
OUR RELATIONSHIP WITH GALAXY FINANCIAL HOLDINGS

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As of the Latest Practicable Date, Galaxy Financial Holdings was interested in approximately 89.40% of our issued share capital. Immediately following completion of the Global Offering, Galaxy Financial Holdings will be interested in approximately 70% of our enlarged issued share capital assuming the Over-allotment Option is not exercised (or approximately 67% if the Over-allotment Option is fully exercised).

Galaxy Financial Holdings was established on August 8, 2005 with a registered capital of RMB7 billion. It is an investment holding company with a business scope covering investment and management of securities, funds, insurance, trust and banking. In addition to its investment in our Company, as of the Latest Practicable Date, the principal investments of Galaxy Financial Holdings also included approximately 62.69% of the equity interest in Galaxy Insurance Brokerage, 50.00% of the equity interest in Galaxy Fund Management and 51.00% of the equity interest in Galaxy Dahua.

As of the Latest Practicable Date, Galaxy Financial Holdings was owned as to approximately 78.57% by Huijin and approximately 21.43% by Ministry of Finance. Huijin is a wholly state-owned limited liability company incorporated on December 16, 2003 in accordance with PRC laws, and mandated by the PRC government to invest in and hold shares in state-owned major financial institutions. It exercises the rights and assumes the obligations of an investor in such financial institutions on behalf of the PRC government, and implements policies of the PRC government with respect to the reforms of state-owned financial institutions. Huijin does not engage in any commercial operations.

Galaxy Insurance Brokerage

As of the Latest Practicable Date, Galaxy Financial Holdings held approximately 62.69% of the equity interest in Galaxy Insurance Brokerage. Galaxy Insurance Brokerage is principally engaged in the insurance brokerage business in the PRC, covering (without limitation) formulation of insurance plans, selection of insurers and processing of insurance policies for policyholders. As at December 31, 2012, Galaxy Insurance Brokerage had total assets of approximately RMB57.98 million and net assets of approximately RMB56.92 million. The total revenue of Galaxy Insurance Brokerage for the year ended December 31, 2012 was approximately RMB8.79 million and its net profit for that period was approximately RMB4.41 million. We confirm there is no overlap between the board and senior management of Galaxy Insurance Brokerage and the Group.

The scope of business of Galaxy Insurance Brokerage does not include securities brokerage, investment banking or investment management business. Accordingly, we consider there is no competition between our current securities business and the insurance brokerage business of Galaxy Financial Holdings. On December 26, 2012, we were approved by the CSRC Beijing Bureau to engage in agency sale of financial products. The scope of financial products we can distribute includes, amongst others, insurance products. The business of agency sale of insurance products is distinct from the insurance brokerage business. The business of agency sale of financial products of a securities company is subject to the approval and regulation of the CSRC, while the insurance brokerage business is subject to the approval and regulation of the China Insurance Regulatory Commission. The insurance sales agents sell insurance products for and on behalf of insurance companies while the insurance brokerage companies primarily engage in formulation of insurance plans, introduction of insurance for the policyholders and provision of other services, but they do not engage in the sale of insurance products. Thus, if, in future, we decide to commence our agency sale of insurance products

OUR RELATIONSHIP WITH GALAXY FINANCIAL HOLDINGS

business, there will be no competition between our business and the business of Galaxy Insurance Brokerage. On March 23, 2013, Galaxy International Wealth Management was admitted as a member of the Professional Insurance Brokers Association of Hong Kong. Galaxy International Wealth Management is eligible and intends to carry out the insurance brokerage business in Hong Kong while Galaxy Insurance Brokerage engages in the insurance brokerage business in the PRC. Due to geographical segregation, there is no competition between the insurance brokerage business of Galaxy Insurance Brokerage and that of Galaxy International Wealth Management. Galaxy Financial Holdings has no intention to inject the insurance brokerage business to our Group as it does not compete with our business.

Galaxy Fund Management

As of the Latest Practicable Date, Galaxy Financial Holdings held 50.00% of the equity interest in Galaxy Fund Management. Galaxy Fund Management is principally engaged in public offering of funds, sale of funds and asset management. As at December 31, 2012, Galaxy Fund Management had total assets of approximately RMB350.6 million and net assets of approximately RMB302.2 million. The total revenue of Galaxy Fund Management for the year ended December 31, 2012 was approximately RMB205.2 million and its net profit for that period was approximately RMB33.1 million. We confirm there is no overlap between the board and senior management of Galaxy Fund Management and the Group. Galaxy Fund Management provides fund management services mainly to publicly-raised funds as well as some targeted clients.

