,413
Total current liabilities	<u>241,261,051</u>	<u>211,421,345</u>
Net current assets	<u>115,037,595</u>	<u>95,119,117</u>
Total assets less current liabilities	<u>153,374,418</u>	<u>131,210,512</u>
<b>Non-current liabilities</b>		
Financial liabilities at fair value through profit or loss	123,161	–
Accrued staff costs	1,917,766	1,757,619
Bonds payable	67,740,617	50,325,973
Lease liabilities	373,394	361,271
Total non-current liabilities	<u>70,154,938</u>	<u>52,444,863</u>
Net assets	<u>83,219,480</u>	<u>78,765,649</u>
<b>Capital and reserves</b>		
Share capital	7,621,088	7,621,088
Capital reserve	31,681,095	31,679,184
Investment revaluation reserve	1,126,377	1,100,572
General reserves	21,438,356	19,235,648
Retained profits	21,352,564	19,129,157
Total equity	<u>83,219,480</u>	<u>78,765,649</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

71. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Movement in the Company's reserves

*Capital reserve*

**As at 31 December 2020**

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Share premium	31,679,003	–	31,679,003
Others	181	1,911	2,092
	<u>31,679,184</u>	<u>1,911</u>	<u>31,681,095</u>

**As at 31 December 2019**

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Share premium	31,679,003	–	31,679,003
Others	181	–	181
	<u>31,679,184</u>	<u>–</u>	<u>31,679,184</u>

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
<b>Investment revaluation reserve</b>		
At beginning of the year	1,100,572	640,256
Equity instruments at fair value through other comprehensive income:		
Revaluation gains on equity instruments at fair value through other comprehensive income	238,250	593,104
Income tax impact	(59,563)	(148,276)
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the year	(80,093)	13,849
Reclassification adjustment to profit or loss on disposal	(267,252)	(200,991)
Changes in allowance for expected credit losses	143,502	207,793
Income tax impact	50,961	(5,163)
At end of the year	<u>1,126,377</u>	<u>1,100,572</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

71. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Movement in the Company's reserves – *continued*

*General reserve*

**As at 31 December 2020**

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	6,160,001	734,039	6,894,040
Discretionary reserve	169,428	–	169,428
Reserve for general risk	6,553,692	734,630	7,288,322
Transaction risk reserve	6,352,527	734,039	7,086,566
	<u>19,235,648</u>	<u>2,202,708</u>	<u>21,438,356</u>

**As at 31 December 2019**

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	5,567,062	592,939	6,160,001
Discretionary reserve	169,428	–	169,428
Reserve for general risk	5,960,351	593,341	6,553,692
Transaction risk reserve	5,759,588	592,939	6,352,527
	<u>17,456,429</u>	<u>1,779,219</u>	<u>19,235,648</u>

*Retained profits*

	As at 31.12.2020 RMB' 000	As at 31.12.2019 RMB' 000
At beginning of the year	19,129,157	16,719,479
Profit for the year	7,093,496	5,713,114
Appropriation to general reserves	(2,202,708)	(1,779,219)
Dividends recognised as distribution	(2,667,381)	(1,524,217)
At end of the year	<u>21,352,564</u>	<u>19,129,157</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 72. OUTSTANDING LITIGATIONS

As at 31 December 2020 and 31 December 2019, the Group was involved as a defendant in certain lawsuits with claim amounts of approximately RMB74.92 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.

### 73. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (1) On 14 January 2021, the Company completed the issuance of 393-day non-public corporate bonds 21GF01 (Security Code: 114899) amounting to RMB3.70 billion, with an annual interest rate of 3.43%.
- (2) On 27 January 2021, the Company completed the issuance of 392-day non-public corporate bonds 21GF02 (Security Code: 114911) amounting to RMB3.00 billion, with an annual interest rate of 3.50%.
- (3) On 5 February 2021, the Company completed the issuance of a 75-day short-term financing bill 21GFCP001BC (Security Code: 072100023) amounting to RMB3.00 billion, with an annual interest rate of 2.90%.
- (4) In accordance with the 2020 profit distribution plan approved by the board of directors on 29 March 2021, the Company proposed cash dividends of RMB4.50 per 10 shares (inclusive of tax) to shareholders based on the number of shares held as at the record date. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 74. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2021.