We believe that there is no competition between our asset management business and the publicly-raised fund management business of Galaxy Fund Management. Our asset management business and the management of publicly-raised funds under Galaxy Fund Management are regulated by different regulatory authorities and under different PRC laws and regulations and require different licenses. The publicly raised-fund management business of a fund management company is mainly regulated by the fund regulation departments of the CSRC and its local branch offices. In respect of the publicly-raised fund management business, a fund management company shall obtain the fund management qualification certificate and comply with the Securities Investment Funds Law of the People's Republic of China (中華人民共和國證券投資基金法) and the Measures for the Administration of Securities Investment Fund Management Companies (證券投資基金管理公司管理辦法). On the other hand, the asset management business of a securities company is mainly regulated by the institution regulation departments of the CSRC and its local branch offices. In respect of the asset management business, a securities company shall obtain permits for operating the securities business and comply with the Administrative Measures on Client Asset Management of Securities Companies (證券公司客戶資產管理業務管理辦法), the Implementation Rules of the Collective Asset Management Business of Securities Companies (證券公司集合資產管理業務實施細則) and the Implementation Rules for the Targeted Asset Management Business of Securities Companies (證券公司定向資產管理業務實施細則). Therefore the regulatory environment and business model are distinctive between Galaxy Fund Management and the Group.

As for client base, our current asset management business principally focuses on collective asset management schemes and targeted asset management schemes. Pursuant to the relevant PRC regulations, for a restrictive collective asset management scheme, the subscription amount of a single client shall not be less than RMB50,000, for a non-restrictive collective asset management scheme, the subscription amount of a single client shall not be less than RMB100,000 while for a targeted asset management scheme, the net value of the assets invested by a single client shall not be less than

OUR RELATIONSHIP WITH GALAXY FINANCIAL HOLDINGS

RMB1,000,000. However, there is no such restriction in respect of the subscription of the publicly-raised funds. Therefore, management services of publicly-raised funds provided by Galaxy Fund Management and our asset management business are different in terms of client base.

In respect of business promotion and sales channel, Galaxy Fund Management is allowed to publicly advertise its funds. However, the relevant PRC laws prohibit the public advertisement of our asset management products and, therefore, they are mainly promoted and distributed through our branches and agency banks.

Galaxy Fund Management started to provide fund management services to targeted clients following an approval granted by the CSRC in December 2011. The revenue generated from fund management for targeted clients under Galaxy Fund Management only represented an insignificant portion of its total revenue. As at December 31, 2012, the revenue generated from this specific business segment only amounted to approximately RMB1.10 million, representing approximately 0.6% of the total management fee income of Galaxy Fund Management for the same period.

Furthermore, our asset management business currently accounts for an insignificant contribution to our total revenue. As at December 31, 2010, 2011 and 2012, revenue and other income from our asset management business accounted for only approximately 0.7%, 0.5% and 0.8% of our total revenue and other income, respectively. For reasons stated above, we believe that there is no substantive competition between the business of Galaxy Fund Management and our asset management business.

Currently Galaxy Financial Holdings has no intention to inject its equity interest in Galaxy Fund Management into our Group as there is no substantive competition between the business of Galaxy Financial Holdings and our business. Galaxy Financial Holdings has undertaken that if our future business competes with its business, it will comply with the relevant regulatory requirements and abide by the non-competition undertaking it provided on October 29, 2012. Galaxy Financial Holdings has further agreed that, if, in future, the Group engages in publicly-raised fund management business, it will take necessary measures to avoid the situation where the future publicly-raised fund management business of the Group is impeded by the competition issues.

Galaxy Dahua

As of the Latest Practicable Date, Galaxy Financial Holdings held 51.00% of the equity interest of Galaxy Dahua. The scope of business of Galaxy Dahua includes agency management of private equity investment funds, investment and financing management as well as related consulting services. As at December 31, 2012, Galaxy Dahua had total assets of approximately RMB2.2 million and net assets of approximately RMB1.9 million. On June 26, 2012, Galaxy Dahua established Galaxy Dahua Low Carbon Industry (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (銀河達華低碳產業(天津)股權投資基金合夥企業(有限合夥)) (“Galaxy Dahua Low Carbon Industry Fund”). The subscribed amount of the fund was approximately RMB556 million. As at December 31, 2012, the paid-in capital was RMB30 million. Up to the Latest Practicable Date, Galaxy Dahua has not made any external investments in any forms. We confirm there is no overlap between the board and senior management of Galaxy Dahua and our Group.

Galaxy Dahua was established upon the approval of CSRC and the People’s Government of Tianjin City. The People’s Government of Tianjin City required expressly in the Letter Regarding the Approval of the Establishment of Galaxy Dahua Low Carbon Industry Fund that Galaxy Dahua Low

OUR RELATIONSHIP WITH GALAXY FINANCIAL HOLDINGS

Carbon Industry Fund shall be mainly used for the investment in the low carbon-related enterprises in Tianjin and support their development. We conducted equity investment business through Galaxy Capital. Galaxy Capital generally makes private equity investments as a financial investor and seeks to exit from its investments and capture capital appreciation and returns through share transfers or IPOs. As of December 31, 2012, we held equity interests in eight private companies in the manufacturing, consumer products, telecommunications, culture and mining industries with a total investment of approximately RMB442 million. Currently, we have no intention to invest in the low carbon industry in Tianjin. As the investment target and investment industry of Galaxy Dahua are different from those of our private equity investment business, we consider there is no competition between the business of Galaxy Dahua and our business. As such, Galaxy Financial Holdings has no intention to inject its equity interests in Galaxy Dahua into our Group.

NON-COMPETITION UNDERTAKING FROM GALAXY FINANCIAL HOLDINGS

In order to avoid any potential competition, Galaxy Financial Holdings has provided a non-competition undertaking in favor of our Company on October 29, 2012. Pursuant to the non-competition undertaking, Galaxy Financial Holdings has confirmed to us that neither itself nor its controlled entities (the “Controlled Entities,” excluding our Group) are engaging or participating, in whatever manner, in any businesses or activities that compete or may compete directly or indirectly with our business within or outside of the PRC, and Galaxy Financial Holdings has undertaken to us that it and its Controlled Entities will not, whether within or outside of the PRC and whether on its own or jointly with other parties, directly or indirectly engage or participate in or support any party to engage or participate in whatever manner (including but not limited to investment, merger and acquisition, joint venture, joint equity, cooperation, partnership, contracted or lease operation, purchase of shares of listed companies or equity participation), in any businesses or activities that compete or may compete with our business.

Galaxy Financial Holdings has further undertaken to us that in the event it or its Controlled Entities come across any business opportunity that falls within or is similar to our business, Galaxy Financial Holdings will forthwith inform us of such business opportunity, and we shall be given the first right of refusal to pursue such business opportunity. Where we determine to pursue such business opportunity, Galaxy Financial Holdings has undertaken that it or its Controlled Entities will not engage in the same business, and will provide us with all necessary assistance to comply with relevant disclosure requirements in accordance with applicable laws, regulations, rules of the stock exchange where the Shares are listed and such other requirements of regulatory authorities.

In addition to the above, Galaxy Financial Holdings has undertaken to us that if it or its Controlled Entities become aware of any acquisition opportunity relating to the same or similar business as our Company, it will forthwith notify us of such opportunity and our Company shall be given the first right of refusal to pursue such acquisition opportunity. Galaxy Financial Holdings has also undertaken to us that it and its Controlled Entities will relinquish their right to pursue any acquisition opportunity that has been referred to and taken up by us.

Galaxy Financial Holdings has undertaken that it and its Controlled Entities will not, whether within or outside of the PRC and in whatever manner, support any parties other than us to engage in any business that compete or may compete with our business. In addition, Galaxy Financial Holdings will not prejudice the interests of our Company or our other Shareholders by taking advantage of its position as the controlling shareholder of our Company.

OUR RELATIONSHIP WITH GALAXY FINANCIAL HOLDINGS

NON-COMPETITION UNDERTAKING FROM HUIJIN

In support of the Listing, Huijin has also undertaken to us on November 30, 2012, that:

- (a) so long as Huijin is being treated as the actual controller of our Company or a connected person of an actual controller of our Company by any laws or listing rules of the PRC or places where our Shares are listed (if our Shares are listed and traded), it will not engage or participate in any competing securities business within or outside of the PRC; where Huijin has participated in or conducted any competing securities business or any business or activity that has since evolved into a competing securities business anywhere within or outside of the PRC, Huijin will immediately cease its participation in or management or operation of such competing securities business;
- (b) if Huijin obtains any governmental approval, authorization or license to operate securities business directly, or obtains any other business opportunity to operate securities business, Huijin undertakes to forthwith relinquish such approval, authorization or license, and will not engage in any securities business;
- (c) notwithstanding the aforesaid undertakings (a) and (b), Huijin, as a state-owned investment company established by the PRC central government to engage in investments in the financial industry, may, through other companies in which it invests, engage or participate in competing securities business in any form (including but not limited to sole proprietorship, joint venture, cooperative operation and direct or indirect holding of shares or other interests of companies or enterprises) within or outside of the PRC; and
- (d) as a state-owned investment company established by the PRC central government that engages in investments in the financial industry, Huijin will treat the securities companies in which it invests equally, and will not grant or provide to any such securities companies any government approvals, authorizations or licenses or business opportunities with respect to the operation of securities business it has obtained or may obtain. In addition, it will not make use of its status as an actual controller of our Company or the information it has received due to such status to make any decisions or judgments to the disadvantage of our Company and to the advantage of other securities companies in which it invests, and shall avoid the occurrence of such objective consequence. In exercising its rights as an actual controller of our Company, Huijin will, as if our Company were the only securities company in which it invests, exercise the rights of an actual controller for the greatest or best interests of our Company, and will not, as a result of its investments in other securities companies, affect the exercise of its business judgments upon us as an actual controller of our Company for the greatest or best interests of our Company.

INDEPENDENCE FROM GALAXY FINANCIAL HOLDINGS

We believe that after the Global Offering, we will operate independently of Galaxy Financial Holdings and its associates:

Management Independence

Currently, five of the eleven members of our Board also hold offices with Galaxy Financial Holdings. Mr. Chen Youan holds office as chairman and director of Galaxy Financial Holdings. Mr. Gu Weiguo (“Mr. Gu”) and Mr. Li Chenghui both hold offices as directors with Galaxy Financial Holdings. Mr. Xu Guoping holds office as director and deputy general manager of Galaxy Financial

OUR RELATIONSHIP WITH GALAXY FINANCIAL HOLDINGS

Holdings. Ms. Qi Xiaoli holds office as deputy supervisor of the working committee of China Financial Industry Labour Union set up under Galaxy Financial Holdings.

Galaxy Financial Holdings is an investment holding company. Therefore, the above Directors do not expect that their respective positions with Galaxy Financial Holdings will take up a substantial amount of their time. They will be able to devote sufficient time to the management of our Company.

Where the relevant Directors are required to abstain from voting at our Board meetings in respect of matters that may give rise to any potential conflict of interest between us and Galaxy Financial Holdings, we believe that the remaining six Directors have sufficient relevant industry knowledge and experience to make decisions for us.

Other than Mr. Gu, all of the above Directors are non-executive Directors and are not involved in our day-to-day management. In addition, apart from Mr. Gu, none of the other senior management of our Company serves as a director or holds any other management positions in Galaxy Financial Holdings. Based on the above, and taking into account the fact that the connected transactions between us and Galaxy Financial Holdings are relatively immaterial and there is no substantive competition between our current business and the business of Galaxy Financial Holdings, we believe that the Board and our management are sufficiently independent of Galaxy Financial Holdings and its associates.

Operational Independence

We are engaged in businesses that are independent of those operated by Galaxy Financial Holdings and its associates. We have obtained the relevant qualifications and licenses, independent operating premises, trademarks, domain names and electronic information systems needed for our businesses.

In addition, we have established internal organizational and management structure including Shareholders' meeting, Board of Directors, Supervisory Committee and other committees, and have formulated terms of reference of these bodies in accordance with the requirements of the Company Law, other relevant laws and regulations and the Articles of Association, for the purpose of establishing a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities. We have autonomy in setting up institutions and there is no operational overlap between our Company and Galaxy Financial Holdings. Therefore, we operate independently of Galaxy Financial Holdings.

Financial Independence

As at the Latest Practicable Date, there was no outstanding loan granted by Galaxy Financial Holdings or any of its associates to us and there is no guarantee provided for our benefit by Galaxy Financial Holdings or any of its associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations.

We have established an independent finance department with a team of independent financial staff, as well as a sound and independent audit system, a standardized financial and accounting system and a comprehensive financial management system. We can make financial decisions independently. We have opened basic accounts with banks independently and do not share any bank account with Galaxy Financial Holdings. We have made tax filings and paid tax independently of Galaxy Financial Holdings pursuant to applicable laws and regulations. Therefore, we are financially independent of Galaxy Financial Holdings.